Quarterly Financial Report

Containing:

- Independent auditor’s review report
- Interim condensed consolidated financial statements
  as at and for the nine-month period ended September 30, 2008

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SUPERVISORY BOARD OF NETIA S.A.

1. We have reviewed the attached interim condensed consolidated balance sheet of Netia S.A. ('the Group') as at 30 September 2008 and the related interim condensed consolidated income statement, interim condensed consolidated cash flow statement, interim condensed consolidated statement of changes in equity for the 9 months period then ended and the interim condensed consolidated summary of significant accounting policies and other explanatory notes ('the attached interim condensed consolidated financial statements').

2. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard applicable to interim financial reporting ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

3. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4. Based on our review, nothing has come to our attention that causes us to believe that the attached interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

5. The convenience translations are disclosed as part of the interim condensed consolidated financial statements. The convenience translation for the 9 months period ended September 30, 2008 has been presented in Euros, as a matter of arithmetic computation using the official rate of the National Bank of Poland at September 30, 2008 of PLN 3.4083 to EUR 1.00. We have not reviewed these translations and accordingly we do not report 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 Euro at this rate or at any other rate.

Ernst & Young Audit Sp. z o.o.

Warsaw,
12 November 2008

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the nine-month period ended September 30, 2008

Index to the interim condensed consolidated financial statements

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
as at September 30, 2008

(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2007 (PLN)	September 30, 2008 (PLN)	Convenience Translation September 30, 2008 (EUR)
ASSETS				
Non-current assets				
Property, plant and equipment, net	4	1,408,597	1,376,389	403,834
Intangible assets		267,946	395,196	115,951
Investments in associates	6	150,435	-	-
Deferred income tax assets		2,162	563	165
Available for sale financial assets		10	4,938	1,449
Long term receivables		250	277	81
Other financial assets		-	1,227	360
Prepaid expenses and accrued income		5,667	15,686	4,603
Total non-current assets		**1,835,067**	**1,794,276**	**526,443**
Current assets				
Inventories		2,903	3,778	1,108
Trade and other receivables		127,339	171,692	50,375
Current income tax receivables		22	34	10
Prepaid expenses and accrued income		10,899	17,872	5,244
Restricted cash		-	2,873	843
Cash and cash equivalents		57,700	232,736	68,285
		198,863	**428,985**	**125,865**
Assets classified as held for sale		36,721	36,943	10,839
Total current assets		**235,584**	**465,928**	**136,704**
Total assets		**2,070,651**	**2,260,204**	**663,147**

Mirosław Godlewski
President of the Company

Bertrand Le Guern
Member of the Management Board

Jonathan Eastick
Member of the Management Board
Chief Financial Officer

Piotr Nesterowicz
Member of the Management Board

Tom Ruhan
Member of the Management Board

Warsaw, Poland
November 12, 2008

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

(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2007 (PLN)	September 30, 2008 (PLN)	Convenience Translation September 30, 2008 (EUR)
EQUITY				
Share capital		389,277	389,277	114,214
Share premium		1,641,398	1,556,489	456,676
Other supplementary capital associated with former associate		40,102	-	-
Other reserves		14,251	22,704	6,661
Retained earnings		(356,759)	(31,149)	(9,139)
Total equity		**1,728,269**	**1,937,321**	**568,412**
LIABILITIES				
Non-current liabilities				
Borrowings	8	87,344	-	-
Provisions		97	-	-
Deferred income		8,567	7,901	2,318
Deferred income tax liabilities		1,954	15,005	4,402
Other financial liabilities		-	340	100
Other long term liabilities		3,454	3,284	963
Total non-current liabilities		**101,416**	**26,530**	**7,783**
Current liabilities				
Trade and other payables		219,486	268,793	78,866
Borrowings	8	7,397	-	-
Current income tax liabilities		154	31	9
Provisions		562	2,080	610
Financial guarantee contract		435	-	-
Deferred income		12,932	25,449	7,467
Total current liabilities		**240,966**	**296,353**	**86,952**
Total liabilities		**342,382**	**322,883**	**94,735**
Total equity and liabilities		**2,070,651**	**2,260,204**	**663,147**

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended September 30, 2007 (PLN)	Nine-month period ended September 30, 2007 (PLN)	Three-month period ended September 30, 2008 (PLN)	Nine-month period ended September 30, 2008 (PLN)	Convenience Translation Nine-month period ended September 30, 2008 (EUR)
Revenue		191,569	569,829	271,159	743,338	218,096
Revenue generated by group of assets held for sale	3	13,990	45,702	-	8,774	2,574
Total revenue		**205,559**	**615,531**	**271,159**	**752,112**	**220,670**
Cost of sales		(159,444)	(468,470)	(197,439)	(570,790)	(167,472)
Gross profit		**46,115**	**147,061**	**73,720**	**181,322**	**53,198**
Selling and distribution costs		(54,279)	(135,815)	(65,279)	(182,896)	(53,661)
General and administration costs		(35,629)	(106,826)	(34,432)	(101,650)	(29,823)
Other income		6,704	36,317	2,520	6,090	1,787
Other expenses		-	(4,764)	(22)	(73)	(21)
Other gains / (losses), net		1,375	5,154	779	12,184	3,575
Operating loss		**(35,714)**	**(58,873)**	**(22,714)**	**(85,023)**	**(24,945)**
Finance income		339	3,349	3,696	8,414	2,469
Finance costs		(42)	(103)	592	(11,449)	(3,359)
Gain on sale of an associate	6	-	-	(46)	353,381	103,682
Share of losses of former associates		(43,733)	(112,345)	-	(22,625)	(6,638)
Profit / (Loss) before income tax		**(79,150)**	**(167,972)**	**(18,472)**	**242,698**	**71,209**
Income tax charge		(1,393)	(1,383)	(114)	(1,997)	(586)
Profit / (Loss)		**(80,543)**	**(169,355)**	**(18,586)**	**240,701**	**70,623**
Attributable to:						
Equity holders of the Company		(80,642)	(169,582)	(18,586)	240,701	70,623
Minority interest		99	227	-	-	-
		(80,543)	**(169,355)**	**(18,586)**	**240,701**	**70,623**
Earnings per share for profit / (loss) attributable to the equity holders of the Company (expressed in PLN per share)						
- basic		(0.21)	(0.44)	(0.05)	0.62	0.18
- diluted		(0.21)	(0.44)	(0.05)	0.62	0.18

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

(All amounts in thousands, except as otherwise stated)

	Note	Attributable to the Company's equity holders					Minority interest	Total equity
			Supplementary capital					
		Share capital	Share premium	Other supplementary capital associated with former associate	Other reserves	Retained earnings		
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2007		**389,168**	**1,666,216**	**143,218**	**29,644**	**(283,248)**	**6,902**	**1,951,900**
Cash flow hedges, net of tax		-	-	-	(563)	-	-	(563)
Dilution gain in associate		-	-	40,102	-	-	-	40,102
Difference between purchase price and book value of minority		-	-	-	-	(39)	-	(39)
Net income / (expense) recognised directly in equity		-	-	40,102	(563)	(39)	-	39,500
Profit / (Loss)		-	-	-	-	(169,582)	227	(169,355)
Total recognised income / (expense) for the period		**-**	**-**	**40,102**	**(563)**	**(169,621)**	**227**	**(129,855)**
Employee share option scheme:								
- value of services provided		-	-	-	9,245	-	-	9,245
- issuance of series K shares		109	215	-	(324)	-	-	-
Cost of issuance		-	(73)	-	-	-	-	(73)
Transactions with minorities		-	-	-	-	-	(661)	(661)
Coverage of Netia's 2006 loss		-	(24,960)	(143,218)	(28,162)	196,340	-	-
Balance as at September 30, 2007		**389,277**	**1,641,398**	**40,102**	**9,840**	**(256,529)**	**6,468**	**1,830,556**

	Note	Attributable to the Company's equity holders					Minority interest	Total equity
			Supplementary capital					
		Share capital	Share premium	Other supplementary capital associated with former associate	Other reserves	Retained earnings		
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2008		**389,277**	**1,641,398**	**40,102**	**14,251**	**(356,759)**	**-**	**1,728,269**
Cash flow hedges		-	-	-	(284)	-	-	(284)
Dilution gain in associate	3	-	-	9,530	-	-	-	9,530
Net income / (expense) recognised directly in equity		-	-	9,530	(284)	-	-	9,246
Profit		-	-	-	-	240,701	-	240,701
Total recognised income / (expense) for the period		**-**	**-**	**9,530**	(284)	**240,701**	**-**	**249,947**
Employee share option scheme:								
- value of services provided	7	-	-	-	8,312	-	-	8,312
Sale of investment in associate	6	-	-	(49,632)	425	-	-	(49,207)
Coverage of Netia's 2007 loss	7	-	(84,909)	-	-	84,909	-	-
Balance as at September 30, 2008		**389,277**	**1,556,489**	**-**	**22,704**	**(31,149)**	**-**	**1,937,321**

(All amounts in thousands, except as otherwise stated)

	Note	Nine-month period ended September 30, 2007	Nine-month period ended September 30, 2008	Convenience Translation Nine-month period ended September 30, 2008
		(PLN)	(PLN)	(EUR)
Cash flows from operating activities:				
Profit / (Loss)		**(169,355)**	**240,701**	**70,623**
Adjustments for:				
Depreciation and amortization		211,878	198,088	58,119
Impairment charges for specific individual assets		-	73	21
Share of losses of former associates	6	112,345	22,625	6,638
Deferred income tax charge		999	1,621	476
Interest expense accrued on credit facility		-	7,040	2,066
Other interest accrued		-	301	88
Financial guarantee contract		(5,707)	(435)	(128)
Interest accrued on loans granted		(34)	(20)	(6)
Share-based compensation		9,245	8,312	2,439
Fair value gains / (losses) on financial assets / liabilities		(21)	(197)	(58)
Fair value adjustments on other receivables		-	(184)	(54)
Foreign exchange losses		52	2,640	776
Gain on sale of an associate		-	(353,381)	(103,682)
Gain on disposal of group of assets		-	(5,093)	(1,494)
Gain on disposal of fixed assets		(1,585)	(5,990)	(1,757)
Decrease of purchase consideration		(1,940)	-	-
Changes in working capital		30,520	(9,617)	(2,823)
Net cash provided by operating activities		**186,397**	**106,484**	**31,244**
Cash flows from investing activities:				
Purchase of fixed assets and computer software		(177,576)	(187,361)	(54,972)
Proceeds from sale of fixed assets		4,778	8,242	2,419
Proceeds from sale of group of assets		-	6,000	1,760
Investment in former associate	6	(101,106)	(8,124)	(2,384)
Proceeds from sale of an associate	6	-	453,770	133,137
Purchase of subsidiaries, net of cash received	5, 10	(27,238)	(98,708)	(28,961)
Sale of financial assets at fair value through profit and loss		14,777	-	-
Loan and interest repayments		208	392	115
Net cash used in / provided by investing activities		**(286,157)**	**174,211**	**51,114**
Cash flows from financing activities:				
Cost of share issuance		(73)	-	-
Finance lease payments		(284)	(1,723)	(506)
Proceeds from borrowings		5,000	85,000	24,939
Loan repayments		-	(180,196)	(52,870)
Interest repayments		-	(5,814)	(1,706)
Redemption of notes for warrants		(1)	-	-
Net cash used in / provided by financing activities		**4,642**	**(102,733)**	(30,143)
Net change in cash and cash equivalents		**(95,118)**	**177,962**	**52,215**
Exchange gains on cash and cash equivalents		**(52)**	**(2,923)**	(858)
Cash and cash equivalents at beginning of period		143,586	57,697	16,928
Cash and cash equivalents at end of period		**48,416**	**232,736**	**68,285**

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

(All amounts in thousands, except as otherwise stated)

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 and domiciled in Poland with its principal executive office located at ul. Poleczki 13, 02-822 Warsaw, Poland. The Company and its subsidiaries (together, the "Netia Group") is the largest alternative fixed-line telecommunication operator in Poland.

The interim condensed consolidated financial statements of Netia S.A. for the nine-month period ended September 30, 2008 comprise the Company and its subsidiaries.

These interim condensed consolidated financial statements were approved for issuance by the Company's Management Board on November 12, 2008.

The parent company is entered in the Register of Entrepreneurs kept by the District Court, XIII Economic Department of the National Court Register, Entry No. KRS 0000041649. The parent company was granted statistical REGON number 011566374.

The parent company and other Group entities have an unlimited period of operation.

The Netia Group provides various voice telephony 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 and MPLS services. The Netia Group also offers wholesale services (including the wholesale termination of in-bound traffic, ducts, dark fiber and co-location services), services based upon intelligent networks (free phone, split charge and premium rate services) and provides broadband Internet access with ADSL technology.

On October 27, 2005 the Company's subsidiaries, Netia WiMax S.A. (merged with Netia in 2006) and Netia WiMax II S.A. (since November 2006 operating under the name "Netia WiMax S.A.", "Netia WiMax", merged with Netia in October 2008), received the reservation of the 3.6-3.8 GHz frequencies. Since 2006, the Netia Group has been using these frequencies to provide broadband data and voice transmission services based on WiMAX technology.

Taking advantage of the new opportunities arising from changes in the regulatory environment, the Company concluded a bitstream agreement with Telekomunikacja Polska S.A. ("TP SA") and commercially launched its broadband Internet access services over TP SA's network in January 2007. During the third quarter of 2007 the Company began offering Netia voice services to TP SA customers including the arrangement whereby the customer pays a monthly fee to Netia as well as the hitherto call by call charges. Netia in turn has to pay a line rental fee to TP SA under the Wholesale Line Rental (WLR) administrative decision issued by the UKE. During 2008 Netia has begun to install its own equipment in the TP SA network nodes using a form of regulated access called Local Loop Unbundling (LLU) and has begun connecting customers using this form of regulated access.

On September 15, 2008 the Company acquired Tele2 Polska Sp. z o.o. ("Tele2 Polska") (see Note 5), a company providing voice and broadband services Poland-wide on the basis of regulated access to the TP SA network, including WLR and BSA..

The Netia Group is also expanding the footprint of its own network and broadband customer base by acquiring local fast ethernet operators. During 2007, the Netia Group acquired 12 such operators with a total of 35,294 (not in thousands) active customers and a further 3 operators (see Note 5) were acquired during the nine months of 2008 with a total of 12,532 (not in thousands) customers.

To further broaden Netia's product offer, including convergent services, Netia started offering mobile services in September 2008. Netia provides its mobile service based on a Mobile Service Provider Agreement with P4 Sp. z o.o. ("P4"), enabling Netia to buy mobile services wholesale from P4 and resell them as Netia branded mobile services.

In April 2008 Netia sold its minority stake in mobile operator P4. Furthermore, in March 2008 the Company also disposed of its activities providing international voice termination services to foreign telecommunications operators.

The Netia Group is also engaged in the installation and supply of specialized mobile radio services (public trunking) in Poland through its subsidiary UNI-Net Sp. z o.o.

The Company's ordinary shares have been listed on the Warsaw Stock Exchange ("WSE") since July 2000. The Company's shares are currently a component of the mWIG40 index comprising companies of medium capitalization. The Company is subject to periodic reporting requirements under the Polish regulations regarding reporting for companies listed on the WSE.

Current financial condition

As at September 30, 2008, the Company's equity amounted to PLN 1,937,321 and the Netia Group had net cash and working capital of PLN 169,575. The Netia Group's strategy to expand its customer base primarily through provision of broadband services is expected to consume cash resources until 2010. As at September 30, 2008 the Netia Group had net cash available of PLN 232,736 and undrawn borrowing facilities of PLN 275,000. The Company paid EUR 31,385 for the acquisition of Tele2 Polska in September 2008 and an additional PLN 100,000 borrowing facility, available at the Company's option has been secured to fund the majority of this acquisition. 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 as otherwise stated)

2. Summary of significant accounting policies

Basis of preparation

Following European Union regulations, commencing January 1, 2005 Netia as a public company in Poland prepares consolidated financial statements, as required by the Accounting Act of September 29, 1994 (Journal of Laws of 2002, No. 76, item 694 with later amendments, "the Accounting Act") in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"). As of September 30, 2008 there are no differences regarding policies adopted by the Netia Group and applicable to its operations, between these standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements have been prepared in accordance 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, 2007, except for new accounting standards adopted as of January 1, 2008. These interim condensed consolidated financial statements do not include all the information and disclosures required in complete sets of financial statements and should be read in conjunction with the audited December 31, 2007 consolidated financial statements and the related notes.

Certain Group entities (acquired in 2008) keep books of accounts in accordance with accounting policies specified in the Accounting Act and regulations issued based on that Act ("Polish Accounting Standards"). The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

Items included in the financial statements of each of the Netia Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Złoty ("PLN"), which is the Company's functional and presentation currency.

All Euro amounts shown as supplementary information in the consolidated financial statements have been translated from PLN only as a matter of arithmetic computation using the official rate of the National Bank of Poland at September 30, 2008 of PLN 3.4083 to EUR 1.00. These amounts 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.

The interim condensed consolidated financial statements are prepared under the historic cost convention as modified by the revaluation of financial assets at fair value through profit and loss. However, until December 31, 1996, Poland was considered to be a hyperinflationary economy. The consolidated financial statements for the periods through that date were prepared under the historical cost convention as adjusted for the effects of inflation in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies". The inflated values in PLN at December 31, 1996 for balance sheet items became the new historical basis for subsequent periods.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. The Company makes estimates and assumptions concerning the future. The areas where assumptions and estimates are significant to the interim condensed consolidated financial statements include property, plant and equipment (estimation of the recoverable amount and economic useful lives), customer relationships (estimation of future economic benefits) and deferred income tax (estimation of future taxable profits).

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

The Netia Group has only one business segment – telecommunications and operates in one geographical area, which is the territory of Poland.

Neither the Company's nor the Netia Group's activities are subject to any significant seasonal or cyclical trends of operations.

Changes in estimates

In the nine-month period ended September 30, 2008 the Netia Group reassessed the useful lives of its property, plant and equipment and in consequence, for certain non-current assets the remaining period over which they will be depreciated was extended (in most cases) and depreciation rates were changed accordingly.

The following table summarizes main changes in these estimates:

Non-current assets	**Main changes in the period of depreciation / amortization**	**Increase / (Decrease) in the depreciation charge recognized in current period**	**Relevant decrease in the depreciation charge for the remaining period in 2008**
		(PLN)	**(PLN)**
Fixed telecommunications network	- useful lives of certain assets were extended until the end of 2009	(5)	(0)
Telecommunications equipment	- useful lives of certain assets were extended until the end of 2009,	(1,708)	(267)
	- useful lives of certain assets were shortened until September 2008,	2,535	157
Machinery and equipment	- useful lives of certain assets were extended until the end of 2009	(154)	12
Total non-current assets		**668**	**(98)**

New standards, interpretations and amendments to existing standards

The following new standards and interpretations are mandatory for the financial year ended December 31, 2008:

- IFRIC 11, 'IFRS 2: Group and Treasury Share Transactions', effective for annual periods beginning on or after March 1, 2007. The interpretation had no impact on the financial position of the the Netia Group's operations;

- IFRIC 12, 'Service Concession Arrangements', effective for annual periods beginning on or after January 1, 2008. The interpretation had no impact on the financial position of the the Netia Group's operations. This interpretation has not yet been endorsed by the EU;

- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', effective for annual periods beginning on or after January 1, 2008. The interpretation had no impact on the financial position of the the Netia Group's operations. This interpretation has not yet been endorsed by the EU;

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted:

- IFRIC 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after July 1, 2008. IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Management does not expect the interpretation to be relevant for the Netia Group. This interpretation has not yet been endorsed by the EU;

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a management approach to segment reporting. Management is currently assessing the impact of IFRS 8 on the Netia Group's financial statements;

- Revised IAS 23, 'Borrowing costs', effective for annual periods beginning on or after January 1, 2009. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets. The revised IAS 23 does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. Management do not expect the amendment to have a significant impact on the Netia Group's operations. This standard has not yet been endorsed by the EU;

- Revised IAS 1 "Presentation of Financial Statements" applicable for annual periods beginning on or after January 1, 2009. The changes made are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. Management is currently assessing the impact of the revised standard on the Netia Group's operations. This standard has not yet been endorsed by the EU;

- Revised IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" applicable for annual periods beginning on or after July 1, 2009. The revised standards bring a further development of the acquisition accounting model and compulsory adoption of the economic entity approach. Management is currently assessing the impact of the revised standard on the Netia Group's operations. This standard has not yet been endorsed by the EU;

- Revised IFRS 2 "Share-based payments" applicable for annual periods beginning on or after January 1, 2009. The revised standard clarifies terms 'vesting conditions' and 'cancellations'. Management is currently assessing the impact of the revised standard on the Netia Group's operations. This standard has not yet been endorsed by the EU;

- Revised IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" applicable for annual periods beginning on or after July 1, 2009. The revised IAS 32 addresses the classification of some puttable financial instruments, and instruments (or components of instruments), that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation standards. IAS 1 has been amended to require additional disclosures for puttable financial instruments classified as equity. Management is currently assessing the impact of the revised standard on the Netia Group's operations. This standard has not yet been endorsed by the EU;

- IFRIC 15, "Agreements for the Construction of Real Estate", effective for annual periods beginning on or after January 1, 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. Management does not expect the interpretation to be relevant for the Netia Group. This interpretation has not yet been endorsed by the EU;

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", effective for annual periods beginning on or after October 1, 2008. IFRIC 16 provides guidance on: (i) indentifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; (ii) where within the group the hedging instrument(s) can be held in the hedge of a net investment; and (iii) how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. Management is currently assessing the impact of IFRIC 16 on the Netia Group's operations. This interpretation has not yet been endorsed by the EU;

- Amendments to IFRS resulting from the annual improvements project, effective for annual periods beginning on or after January 1, 2009. Management is currently assessing the impact of the amendments on the Netia Group's operations. The amendments have not yet been endorsed by the EU;

(All amounts in thousands, except as otherwise stated)

- Amendment to IAS 39 ”Financial Instruments: Recognition and Measurement” - ”Eligible Hedged Items”, effective for annual periods beginning on or after July 1, 2009. Amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. Management is currently assessing the impact of the amendment on the Netia Group’s operations. This standard has not yet been endorsed by the EU;

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” - ”Reclassification of Financial Assets”, effective from July 1, 2008. An amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments have not yet been endorsed by the EU.

3. Significant one-off transactions recorded in the current interim period

Acquisition of Tele2 Polska

On June 29, 2008 Netia concluded an agreement to buy a 100% interest in Tele2 Polska, which was finalized on September 15, 2008. The results of Tele2 Polska were consolidated with effect from September 15, 2008. For further details see Note 5.

Sale of investment in associate

On April 30, 2008 the Company closed the transaction to sell its interest in P4 to Tollerton Investments Limited (“Tollerton”) and Novator Telecom Poland S.a.r.l. (“Novator”) (see Note 6), for the total price of EUR 131,795. The gain on this transaction recognized in the consolidated income statement for the nine-month period ended September 30, 2008 amounted to PLN 353,381.

Dilution gain in former associate

On February 1, 2008 the Company executed an annex (the “Annex”) to the Shareholders’ Agreement of P4 (see Note 6) in order to establish the basis upon which the shareholders would provide equity contributions to finance P4’s current operations in 2008. The Annex related to further equity contributions above the initial EUR 300,000 and applied to amounts of up to EUR 150,000 that might be contributed to P4 during 2008. Netia agreed to accept such share capital increases and not to subscribe for new equity itself before July 1, 2008.

As a result of Novator and Tollerton’s equity contributions to P4’s capital on February 5, 2008, the Netia Group’s interest in P4 decreased from 23.4% to 22.7%. A dilution gain of PLN 9,530 arising on these transactions was recorded directly in equity, during the nine-month period ended September 30, 2008.

During the nine-month period ended September 30, 2007, following the provisions of the investment agreement and the amended shareholders agreement (see Note 6), P4 increased its share capital in exchange for an in-kind contribution made by a new shareholder, Tollerton. A dilution gain of PLN 40,102, arising on that transaction was based on P4’s provisional fair valuation of the issued shares.

Sale of group of assets comprising Premium Internet S.A.’s IVT activities

On March 19, 2008 the Netia Group sold its wholesale international voice traffic termination (IVT) activities to Mediatel S.A. (“Mediatel”) for PLN 13,619, of which PLN 6,000 was settled in cash, PLN 2,000 shall be settled on December 31, 2008 and PLN 5,619 was the estimated fair value of shares issued by Mediatel and related “put” and “call” options. Mediatel acquired the IVT specific business assets, principally customer contracts, employees and telecommunications switching equipment, of the Company’s subsidiary Premium Internet S.A. whilst Netia retained the Premium Internet S.A. (“Premium Internet”) legal entity and its interconnection infrastructure, used both for IVT and for the provision of wholesale line rental voice and indirect access services to Netia’s retail customers.

The revenues and costs associated with the IVT activities recognized in this interim condensed consolidated income statement were as follows:

	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007	Three-month period ended September 30, 2008	Nine-month period ended September 30, 2008
	(PLN)	(PLN)	(PLN)	(PLN)
Data	4	11	-	5
Wholesale services	13,986	45,691	-	8,769
Total revenue	**13,990**	**45,702**	**-**	**8,774**
Cost of sales	(10,771)	(33,872)	-	(9,474)
Gross profit/ (loss)	**3,219**	**11,830**	**-**	**(700)**
Operating costs	(194)	(1,547)	-	(197)
Other gains / (losses), net	(131)	(169)	-	(50)
Profit/ (loss)	**2,894**	**10,114**	**-**	**(947)**

(All amounts in thousands, except as otherwise stated)

The gain on disposal of the IVT activities recognized in this interim condensed consolidated income statement was as follows:

	Nine-month period ended September 30, 2008
	(PLN)
Fair value of the sale transaction	13,619
Net book value of disposed property, plant and equipment	(5,327)
Net book value of disposed software	(24)
Net book value of disposed inventory	(304)
Provision for expected losses	(2,621)
Other transaction costs	(250)
Gain on disposal of a group of assets comprising Premium Internet's IVT activities	**5,093**
Income tax charge	(783)
Total gain	**4,310**

(All amounts in thousands, except as otherwise stated)

4. Property, plant and equipment

Current period:

	Buildings (PLN)	Land (PLN)	Fixed telecommunications network (PLN)	Telecommunications equipment (PLN)	Machinery and equipment (PLN)	Office furniture and equipment (PLN)	Vehicles (PLN)	Fixed assets under construction (PLN)	Total (PLN)
Gross book value as at January 1, 2008	31,893	3,380	1,916,212	1,723,266	96,223	114,671	12,203	130,083	4,027,931
Additions	25	-	551	824	435	1,387	78	122,000	125,300
Purchase of subsidiary	365	-	676	6,187	569	2,872	78	927	11,674
Transfers	3,183	170	29,921	112,588	6,516	3,970	-	(156,348)	-
Transfers to assets held for sale	(1,138)	-	(121)	(7,765)	(44)	(398)	(5)	(807)	(10,278)
Disposals	(175)	(101)	(380)	(114,899)	(319)	(2,823)	(2,912)	(520)	(122,129)
Other movements	48	-	6,263	(9,483)	2,539	323	-	(1)	(311)
Gross book value as at September 30, 2008	34,201	3,449	1,953,122	1,710,718	105,919	120,002	9,442	95,334	4,032,187
Accumulated depreciation as at January 1, 2008	15,577	-	653,274	723,207	56,053	93,809	5,084	-	1,547,004
Depreciation expense	1,446		50,936	97,358	4,430	4,725	1,354	-	160,249
Transfers to assets held for sale	(16)	-	-	(2,115)	(16)	(176)	(5)	-	(2,328)
Disposals	(74)	-	(11)	(83,403)	(257)	(2,428)	(2,322)	-	(88,495)
Other movements	(1)	-	1,001	(2,407)	1,412	101	1	-	107
Accumulated depreciation as at September 30, 2008	16,932	-	705,200	732,640	61,622	96,031	4,112	-	1,616,537
Accumulated impairment as at January 1, 2008	7,347	1,278	631,084	399,616	16,747	10,693	238	5,327	1,072,330
Impairment charge for specific assets								200	200
Transfers	31	1	83	2,651	137	24	-	(2,927)	-
Transfers to assets held for sale	(7)	-	-	(1,068)	(5)	(42)	-	(295)	(1,417)
Disposals	(55)	(41)	(21)	(30,931)	(12)	(304)	(208)	(5)	(31,577)
Other movements	-	-	294	(1,226)	780	54	-	(177)	(275)
Accumulated impairment as at September 30, 2008	7,316	1,238	631,440	369,042	17,647	10,425	30	2,123	1,039,261
Net book value as at January 1, 2008	8,969	2,102	631,854	600,443	23,423	10,169	6,881	124,756	1,408,597
Net book value as at September 30, 2008	**9,953**	**2,211**	**616,482**	**609,036**	**26,650**	**13,546**	**5,300**	**93,211**	**1,376,389**

(All amounts in thousands, except as otherwise stated)

4. Property, plant and equipment (cont'd)

Comparative period:

	Buildings (PLN)	Land (PLN)	Fixed telecommunications network (PLN)	Telecommunications equipment (PLN)	Machinery and equipment (PLN)	Office furniture and equipment (PLN)	Vehicles (PLN)	Fixed assets under construction (PLN)	Total (PLN)
Gross book value as at January 1, 2007	73,157	17,308	1,888,100	1,557,141	85,782	127,302	12,918	134,111	3,895,819
Additions	102	-	13	1,009	631	1,507	2	125,522	128,786
Purchase of subsidiary	47	-	-	2,809	-	115	54	848	3,873
Transfers	1,844	51	21,210	105,406	4,985	1,110	-	(134,606)	-
Transfers to non-current assets held for sale	(10)	(987)	298	-	(120)	-	-	(5)	(824)
Disposals	(1,774)	-	-	(66)	(1047)	(1,780)	(415)	(776)	(5,858)
Other movements	(16)	-	560	(3,207)	3,013	(244) -	-	(1,383)	(1,277)
Gross book value as at September 30, 2007	73,350	16,372	1,910,181	1,663,092	93,244	128,010	12,559	123,711	4,020,519
Accumulated depreciation as at January 1, 2007	20,478	-	587,898	582,734	50,180	101,649	4,082	-	1,347,021
Depreciation expense	2,346	-	49,097	114,787	3,695	4,885	1,429	-	176,239
Transfers to non-current assets held for sale	(2)	-	-	-	(21)	-	-	-	(23)
Disposals	(835)	-	-	(32)	926	(1,664)	(281)	-	(1,886)
Other movements	(7)	-	153	(1,341)	(452)	(190)	-	-	(1,837)
Accumulated depreciation as at September 30, 2007	21,980	-	637,148	696,148	54,328	104,680	5,230	-	1,519,514
Accumulated impairment as at January 1, 2007	16,477	5,108	629,552	388,517	15,080	12,736	305	22,994	1,090,769
Transfers	266	19	1,591	11,780	705	72	-	(14,433)	-
Transfers to non-current assets held for sale	(2)	(235)	-	-	(20)	-	-	-	(257)
Disposals	(363)	-	-	(7)	(35)	(104)	(18)	(138)	(665)
Other movements	(2)	-	192	(805)	687	(54)	-	(1,612)	(1,594)
Accumulated impairment as at September 30, 2007	16,376	4,892	631,335	399,485	16,417	12,650	287	6,811	1,088,253
Net book value as at January 1, 2007	36,202	12,200	670,650	585,890	20,522	12,917	8,531	111,117	1,458,029
Net book value as at September 30, 2007	**34,994**	**11,480**	**641,698**	**567,459**	**22,499**	**10,680**	**7,042**	**116,900**	**1,412,752**

(All amounts in thousands, except as otherwise stated)

5. Acquisitions

Current period:

On September 15, 2008 the Company finalised the purchase of 1,000 (not in thousand) shares in Tele2 Polska, of the nominal value of PLN 1.000, representing 100% of Tele2 Polska's share capital and conferring the right to 100% of the votes at the shareholders' meeting of Tele2 Polska. Upon closing of the transaction Netia paid EUR 31,385 in cash comprising EUR 29,100 for the enterprise and EUR 2,285 for net cash balances. The purchase consideration also reflects a future additional payment of up to EUR 4,800 dependent on Tele2 Polska performance during the 12 month period after closing and a further future payment for the difference between actual net cash and net working capital and their respective target levels (amounting to EUR 2,285 for net cash and EUR 1,600 for net working capital), estimated at PLN 24,394.

On September 17, 2008 Tele2 Polska purchased 63,524 (not in thousand) shares in the share capital of In2Loop Sp. z o.o („In2Loop"), which represent 100% of the share capital and confer the right to 100% of votes at its shareholders' meeting. The total price for the shares has been set at EUR 1.5. The shares ownership transfer was made as a consequence of a share purchase agreement concluded by Tele2 Polska with Tele2 Sverige AB on September 10, 2008 and this purchase of shares by Tele2 Polska was an auxiliary element of the purchase transaction by Netia of 100% shares in Tele2 Polska. Following the purchase of In2Loop's shares, Tele2 Polska controls one subsidiary.

During the nine-month period ended September 30, 2008 the Netia Group purchased the following internet service providers:

Company	**Date**	**Share capital acquired**	**Purchase price**
			(PLN)
Acquired by InterNetia, the Company's subsidary:			
Przedsiębiorstwo Informatyczne Punkt Sp. z o.o. ("Punkt")	February 18, 2008	100.0 %	6,701 *
Connect Systemy Komputerowe Sp. z o.o. ("Connect").	June 11, 2008	100.0 %	4,503
Cybertech Sp. z o.o. ("Cybertech").	June 27, 2008	100.0 %	3,975
Acquired by Lanet, the Company's subsidary:			
KOM-NET Systemy Komputerowe Piotr Szulc i Henryka Szulc Sp. z o.o. ("Kom-Net SK")	April 18, 2008	100.0 %	129
Total			**15,308**

* *The total price of all Punkt's shares has been set at PLN 5,126. This represents an equivalent of the value of Punkt's active customers as agreed with the sellers of PLN 4,173, increased by balances of the cash and cash equivalents held by Punkt, and decreased by Punkt's debt and overdue liabilities as at February 13, 2008. The purchase price may be increased up to PLN 6,701 in case of the fulfillment of certain conditions included in the related share purchase agreement and related to execution of certain transactions by Punkt's business partners.*

Punkt is a service provider offering broadband Internet access to residential clients in the town of Opole in the Silesian region of Southern Poland. Connect and Cybertech are service providers offering broadband Internet access to residential clients in the towns of Białystok and Suwałki in North-Eastern Poland. Kom-Net SK owns the rights of access to the telecommunications infrastructure in the city of Wrocław in the Southern Poland.

The Netia Group accounted for the acquisition of the acquired companies using the purchase method and started consolidating the financial statements as of the following dates:
- February 29, 2008 – Punkt,
- June 1, 2008 – Connect,
- June 30, 2008 – Cybertech,
- April 30, 2008 – Kom-Net SK
- September 15, 2008 – Tele2 Polska.

The consolidated statements of operations and the consolidated balance sheet were adjusted for material transactions, which took place between dates of acquisition and dates when the Netia Group began to consolidate financial statements of the acquired companies.

During the nine-month period ended September 30, 2008 the Netia Group performed a valuation of the acquired companies' assets, liabilities and contingent liabilities. In particular, the Netia Group assessed fair values of identifiable assets and liabilities according to IFRS and recorded a deferred income tax liability. Additionally, in the purchase price allocation process the Netia Group identified customer relationships as an intangible asset. The fair value of customer relationships was estimated using the excess earnings method. Further changes to the valuation may be introduced during the course of 12 months from the acquisition dates if additional information in respect of acquired assets, liabilities and contingent liabilities is obtained. Such additional information may include information related to pre-acquisition contingencies and calculation of the related deferred income taxes. The Netia Group will continue evaluating fair values of these assets, liabilities and contingent liabilities, which may result in further adjustments to the carrying amounts of identifiable net assets.

(All amounts in thousands, except as otherwise stated)

Details of provisional fair values of net assets acquired and goodwill as of the date of the acquisition are as follows:

	Purchase consideration, excluding transaction costs	**Transaction costs**	**Provisional fair values of net assets acquired**	**Goodwill adjustment**	**Goodwill**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Punkt	6,701	411	(3,495)	-	3,617
Connect	4,503	64	(2,146)	-	2,421
Cybertech	3,975	43	(2,286)	-	1,732
Kom-Net SK	129	-	(50)	-	79
Tele2 Polska Group	147,781	3,757	(93,373)	(1,617)	56,548
Total	**163,089**	**4,275**	**(101,350)**	**(1,617)**	**64,397**

The goodwill is based on provisional fair values of net assets acquired and is attributable to the significant synergies and economy of scale effects expected to arise after the Netia Group's acquisitions.

The assets and liabilities recognized in the consolidated balance sheet arising from the acquisition, as at the acquisition date, are as follows:

Acquiree's carrying amount	Punkt	Connect	Cybertech	Kom-Net SK	**Tele2 Polska Group**	**Total**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Property, plant and equipment	448	808	765	-	11,627	13,648
Other intangible assets	-	41	-	-	975	1,016
Deferred income tax asset	-	-	-	-	1,901	1,901
Inventories	38	3	36	-	42	119
Receivables	29	42	115	2	45,171	45,359
Prepayments	24	2	44	-	5,030	5,100
Restricted cash	-	-	-	-	2,110	2,110
Cash and cash equivalents	2,311	8	616	48	27,039	30,022
Borrowings	-	(196)	(140)	-	-	(336)
Trade liabilities	(139)	(52)	(94)	-	(18,628)	(18,913)
Other liabilities and accruals	(243)	(66)	(262)	-	(25,439)	(26,010)
Defferred income	(17)	-	-	-	(6,376)	(6,393)
Deferred income tax liabilities	-	-	-	-	(1,901)	(1,901)
Net assets acquired	**2,451**	**590**	**1,080**	**50**	**41,551**	**45,722**

Provisional fair value	Punkt	Connect	Cybertech	Kom-Net SK	**Tele2 Polska Group**	**Total**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Property, plant and equipment	448	808	765	-	9,653	11,674
Customer relationships	1,270	1,921	1,489	-	63,070	67,750
Other intangible assets	-	41	-	-	3,856	3,897
Deferred income tax asset	15			-	392	407
Inventories	38	3	36	-	42	119
Receivables	29	42	115	2	45,171	45,359
Prepayments	24	2	44	-	5,030	5,100
Restricted cash	-	-	-	-	2,110	2,110
Cash and cash equivalents	2,311	8	616	48	27,039	30,022
Borrowings	-	(196)	(140)	-	-	(336)
Trade liabilities	(139)	(52)	(94)	-	(18,628)	(18,913)
Other liabilities and accruals	(243)	(66)	(262)	-	(25,438)	(26,009)
Deferred income	(17)	-	-	-	(6,376)	(6,393)
Deferred income tax liabilities	(241)	(365)	(283)	-	(12,548)	(13,437)
Provisional fair value of net assets acquired	**3,495**	**2,146**	**2,286**	**50**	**93,373**	**101,350**

Cash outflow	Punkt	Connect	Cybertech	Kom-Net SK	**Tele2 Polska Group**	**Total**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Total purchase consideration settled in cash	(7,112)	(4,567)	(4,018)	(129)	(109,634)	(125,460)
Cash and cash equivalents in the subsidiary acquired	2,311	8	616	48	27,039	30,022
Bank overdraft	-	(117)	(24)	-	-	(141)
Cash outflow on acquisition (see Note 10)	**(4,801)**	**(4,676)**	**(3,426)**	**(81)**	**(82,595)**	**(95,579)**

(All amounts in thousands, except as otherwise stated)

The following table presents contributed revenues and profits / (losses) of the acquired businesses from the date of acquisitions (after taking into account intercompany eliminations), as well as the Netia Group's revenue and loss if the acquisitions had occurred on January 1, 2008.

Company	Revenue of the acquired business	Profit / (Loss) of the acquired business	Revenue of the Netia Group	Profit of the Netia Group
	(PLN)	(PLN)	(PLN)	(PLN)
Punkt	1,362	417	753,585	241,313
Connect	859	18	752,112	240,559
Cybertech	520	85	753,630	241,162
Kom-Net SK	-	(5)	752,112	240,079
Tele2 Polska	18,552	1,686	1,079,405	264,530
Total	**21,293**	**2,201**	**1,082,396**	**264,839**

The above investments are of a long-term nature.

Comparative period:

During the nine-month period ended September 30, 2007 the Netia Group purchased four internet service providers. Details of those transactions are specified below:

Company	Date	Share capital acquired	Purchase price
			(PLN)
Acquired by the Company:			
KOM-NET Systemy Komputerowe Sp. z o.o. ("KOM-NET")	June 6, 2007	100.0 %	9,418
Lanet Sp. z o.o ("Lanet")	June 6, 2007	100.0 %	10,076
Magma Systemy Komputerowe Schmidt i S-ka Sp. z o.o. ("Magma")	June 25, 2007	100.0 %	7,941
Acquired by Lanet, the Company's subsidary:			
Akron Sp. z o.o. ("Akron")	September 26, 2007	99.9 %*	800
Total			**28,235**

** Prior to this transaction, Lanet owned Akron's shares representing 0.1% of Akron's share capital.*

The Netia Group accounted for the acquisition of the acquired internet service providers using the purchase method and started consolidating the financial statements as of the following dates:

- June 1, 2007 - KOM-NET and Lanet,
- June 30, 2007 – Magma
- September 30, 2007 – Akron.

The consolidated statements of operations and the consolidated balance sheet were adjusted for material transactions, which took place between dates of acquisition and dates when the Netia Group began to consolidate financial statements of the acquired companies.

During the year ended December 31, 2007 the Netia Group performed a valuation of the acquired companies' assets, liabilities and contingent liabilities. In particular, the Netia Group assessed fair values of identifiable assets and liabilities according to IFRS and recorded a deferred income tax liability. Additionally, in the purchase price allocation process the Netia Group identified customer relationships as an intangible asset. The fair value of customer relationships was estimated using the excess earnings method.

Details of fair values of net assets acquired and goodwill as of the date of the acquisition are as follows:

	Purchase consideration, excluding transaction costs	Transaction costs	Management Fee	Fair values of net assets acquired	Goodwill
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
KOM-NET	9,418	215	-	(3,421)	6,212
Lanet	10,076	222	-	(1,695)	8,603
Magma	7,941	244	-	(2,832)	5,353
Akron	800	44	450	(386)	908
Total	**28,235**	**725**	**450**	**(8,334)**	**21,076**

The goodwill is based on fair values of net assets acquired and is attributable to the significant synergies expected to arise after the Netia Group's acquisitions.

(All amounts in thousands, except as otherwise stated)

The assets and liabilities recognized in the consolidated balance sheet arising from the acquisition, as at the acquisition date, are as follows:

Acquiree's carrying amount	KOM-NET	Lanet	Magma	Akron	**Total**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Property, plant and equipment	640	1,048	1,014	220	2,922
Other intangible assets	-	-	4	858	862
Deferred income tax asset	5	-	-	-	5
Investment	-	7	-	-	7
Inventories	71	178	64	-	313
Receivables	163	257	74	35	529
Prepayments	22	13	3	-	38
Cash and cash equivalents	377	114	42	6	539
Bank overdraft/Loan	-	(93)	-	-	(93)
Trade liabilities	(63)	(706)	(62)	(3)	(834)
Other liabilities and accruals	(191)	(437)	(275)	(2)	(905)
Defferred income	-	(219)	-	-	(219)
Net assets acquired	**1,024**	**162**	**864**	**1,114**	**3,164**

Fair value	KOM-NET	Lanet	Magma	Akron	**Total**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Property, plant and equipment	806	1,811	1,014	228	3,859
Customer relationships	2,955	1,884	2,429	203	7,471
Other intangible assets	-	-	4	-	4
Deferred income tax asset	5	-	-	-	5
Investments	-	7	-	-	7
Inventories	71	178	64	-	313
Receivables	163	257	74	2	496
Prepayments	22	13	3	-	38
Cash and cash equivalents	377	114	42	6	539
Bank overdraft	-	(93)	-	-	(93)
Trade liabilities	(63)	(706)	(62)	(3)	(834)
Other liabilities and accruals	(353)	(1,192)	(274)	(12)	(1,831)
Deferred income	-	(219)	-	-	(219)
Deferred income tax liabilities	(562)	(359)	(462)	(38)	(1,421)
Fair value of net assets acquired	**3,421**	**1,695**	**2,832**	**386**	**8,334**

Cash outflow	KOM-NET	Lanet	Magma	Akron	**Total**
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Total purchase consideration settled in cash	(9,633)	(10,298)	(8,185)	(838)	(28,954)
Cash and cash equivalents in the subsidiary acquired	377	114	42	6	539
Bank overdraft	-	(93)	-	-	(93)
Cash outflow on acquisition	**(9,256)**	**(10,277)**	**(8,143)**	**(832)**	**(28,508)**
Including cash outflow in the nine-month period ended September 30, 2007	*(9,256)*	*(10,277)*	*(8,143)*	*(802)*	*(28,478)*

The following table presents contributed in 2007 revenues and profits / (losses) of the acquired businesses from the date of acquisitions (after taking into account intercompany eliminations), as well as the Netia Group's revenue and loss for 2007 if the acquisitions had occurred on January 1, 2007.

Company	**Revenue of the acquired business**	**Profit / (Loss) of the acquired business**	**Revenue of the Netia Group**	**Loss of the Netia Group**
	(PLN)	(PLN)	(PLN)	(PLN)
KOM-NET	2,567	545	839,858	(268,667)
Lanet	2,919	(953)	840,417	(268,881)
Magma	1,634	430	839,727	(268,691)
Akron*	-	(32)	838,025	(269,001)
Total	**7,120**	**(10)**	**843,952**	**(268,357)**

** Akron was created through an in-kind contribution of a unincorporated business activity, whose revenues prior to incorporation cannot be reliably estimated by Netia. Since Akron's creation its revenues comprise only transactions within the Netia Group.*

The above investments are of a long-term nature.

UNI-Net Sp. z o.o.

On January 9, 2007 and December 27, 2007, the Company purchased from the minority shareholders 4% and 37.8%, respectively, of the share capital of the Company's subsidiary UNI-Net Sp. z o.o. ("UNI-Net"), for a total of PLN 7,800 (out of which PLN 700 was paid during the nine-month period ended September 30, 2007). Transaction costs amounted to PLN 72. As a result of these transactions, the Netia Group holds 100% of UNI-Net's share capital and the corresponding number of votes at its shareholders' meeting.

As such transactions with minority shareholders are not governed by IFRS 3 "Business Combinations", the Netia Group decided to apply the economic entity model for this acquisition. The negative difference between purchase price and book value of minority in the amount of PLN 367 (PLN 39 during the nine-month period ended September 30, 2007) was deducted directly from equity.

6. Sale of investment in associate

Investment in P4 (number of shares not in thousands)

In 2005 P4 - previously the Company's subsidiary, was announced a winner of the mobile telephony UMTS frequency tender. On August 23, 2005 Shareholders' Agreement ("Shareholders Agreement") was concluded by the following entities: the Company, Netia Mobile Sp. z o.o. ("Netia Mobile", currently transferred into Netia Spółka Akcyjna UMTS a limited joint stock partnership), P4, Novator One L.P., Novator and Novator Poland Pledge Sp. z o.o. Netia Mobile is a 100% subsidiary of the Company, and Novator is a 100% subsidiary of Novator One L.P.

As a result of that Agreement, at August 23, 2005 Novator was the holder of 24,010 of P4's shares ("Shares") constituting 70% of the Shares in P4's share capital and Netia Mobile was the holder of 10,290 Shares constituting 30% of the Shares in P4's share capital.

On January 31, 2007 the Company concluded an investment agreement (the "Investment Agreement"), which provided for the accession of a new shareholder, Tollerton to P4. The Investment Agreement further provided for an amendment of the Shareholders Agreement of P4 dated August 23, 2005 after the transactions contemplated in the Investment Agreement had been completed.

On May 24, 2007, Tollerton became a new shareholder of P4, and subscribed for a 22% equity stake in the increased share capital of P4 in exchange for its 100% shareholdings in the share capital of Germanos Polska Sp. z o.o., Telecommunication Center Mobile Sp z o.o. and Mobile Phone Telecom Sp. z o.o. (the "Distribution Companies") and a cash contribution of EUR 9,000.

Following the above transactions Netia Mobile held 11,349 shares constituting 23.4% of the share capital of P4, and Novator held shares constituting a total of 54.6% of the share capital.

The following became parties to the amended Shareholders Agreement dated May 24, 2007: the Company, Netia Mobile, Novator One L.P., Novator, Novator Poland Pledge Sp. z o.o, Olympia Development S.A., Tollerton (Novator, Netia Mobile and Tollerton jointly called "Shareholders"), and P4. Tollerton is a wholly-owned subsidiary of Olympia Development S.A.

The Shareholders reiterated their earlier commitments to make contributions to P4, pro rata to their respective changed shareholdings in P4's share capital. From EUR 300,000 of the aggregate cash contributions committed by the shareholders in the Shareholders Agreement, the cash contributions made and agreed to be made prior to and in connection with the closing of the transaction, amounted to EUR 185,797, including Netia's contributions of EUR 52,835 (out of total committed cash contributions of EUR 79,500); Novator's contributions of EUR 123,087 (out of total committed cash contributions of EUR 185,500) and Tollerton's contributions of EUR 9,875. Post closing of the transaction further shareholders' committed cash contributions amounted to EUR 114,202 in the aggregate, including Netia's committed contribution of EUR 26,665; Novator's committed contribution of EUR 62,413 and Tollerton's committed contribution of EUR 25,124.

Following the contributions of EUR 2,040 made in January 2008, the total cash contributions made by Netia Mobile in connection with the above agreements amounted to EUR 79,500 and the obligation to contribute to P4's share capital was fully settled. As a result, the Company held 12,519 P4's shares constituting 23.4% of P4's share capital.

The following table summarizes changes in the investment in P4:

	Nine-month period ended September 30, 2007	Until February 21, 2008
	(PLN)	(PLN)
At January 1	141,394	150,435
Investment in associate	101,160	8,124
Dilution gain in associate (see Note 3)	40,102	9,530
Financial guarantee contract	(2,088)	-
Settlement of hedge transaction	(54)	-
Share of loss recognized until reclassification to assets held for sale	(112,345)	(22,625)
At the end of the period	**168,169**	**145,464**

Following the consent of the Supervisory Board of the Company to sign the agreement to sell P4's shares, received on February 21, 2008, the Netia Group reclassified the investment in P4 of PLN 145,464 to non-current assets held for sale.

On February 22, 2008 the Company concluded an agreement to sell its interest in P4 held by Netia Mobile to Tollerton and Novator, on the following terms:

(i) the price of EUR 130,000, payable in cash on closing;
(ii) an additional amount payable to the Company in case of a future change of control over P4 or the disposal of the enterprise of P4 by Tollerton and Novator during the 12 months after signing of the agreement;
(iii) the agreement foresaw changes to be made to the commercial agreements between the Company and P4 that will bring them into line with non-related party agreements (such changes to be executed after the closing).

The transaction was closed on April 30, 2008 for a final price of EUR 131,795. The gain on this transaction recognized in the consolidated income statement for the nine-month period ended September 30, 2008 amounted to PLN 353,381.

The gain on disposal of the investment in P4 recognized in this interim condensed consolidated income statement was as follows:

	Nine-month period ended September 30, 2008
	(PLN)
Proceeds from sale of an associate	453,770
Carrying value of the investment in associate	(145,464)
Dilution gain in associate	49,632
Settlement of hedge transaction	(425)
Other transaction costs	(4,132)
	353,381

Simultaneously, on April 30, 2008 the Shareholders Agreement of P4 dated May 24, 2007 was terminated with respect to the Company and Netia Mobile. Upon the termination of the Shareholders Agreement the Company and Netia Mobile were released from the obligation to finance P4. The commercial agreements between the Company and P4 (service provider, transmission and distribution agreements) remain in force.

7. Shareholders' equity

Share capital (not in thousands)

At September 30, 2008, the Company's share capital consisted of 389,276,294 ordinary shares and of 1,000 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. The Company's share capital has not changed since December 31, 2007.

Share premium

The Shareholders' Meeting held on May 7, 2008, resolved to cover PLN 73,217 of Netia S.A.'s loss incurred in 2007 and PLN 11,692 of uncovered losses from previous years resulting from a merger of a subsidiary with the Company during the financial year of 2007, by transfer of: PLN 84,909 from share premium.

Distributable reserves

In accordance with the Polish Code of Commercial Companies of 15 September 2000 (Journal of Laws of 2000, No. 94, item 1037 as amended) only those reserves, which relate to net profits of individual companies shown in their statutory financial statements, are available for distribution to shareholders. Due to Netia S.A.'s loss for the nine-month period ended September 30, 2008 of PLN 88,112, the distributable reserve, as at September 30, 2008, amounted to PLN nil.

Stock options (not in thousands)

In the nine-month period ended September 30, 2008 the following changes took place in the number of options granted under the Plan:

	Nine-month period ended September 30, 2007		Nine-month period ended September 30, 2008	
Options	Average strike price	Options	Average strike price	Options
At the beginning of the period	4.44	1,935,149	6.61	43,128,873
Granted	6.64	48,075,000	4.83	14,333,500
Forfeited / expired	6.14	(1,000,000)	6.59	(5,709,000)
Exercised	3.12	(362,419)	-	-
At the end of the period	**6.59**	**48,647,730**	**6.12**	**51,753,373**

As at September 30, 2008 the total number of options approved by the Supervisory Board and issued was 78,029,720 as compared to 63,696,220 as at December 31, 2007. Out of these approved options 51,753,373 options were outstanding as at September 30, 2008 and 43,128,873 options were outstanding as at December 31, 2007. As at September 30, 2008 and December 31, 2007 the total number of vested options was 8,797,644 and 325,229, respectively. The vesting period for the options is up to three years from the date of grant. As at September 30, 2008, the weighted average remaining contractual life of the outstanding options was 4 years. The outstanding options are exercisable until December 20, 2012. Upon exercise of the options, Netia will issue to each exercising participant the number of shares representing such participant's gain resulting from the exercise of the options, being the difference between the exercise price of the Company's shares and strike price of the options. The participant will not be required to pay the strike price ranging from PLN 3.50 to PLN 8.25.

(All amounts in thousands, except as otherwise stated)

The Company recognizes the cost of share-based awards to employees (including share options) over the vesting period and the fair value of options is determined using a binomial pricing model. For the outstanding options, the valuation model takes into account such factors as strike price (presented above), total expected life of the options (4 - 7 years), time to vest, expected volatility of the share price returns (24.31% - 34.21%), employee exit rate (5% - 10%), exercise multiple (1.5) and the risk free interest rate at the date of the grant (ranging from 4.13% to 6.07%). The expected volatility is based on historical volatility. The cost of options recorded in the nine-month periods ended September 30, 2008 and 2007 amounted to PLN 8,312 thousands and PLN 9,245 thousands, respectively.

8. Borrowings

	December 31, 2007	September 30, 2008
	(PLN)	(PLN)
Credit facility	94,738	-
Bank loans	-	-
Bank overdraft	3	-
	94,741	**-**
Of which:		
Current	7,397	-
Non-current	87,344	-

Credit facility

On May 15, 2007 the Company entered into a PLN 300,000 credit facility agreement with Rabobank Polska SA (the "Bank") as arranger, credit facility agent, security agent and lender (the "Facility"). As at September 30, 2008 the total draw downs under this Facility amounted to PLN 180,000 and had been repaid in full.

The Facility bore interest at a variable interest rate of WIBOR plus a margin dependant on financial ratios. During the nine-month period ended September 30, 2008, the Company paid PLN 5,814 (PLN 477 in 2007) of interest under this Facility. As at September 30, 2008 total transaction costs amounted to PLN 7,306, out of which PLN 1,015 and PLN 1,359 related to the draw downs made in 2007 and 2008, respectively, and were included in the calculation of the effective interest rate.

On June 27, 2008, the Company entered into an Accession, Amendment and Restatement Agreement (the "Amendment Agreement") with the Bank (as the arranger), Bank Millennium S.A., Bank Gospodarki Żywnościowej S.A. and Raiffeisen Bank Polska S.A. (the "Banks"), relating to the Facility (the "Facility Agreement"). The Facility Agreement has, among others, extended the draw-dawn availability period to December 31, 2010 from November 15, 2008 (with respect to the term loan), and reduced the Facility amount from PLN 300,000 to PLN 275,000, available to Netia in the form of a term loan and a revolving loan of up to PLN 225,000 and PLN 50,000, respectively. The Facility is to be repaid by December 31, 2012 instead of November 15, 2011. The Facility continues to bear interest at a variable interest rate of WIBOR plus a margin dependent on financial ratios and the Company must pay a commitment fee on the undrawn, uncancelled amount of the Facility commitment. The proceeds from the Facility will be used to finance the Netia Group's capital expenditures, its general corporate purposes and the acquisition of companies whose business activities are substantially similar to the business activities of the Group.

The repayment of the Facility is secured by the following: two capped mortgages on the right of perpetual usufruct of the Company's real estate at ul. Poleczki 13 in Warsaw, a registered pledge on a set of movables and rights constituting an organised part of the enterprise of Świat Internet, registered pledges and financial pledges on the shares of Świat Internet S.A., UNI-Net, InterNetia Sp. z o.o, Netia WiMax S.A., Premium Internet S.A., Netia Spółka Akcyjna UMTS s.k.a and assignment as collateral security of Netia's receivables under certain agreements. Moreover, the Company's subsidiaries (Świat Internet S.A., Netia WiMax S.A., Premium Internet S.A, InterNetia Sp. z o.o, UNI-Net, Netia Spółka Akcyjna UMTS s.k.a and since October 16, 2008 also Tele2 Polska) jointly, severally, irrevocably and unconditionally guaranteed punctual performance by the Company of all its obligations under the Facility up to the maximum amount of PLN 343,750 (the Amendment Agreement has reduced this guarantee from PLN 375,000).

Furthermore, pursuant to the Amendment Agreement the Company is entitled to increase the Facility granted by the consortium of banks in the amount of PLN 100,000 (to PLN 375,000) upon acquisition of Tele2 Polska (see Note 5). In this case the Facility shall be repaid by June 30, 2013. The additional facility is conditional upon the satisfaction of certain conditions precedent, which itself requires a Shareholders' Approval. The Company has until December 31, 2008 to decide whether to increase the facility to PLN 375,000 by pledging Netia's enterprise.

Bank loans

Following the acquisition of Connect and Cybertech (see Note 5) the Netia Group acquired bank loans in the total amount of PLN 195. The loans were repaid in June and July 2008.

Bank overdraft

Following the acquisition of Connect and Cybertech in June 2008 and an internet service provider in December 2007, the Netia Group acquired overdrafts in the total amounts of PLN 141 and PLN 3, respectively. The loans were repaid in January and June 2008.

9. Dividends per share

No dividends were proposed or paid in respect to the financial years ended December 31, 2007 and 2006.

10. Supplemental disclosures to consolidated cash flow statement

Changes in working capital components:

	Nine-month period ended September 30, 2007	Nine-month period ended September 30, 2008
	(PLN)	(PLN)
Receivables	23,845	2,789
Inventories	(992)	(757)
Prepaid expenses	(5,485)	(13,468)
Restricted cash	6,100	(763)
Provisions, accruals and other payables	5,927	(2,876)
Deferred income	1,125	5,458
	30,520	**(9,617)**

Supplemental disclosures to operating activities:

	Nine-month period ended September 30, 2007	Nine-month period ended September 30, 2008
	(PLN)	(PLN)
Income taxes paid	390	508
Interest received	(5,031)	(9,162)

Supplemental disclosures to investing activities:

	Nine-month period ended September 30, 2007	Nine-month period ended September 30, 2008
	(PLN)	(PLN)
Increase of interest in subsidiary	(700)	-
Subsidiary purchased in current interim period	(28,478)	(95,579)
Subsidiaries purchased in 2007	-	(3,129)
Decrease of purchase consideration (see Note 14)	1,940	-
Purchase of subsidiaries, net of cash received	**(27,238)**	**(98,708)**

Non-cash transactions (not in thousands):

The principal non-cash transactions were a decrease of the Netia Group's stake in P4 and sale of group of assets which shall be settled in shares to be issued by Mediatel, described in Note 3.

During the nine-month period ended September 30, 2008 the Netia Group entered into finance lease agreements for telecommunication equipment and a vehicle. The carrying value of assets and liabilities recognized due to these transactions amounted to PLN 1,395.

Payments relating to the acquisition of Tele2 Polska estimated at PLN 24,394 in respect to excess cash and working capital balances and up to EUR 4,800 of additional consideration based on performance for 12 months post closing were recognized as liabilities at September 30, 2008 and these amounts have been included in the purchase consideration (see Note 5).

11. The Management Board and Supervisory Board

Management Board

Effective August 22, 2008 Mr. Piotr Czapski resigned from the position of Member of the Company's Management Board.

On September 9, 2008, the Company's Supervisory Board appointed Mr. Piotr Nesterowicz as member of the Management Board, effective as of the date of Netia's acquisition of 100% shares in Tele2 Polska, i.e. September 15, 2008.

Due to the above changes as at September 30, 2008 the Company's Management Board consisted of the following members:
- Mirosław Godlewski – President,
- Jonathan Eastick,
- Bertrand Le Guern,
- Piotr Nesterowicz,
- Tom Ruhan.

Supervisory Board

Effective May 7, 2008 Mr. Wojciech Sobieraj, Chairman of the Company's Supervisory Board, resigned from the position of Member and Chairman of the Company's Supervisory Board.

Effective May 7, 2008 Mr. Bogusław Kasprzyk resigned from his position as Member of the Company's Supervisory Board.

On May 7, 2008, the Company's Shareholder's Meeting appointed Messrs. Jerome de Vitry and Marek Gul to Netia's Supervisory Board.

Effective September 23, 2008, the Company's Shareholder's Meeting appointed Messrs Piotr Czapski and Kazimierz Marcinkiewicz to Netia's Supervisory Board.

On June 24, 2008 the Company's Supervisory Board appointed Mr Marek Gul as the Chairman of the Supervisory Board.

Due to the above changes as at September 30, 2008 the Company's Supervisory Board consisted of the following members:
- Marek Gul – Chairman,
- Constantine Gonticas – Deputy Chairman,
- Piotr Czapski,
- Raimondo Eggink,
- Bruce McInroy,
- Kazimierz Marcinkiewicz,
- Tadeusz Radzimiński,
- Pantelis Tzortzakis,
- Jerome de Vitry.

12. Related party transactions

Options granted to members of the Management Board (not in thousands)

As at September 30, 2008, the total number of options granted to members of the Company's Management Board under the Plan, was 41,605,314 of which 5,600,000 had vested as of that date. Strike prices for the options granted to the Management Board range between PLN 3.50 to 8.25 per share. The market price of the Company's shares at September 30, 2008 was PLN 2.64 per share.

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

Options	**Nine-month period ended September 30, 2007**	**Nine-month period ended September 30, 2008**
At the beginning of the period	1,721,489	33,271,814
Granted	38,000,000	13,333,500
Status changed due to resignation from Management Board	(634,233)	(5,000,000)
At the end of the period	**39,087,256**	**41,605,314**

As at December 31, 2007 Mr. Piotr Czapski – the former member of the Company's Management Board (see Note 11) – held 5,000,000 options. Due to his resignation from his position, these options are no longer treated as options held by members of the Management Board.

As at September 30, 2008 and December 31, 2007 Mr. Mirosław Godlewski – the Company's President of the Management Board – held respectively, 13,334,000 and 10,000,000 options, out of which 2,000,000 had vested as at September 30, 2008.

As at September 30, 2008 and December 31, 2007 Mr. Jonathan Eastick – a member of the Company's Management Board – held respectively, 10,938,314 and 9,271,814 options, out of which 1,800,000 had vested as at September 30, 2008.

As at September 30, 2008 and December 31, 2007 Mr. Bertrand Le Guern – a member of the Company's Management Board – held 5,000,000 options, out of which 1,000,000 had vested as at September 30, 2008. On September 23, 2008 the Company's Supervisory Board granted to Mr. Bertrand Le Guern 1,666,500 options, but due to his decision to resign from his position (see Note 15), his option contract was not executed and therefore these options were not finally granted.

As at September 30, 2008 and December 31, 2007 Mr. Tom Ruhan – a member of the Company's Management Board – held respectively, 5,666,500 and 4,000,000 options, out of which 800,000 had vested as at September 30, 2008.

As at September 30, 2008 Mr. Piotr Nesterowicz – a member of the Company's Management Board (see Note 11) – held 6,666,500 options.

Members of the Supervisory Board did not hold any options as at December 31, 2007. Due to Mr. Piotr Czapski's appointment (see Note 11), as at September 30, 2008 members of the Supervisory Board held 1,000,000 options, out of which all had vested (4,000,000 of unvested options, previously granted to Mr. Piotr Czapski whilst he was serving as a Management Board Member, have lapsed upon his termination of the employment contract).

Number of shares held by members of the Management Board (not in thousands)

As at September 30, 2008 and December 31, 2007 Mr. Tom Ruhan – a member of the Company's Management Board – held 253,593 series K shares of the Company.

As at September 30, 2008 and December 31, 2007, Mr. Jonathan Eastick – a member of the Company's Management Board – held respectively 15,000 and nil shares of the Company.

Number of shares held by members of the Supervisory Board (not in thousands)

As at September 30, 2008 and December 31, 2007, Mr. Raimondo Eggink – a member of the Company's Supervisory Board – held 20,000 shares of the Company.

(All amounts in thousands, except as otherwise stated)

As at September 30, 2008 and December 31, 2007, Mr. Constantine Gonticas – a member of the Company's Supervisory Board – held 143,000 and 93,000 shares of the Company.

As at September 30, 2008 and December 31, 2007, Mr. Bruce McInroy – a member of the Company's Supervisory Board – held respectively 150,000 and 50,000 shares of the Company.

As at September 30, 2008 and December 31, 2007, Mr. Tadeusz Radzimiński – a member of the Company's Supervisory Board – held 2,000 shares of the Company.

Management Board remuneration

Compensation and related costs associated with members of the Company's Management Board during the nine-month periods ended September 30, 2008 and September 30, 2007 amounted to PLN 5,425 and PLN 5,039, respectively. In addition, the cost of share-based payments in the amounts of PLN 7,694 and PLN 7,781 was recognized in the respective periods, while PLN 1,806 was derecognized in the income statement due to Mr Piotr Czapski's resignation from his position as a member of the Company's Management Board. Additional to the above, termination benefits for the former members of the Management Board of PLN 1,116 were recognized as a cost in the nine-month period ended September 30, 2007.

Compensation and related costs associated with members of the Management Boards of the Company's subsidiaries during the nine-month periods ended September 30, 2008 and September 30, 2007 amounted to PLN 463 and PLN 644, respectively. These amounts were paid to certain employees of the Netia Group who are not past or present members of the Management Board of Netia S.A.

Supervisory Board remuneration

Compensation and related costs associated with members of the Company's Supervisory Board during the nine-month periods ended September 30, 2008 and September 30, 2007 amounted to PLN 468 and PLN 443, respectively.

Transactions with former associate

The following transactions were carried out with P4 Group until P4 ceased being an associate of the Netia Group on April 30, 2008 (see also Note 6):

	Three-month period ended September 30, 2007	Nine-month period ended September 30, 2007	Three-month period ended September 30, 2008	Four-month period ended April 30, 2008
	(PLN)	(PLN)	(PLN)	(PLN)
Telecommunication revenue	3,119	5,759	-	8,868
Sale of services	925	2,137	-	482
Other sales transactions	-	181	-	234
	4,044	**8,077**	**-**	**9,584**
Interconnection charges	-	-	-	(1,651)
Other costs	-	-	-	(22)
	-	**-**	**-**	**(1,673)**

	December 31, 2007	September 30, 2008
	(PLN)	(PLN)
Trade receivables	4,023	N/A
Trade payables	(3,060)	N/A
	963	**N/A**

Other transactions with related parties

During the nine-month periods ended September 30, 2008 and September 30, 2007, the Netia Group has not been a party to any other material transactions, or proposed transactions, apart from transactions mentioned above, in which any member of the key management personnel or close members of their families, had or was to have a direct or indirect material interest.

13. Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognized in the consolidated financial statements amounted to PLN 77,239 as at September 30, 2008 and PLN 62,262 as at December 31, 2007 of which, PLN 12,281 and PLN 4,934, respectively, related to the planned acquisition of intangible assets.

14. Contingencies

Contingent assets

Claims against TP SA

As a result of TP SA failing to meet certain obligations under the bitstream access agreement, in 2007 and 2008 the Company demanded payment from TP SA for contractual penalties totaling PLN 22,425, following the expiration of an initial grace period. Netia's management intends to use all legal means to enforce the penalties and will recognize income when TP SA either pays or settles the liability in a manner acceptable to Netia. After the Company's demand for TP SA to pay contractual penalties delivered in 2007, Netia filed a claim in court against TP SA for payment of PLN 19,542 of penalties. Despite the fact that the Management Board is convinced of the legitimacy of the claim the Management Board cannot ensure that the Court will decide fully in accordance with the claim.

Prior to its acquisition by Netia, Tele2 Polska has made several significant damages claims against TP SA, a number of which are the subject of legal proceedings at the present time. Netia's Management is in the process of familiarizing itself with the details of these claims and has not reached a conclusion as to the probability of executing these claims against in TP SA, in whole or in part, as at the date of these financial statements and therefore no contingent asset in relation to these claims has been recognized as at September 30, 2008.

Contingent liabilities

Claims against Tele2 Polska

TP SA has instigated various proceedings aimed at overturning UKE decisions enforcing the terms of TP SA's cooperation with Tele2 Polska in the area of WLR and these legal proceedings are ongoing. In parallel, TP SA has made written claims to Tele2 Polska alleging that Tele2 Polska is causing damage to TPSA through unlawful enrichment by continuing to rely on the challenged UKE decisions in its settlements with TP SA. Tele2 Polska will vigorously defending this claim should TP SA instigate court proceedings in the future and Netia's Management, having obtained legal advice, does not believe resolution of the matter described above will have a material adverse effect on the Netia Group's financial condition and no liability has been recorded in respect to this claim.

Tele2 Polska has received a correspondence from TP SA claiming damages from lost profits allegedly caused by Tele2 Polska routing international traffic through interconnection points reserved for domestic traffic. These allegations relate to periods prior to Netia's acquisition of Tele2 Polska and UKE has made its own investigation into the matter. Based on representations received from Tele2 Polska's Management and previous owners that no such irregularities occurred, Netia's Management is of the opinion that resolution of the matter will not have a material adverse effect on the Netia Group's financial condition and no liability has been recorded in respect to either TP SA's claim or potential penalties that could be imposed by UKE.

Jupiter

Jupiter Narodowy Fundusz Inwestycyjny S.A. ("Jupiter") has sued the Company for payment of PLN 2,084 on alleging improper performance of the Share and Bonds Purchase Agreement dated May 22, 2006 (the "Agreement") relating to the Company's purchase of Pro Futuro S.A. ("Pro Futuro").

Having identified unrecorded liabilities the Company applied the price reduction mechanism provided for in the Agreement and requested the escrow agent to reimburse part of the price paid for the Pro Futuro shares. The escrow agent reimbursed the Company in the amount of PLN 1,940 on account of the breach of the Agreement. The existence of unrecorded liabilities was confirmed by an independent auditor.

Since Jupiter did not agree with the price reduction, it filed a suit against the Company on September 7, 2007. The amount claimed by Jupiter comprises the amount of the reduced price, increased by statutory interest. On October 30, 2007, the Company responded to the suit, requesting dismissal of the claim on the grounds that it was entirely unfounded. The matter is still pending.

Management, having obtained legal advice, does not believe resolution of the matter described above will have a material adverse effect on the Netia Group's financial condition and no liability has been recorded for the claim.

Agreements partially securing the repayment of the vendor financing extended to P4

On April 30, 2008, Netia completed the sale of its investment in the shares of P4. Upon completion of the sale, the buyers confirmed to Netia expiry of certain future obligations originally undertaken by Netia in order to partially secure the repayment of the credit facility of EUR 150,000 granted to P4 by China Development Bank ("CDB") under the facility agreement dated October 31, 2006. In particular, these obligations included a payment guarantee to CDB of up to EUR 21,060 (reduced by 50% in June 2008). The Company's Management is not aware of any payment default by P4 prior to receipt of the release confirmation, and believes that all other obligations have effectively expired. Moreover, under the sale agreement of the shares in P4, Novator and Tollerton have counter-guaranteed Netia's exposure to CDB until such a time as CDB recognizes the transfer of Netia's obligations to the buyers. Therefore the Company's Management believes that all remaining exposure to the CDB Facility has been effectively offset to Tollerton and Novator.

(All amounts in thousands, except as otherwise stated)

WiMAX license requirements

On October 27, 2005 Netia WiMax S.A. (merged with Netia in 2006) and Netia WiMax II S.A. (currently Netia WiMax) received the reservations of the 3.6-3.8 GHz frequencies, which are to be used to provide telecommunication services based on the WiMAX technology. The terms of licenses issued to the Company's subsidiaries require them to meet annual connected capacity milestones in the future, as measured at the end of each year, subject to demand in the territory and population of Poland. The Company overperformed the milestones regarding population coverage, allotted for the year 2006. Considering recent changes in the telecommunications market and, in particular, the advent of regulated access to the fixed line network of the incumbent fixed line operator, TP SA, the Company submited applications to change future territorial and population coverage commitments for WiMax and on October 31, 2007 the Polish regulator issued a decision appropriately amending the initial milestones. The amended milestones alloted for the year 2007 were met.

Tax contingent liability

Regulations relating to value-added tax, corporate income tax, and payroll (social) taxes have 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 practices and the relatively short period in which these new tax regulations have been in place often results in 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 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 of the Company 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.

Following a tax authority inspection performed during 2008 in respect to the 2003 tax year, the Company has received a tax protocol alleging certain unrecognised tax liabilities in respect to 2003. Based on tax advice received that refutes both the basis and amount of tax assessed, Management is of the opinion that no material tax liability is due in respect to the issues raised in this protocol and will take all necessary steps to repudiate the findings of this protocol. Other than this protocol, Management is not aware of any circumstances, which may currently give rise to a potential material tax liability.

15. Subsequent events

Resignation of the Company's Management Board member

On October 3, 2008 Mr. Bertrand Le Guern, Chief Operation Officer, resigned from the position of member of the Company's Management Board with effect on December 15, 2008.

Acquisition of another Internet service provider

On October 7, 2008 Lanet, Netia's subsidiary, purchased 100 shares in the share capital of a company operating under the business name Seal-Net Sp. z o.o ("Seal-Net") with the total nominal value of PLN 50 for all these shares, which represent 100% of the share capital and confer the right to 100% of votes at the general meeting of shareholders of Seal-Net, for the total price of PLN 456.

Seal-Net is a service provider offering broadband Internet access to residential clients in the town of Kluczbork. The company is using FastEthernet technology, which allows for transmission speed of up to 100 Mb/s.

The Netia Group accounted for the acquisition of Seal-Net using the purchase method and started consolidating the financial statements of Seal-Net as of October 1, 2008 adjusting the consolidated statements of operations and the consolidated balance sheet for material transactions, which took place between October 1, 2008 and October 7, 2008. The provisional fair values of assets, liabilities and contingent liabilities acquired are based on amounts from Seal-Net historical accounting records and will therefore be subject to adjustments as additional information is obtained. Such additional information may include information related to pre-acquisition contingencies and calculation of the related deferred income taxes. A detailed review will be performed during the course of the period ending December 31, 2008, which may result in adjustments to the carrying amounts of identifiable net assets as at the acquisition date.

Details of provisional fair value of net assets acquired and goodwill as of the date of the acquisition are as follows:

	(PLN)
Purchase consideration	456
Provisional fair value of net assets acquired	(177)
Goodwill	**279**

The goodwill is based on the provisional fair value of net assets acquired and is attributable to the significant synergies expected to arise after the Netia Group's acquisition of Seal-Net.

(All amounts in thousands, except as otherwise stated)

The assets and liabilities arising from the acquisition, as at the acquisition date, are as follows:

	Acquiree's carrying amount (PLN)	Provisional fair value (PLN)
Customer relationships	-	143
Receivables	11	11
Prepayments	-	-
Cash and cash equivalents	74	74
Trade liabilities	(22)	(22)
Other liabilities and accruals	(2)	(2)
Deferred income tax liabilities	-	(27)
Value of net assets acquired	**61**	**177**

The investment in Seal-Net's shares is of a long-term nature.

If the acquisition had occurred on January 1, 2008, the Netia Group's telecommunication revenue and profit would have remained unchanged (Seal-Net was created on October 2, 2008 through the transformation of civil law partnership into a limited liability company, whose revenues and profit prior to transformation cannot be reliably estimated by Netia).