Contact: Andrzej Kondracki (Investor Relations)
+48-22-352-4060
andrzej.kondracki@netia.pl
Małgorzata Babik (Public Relations)
+48-22-352-2520
malgorzata.babik@netia.pl

NETIA REPORTS 2010 THIRD QUARTER RESULTS

WARSAW, Poland – November 4, 2010 – Netia SA ("Netia" or the "Company") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, today announced its unaudited consolidated financial results for the nine months ended September 30, 2010.

1. KEY HIGHLIGHTS

1.1. Financial

- **Revenue** was PLN 1,175.1m for nine months of 2010, up by 5% versus the same period of 2009. Q3 2010 revenue increased sequentially by 0.2% to PLN 394.5m as compared to PLN 393.7m in Q2 2010.
- **Adjusted EBITDA** was PLN 271.7m for the nine month period, up by 20% over the first nine months of 2009, reflecting increased gross profit on the higher sales as well as group-wide cost reductions from Project Profit and synergies from the Tele2 Polska acquisition. Adjusted EBITDA for Q3 2010 was PLN 85.5m, down by 10% from Q2 2010, with lower margins, as previously flagged, driven by accelerating voice sales, LLU migrations and customer retention related spending. Adjusted EBITDA margin was 23.1% for the nine months of 2010 and 21.7% for Q3 2010 versus 20.3% for the nine months of 2009 and 24.2% in Q2 2010.
- **EBITDA** was PLN 278.6m for year-to-date 2010 and PLN 89.8m for Q3 2010, up by 25% versus 2009 and down by 6% versus Q2 2010. Unusual items expensed were restructuring costs related to Project "Profit" with PLN 0.5m in the nine month period of 2010 as compared to PLN 10.3m in the same period of 2009. The unusual gain reflected in EBITDA was related to the disposal of tranches of transmission equipment to P4, which amounted to PLN 7.3m for year-to-date 2010 and PLN 4.4m for Q3 2010 as compared to PLN 5.3m recorded in Q3 2009. EBITDA margin was 23.7% for year-to-date 2010 and 22.8% for Q3 2010 as compared to 19.8% for the first nine months 2009 and 24.2% for Q2 2010.
- **EBIT profit** reached PLN 54.4m (PLN 47.6m profit when excluding one-offs) in the first nine months of 2010 as compared to an EBIT loss of PLN 1.0m in the same period of 2009. EBIT profit for Q3 2010 was PLN 14.4m (PLN 10.1m profit when excluding one-offs) as compared to EBIT profit of PLN 20.5m (PLN 20.6m profit when excluding one-offs) in Q2 2010.
- **Net profit** was PLN 42.3m for year-to-date 2010 versus a net loss of PLN 10.4m for year-to-date 2009. Net profit for Q3 2010 was PLN 12.4m as compared to net profit of PLN 15.6m in Q2 2010.
- **Cash resources** at September 30, 2010 totalled PLN 313.3m (PLN 157.4m in cash and cash equivalents plus PLN 155.9m in treasury bills at market value), up by PLN 40.8m from June 2010.

- **Netia was operating free cash flow positive both year-to-date and in Q3 2010**. Operating free cash flow, measured as EBITDA less capital investment excluding Ethernet acquisitions, was PLN 153.4m for the first nine months of 2010, up by 196% on the prior year period. Q3 2010 operating free cash flow was PLN 45.7m, up by 54% on the prior year quarter. Netia has generated PLN 167.9m of free cash flow on the above basis over the past 12 months.

- **Netia maintains its year-end 2010 guidance**, targeting 700,000 broadband subscribers, 1,225,000 voice subscribers and over 500 unbundled LLU nodes before any positive impact of expected further Ethernet acquisitions. Revenue is forecasted at over PLN 1,550.0m, Adjusted EBITDA at over PLN 355.0m, with an Adjusted EBITDA margin at 23%, and EBITDA at over PLN 360.0m. EBIT is expected at over PLN 60.0m and capital investments at PLN 220.0m. Netia expects to be net profitable throughout 2010.

- **Netia is advanced in raising financing for potential major acquisitions.** On October 4, 2010 Netia extended its mandate with banks from July 2010 and may obtain PLN 700.0m of external financing to fund potential market consolidating acquisitions. Taking into account Netia's own cash resources of over PLN 300.0m, the total financial resources that may be utilised by the Netia group to finance potential market consolidating M&A activities currently stands at PLN 1.0bn.

1.2. Operational

- **Netia's broadband subscriber base** reached 653,901 at September 30, 2010, growing by 5% from 623,579 at June 30, 2010 and by 33% from 489,823 at September 30, 2009. Netia estimates that its total fixed broadband market share increased to 11.1% from 9.0% at September 30, 2009 while market share of fixed broadband net additions was approximately 31% in year-to-date 2010 and 36% in Q3 2010. Netia added 30,322 net broadband customers during Q3 2010, up by 50% on the 20,212 net additions from Q2 2010. The sequential increase in net additions reflected mainly Netia's more aggressive commercial offer as well as acquisitions of Ethernet networks, which contributed 6,521 of the net additions in Q3 2010 and 8,312 for year-to-date. For 2010, Netia is forecasting 700,000 broadband customers with further Ethernet acquisitions to come on top. As at November 4, 2010, Netia had nearly 667,000 broadband subscribers.
- **Netia's voice subscriber base** (own network, WLR and LLU) reached 1,213,584 at September 30, 2010, increasing by 3% from 1,182,316 at June 30, 2010 and by 6% from 1,146,876 at September 30, 2009. In total, Netia added 31,268 net voice subscribers during Q3 2010. Netia estimates that its total fixed voice market share increased to 12.8% from 11.2% over the past twelve months. Of the total voice customers served at September 30, 2010, 32% received service over Netia's own access infrastructure. The Company aims to reach 1,225,000 voice customers through organic growth by the end of 2010.
- **Netia made strong progress on its LLU network** with 437 nodes unbundled for total coverage of approximately 3.2m lines and a total of 98,555 LLU clients as at September 30, 2010. LLU net additions totalled a strong 25,454 in Q3 2010 as compared to 13,596 in Q2 2010 and 13,957 in Q3 2009. Of the net additions for Q3 2010, 17,069 were related to migration of BSA/WLR customers onto LLU and 8,385 were organic. As at November 4, 2010, the Company had over 107,000 LLU subscribers and 475 unbundled LLU nodes. Netia plans to unbundle over 500 nodes by year-end 2010. Following the excellent progress on the LLU project and in consideration of tougher price competition on BSA after TP's recent reductions passed margin squeeze hurdles (see "Other Highlights"), Netia is considering the continuation of its LLU roll-out by expanding from over 500 to 700 nodes.
- **'Klientomania', a key group-wide project for 2010 aimed at delivering market leading customer satisfaction** as another differentiating factor for Netia on the Polish telecommunications market, is fully underway. The project covers the whole life cycle of the customer's relationship with Netia and engages all functions in the Company (please see section "Other Highlights").
- **Costs related to migration of BSA/WLR customers onto LLU and customer retention expenses** totaled PLN 1.8m and PLN 7.0m, respectively, in Q3 2010. Retention costs include subsidized modems and/or costs of changing BSA speeds payable to TP, plus adjustments to revenue recognition on rolled-forward contracts all of which impact profits in the month when the contract is extended.

Miroslaw Godlewski, Netia's President and CEO, commented: "Netia turned in another solid performance in Q3 2010 with another 30 thousand broadband net additions to grow our total broadband base to 654 thousand on September 30, 2010. We continue to take market share with approximately 36% of broadband subscriber growth being taken by Netia during Q3 2010 and we estimate that our total broadband share now stands at 11.1%. It was particularly satisfying to reach 100 thousand LLU customers in the first days of October after we added over 25 thousand LLU customers in the previous three months as the migration process from BSA and WLR got back up to full speed. As we had anticipated, Q3 2010 also saw significant acceleration in net additions of voice customers, with 31 thousand added for a total base of 1,214 thousand customers and an estimated voice share of 12.8%.

Upon learning, back in July, that TP's new broadband tariffs had passed the margin squeeze test, our commercial team decided to accelerate the launch of our traditionally aggressive fourth quarter promotion into September and to intensify our retention efforts to extend the contracts of over 75 thousand customers whose initial contract terms would have expired during Q4 2010 or Q1 2011. These efforts, together with a further sweetening of our offer during October, have ensured that we continue to fight hard for market share growth and continue to target 700 thousand broadband customers by the end of 2010. On the regulatory front, we were very surprised to see that TP's low-end offers had somehow passed the margin squeeze test. At present, the test is temporarily suspended and the Regulator has started consultations with TP and the altnets in order to improve the transparency of the test procedure going forward. Moreover, due to the excellent progress on LLU, where margins have always been more attractive than for BSA, we are now considering extending our roll-out plans to 700 nodes.

Project "Klientomania", targeted at delivering a higher standard of customer service to further differentiate Netia from our competition, is in full swing and the whole organization is focused on delivering an extensive range of improvements that we expect to contribute positively over time through reduced churn, more efficient processes and more customer recommendations. This project will continue well into 2011 and, together with various exciting product based initiatives, should provide Netia with the tools needed to keep expanding market share in the tougher competitive environment.

We go into Q4 2010 fully focused on delivering our customer and financial guidance and determined to actively participate in the consolidation of the telecommunications sector as certain competitors now look likely to be sold in the coming months or during 2011."

Jon Eastick, Netia's CFO, commented: "Today we are reporting sales up by 5% to PLN 1,175.1m and Adjusted EBITDA up by 20% to PLN 271.7m on a year-to-date basis as our broadband driven growth strategy, coupled with synergies from the Tele2 Polska integration and cost savings from Project Profit, continues to deliver growth to Netia.

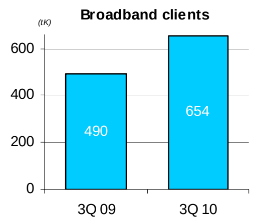
As flagged during our H1 2010 results, faster growth on the voice side of our business, together with the costs of migrating customers from BSA and WLR onto higher margin LLU based services, put a drag on our margins during Q3 2010. Moreover, when we learned of our major competitor's intention to cut broadband prices by 20%, we moved decisively to secure our customers with soon-to-expire contracts by proactively offering them improved terms to extend their relationships with us. This campaign accounts for PLN 4.9m of expense increases on a sequential basis but sets us up very well to protect our subscriber base and continue to grow towards 700 thousand broadband customers in Q4 2010.

Despite the tougher market conditions, we continue to go all out to achieve our full year guidance and our sales are holding up well despite the reduced price advantages as our investments in brand and service quality over the past years becomes increasingly important to our service offering. We continue to maintain price leadership for LLU based and double-play offers and both these categories continue their rapid development with LLU subscribers now exceeding 100 thousand and the share of double-play lines up to 29% from 20% a year earlier. In this regard, 2play customers represented 59% of LLU migrations and 96% of organic net LLU additions in Q3 2010.

Netia is generating over PLN 160.0m of free cash flow on a rolling twelve months basis and we finished September with PLN 313.3m of cash resources on our balance sheet, up by PLN 40.8m over three months. This cash, together with our mandated banking relationships, can today provide PLN 1.0bn of funding for potential market consolidating acquisitions."

2. Operational Overview

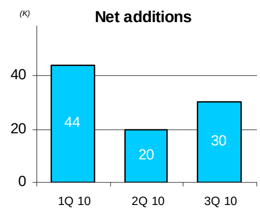
2.1. Broadband



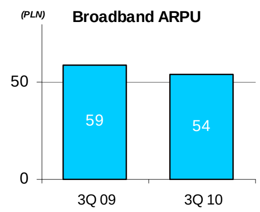
Broadband subscribers increased to 653,901 at September 30, 2010, up by 5% from 623,579 at June 30, 2010 and by 33% from 489,823 at September 30, 2009. By the end of 2010, Netia aims to reach over 700,000 broadband subscribers through further organic growth, with potential for a higher figure pending additional Ethernet network acquisitions.

Netia provides its broadband services using the following technologies :

Number of broadband ports	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
xDSL and FastEthernet over Netia's own fixed-line network	179,733	200,060	205,045	206,154	213,238
WiMAX Internet	15,791	17,079	18,094	18,826	19,079
LLU	21,281	48,117	59,505	73,101	98,555
Bitstream access	272,419	293,782	320,470	325,289	322,871
Other	599	279	253	207	158
Total	**489,823**	**559,317**	**603,367**	**623,579**	**653,901**



Broadband net additions totalled 94,584 during nine months of 2010 and 30,322 during Q3 2010, up by 24% and down by 2% on year-to-date 2009 and Q3 2009, respectively, with the vast majority of all additions acquired through organic growth. Additions from Ethernet network acquisitions of 6,521 subscribers for Q3 2010 and 8,312 for the nine-month period of 2010 compare to 504 subscribers for Q2 2010, 573 subscribers for Q3 2009 and 1,456 subscribers for year-to-date 2009. Netia estimates that its total fixed broadband market share has increased during the past twelve months from 9.0% to approximately 11.1% and that its market share of total net additions was approximately 31% and 36% in year-to-date 2010 and Q3 2010, respectively.



Broadband ARPU was PLN 54 in Q3 2010 as compared to PLN 59 in Q3 2009 and PLN 54 in Q2 2010. The declining ARPUs reflect the impact of aggressive offers run during 2009 and early 2010 plus discounts given to focus sales on more profitable 2play voice and data bundles. Broadband ARPU is expected to settle between PLN 50 and PLN 60 per month in the medium term.

Broadband SAC was PLN 202 in Q3 2010 as compared to PLN 197 in Q3 2009 and PLN 212 in Q2 2010.

Important developments in broadband:

Local loop unbundling (LLU). In Q3 2010 Netia continued to extend the reach of its LLU-based services, with a strong 25,454 net additions for the quarter. Netia had 437 unbundled nodes at September 30, 2010 versus 350 nodes at June 30, 2010, reaching approximately 4.0 million customer lines. As of today, Netia has 475 nodes unbundled and is well advanced with the 2010 wave of LLU development that is expected to take the total of unbundled nodes to over 500 by the end of 2010.

Netia served 98,555 customers over LLU as at September 30, 2010 as compared to 73,101 at June 30, 2010 and 21,281 at September 30, 2009. During Q3 2010 Netia migrated 7,037 1play and 10,032 2play clients onto LLU versus 1,950 1play and 2,362 2play clients transferred in Q2 2010, increasing the cumulative number of 1play and 2play migrations to 46,953. 2play customers represented 59% of migrations and 96% of organic net additions in Q3 2010. Of the new LLU sales for Q3 2010, a sizable portion (34% or over 2,800 clients) came from re-activation of previously dormant TP lines or activation of new fixed lines.

At the end of Q3 2010, Netia served an average of 226 customers per LLU node as compared to 121 customers per LLU node in Q3 2009.

Acquisitions of local Ethernet network operators. As of September 30, 2010, Ethernet networks acquired by Netia provided broadband access to a total of 108,735 mostly residential customers as compared to 104,327 customers at June 30, 2010 and 90,483 customers at September 30, 2009, with approximately 458,000 homes passed. The acquisition program is part of Netia's strategic objective to acquire one million broadband customers and to up-sell voice services to the existing subscriber base of the acquired Ethernet providers.

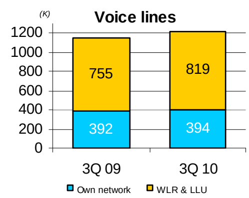
During Q3 2010 Netia acquired another Ethernet provider with a total of 6,521 active customers. Netia remains fully dedicated to consolidation of the fragmented Polish Ethernet ISP market and is making steady progress on a pipeline of acquisitions for Q4 2010 and Q1 2010. Netia acquired a further Ethernet provider with total 2,968 active customers on October 7, 2010.

Multiplay services. Netia continues to increase the share of services sold in voice and data bundles. As at September 30, 2010, bundled services were delivered on 27% and 41% of lines in the Residential and SOHO/SME segments, respectively. This represents an increase by 8 and 10 percentage points in the respective segments from September 30, 2009 and by 1 percentage point in the Residential segment versus June 30, 2010.

Development of TV services. Netia remains committed to introducing a commercially viable TV offer into its product portfolio and continues to work hard on various potential solutions. The provision of 3play services is considered important in supporting ARPU and improving customer retention in the medium term.

2.2. Voice

2.2.1. Own network & WLR

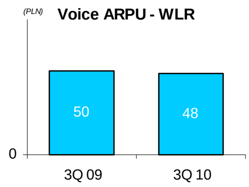


Voice lines (own network, WLR and LLU) totalled 1,213,584 at September 30, 2010 as compared to 1,146,876 at September 30, 2009 and 1,182,316 at June 30, 2010. By the end of 2010, Netia aims to have over 1,225,000 voice subscribers (own network + WLR + LLU), with the additional subscribers to be acquired organically.

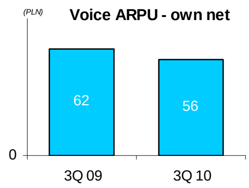
Netia is steadily growing its base of voice customers using relatively low cost VoIP technology, principally in the business segment or over LLU and Ethernet to residential customers. Over time, the Company expects to gradually reduce its reliance on traditional switched telephony, thereby reducing its cost base.

Netia provides its voice services through the following types of access:

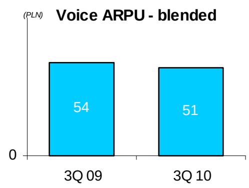
Number of voice lines	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Traditional direct voice	355,726	349,824	346,731	342,975	336,074
Incl. ISDN	*134,478*	*136,350*	*139,182*	*141,884*	*141,110*
Incl. Legacy wireless	*39,324*	*37,316*	*37,582*	*37,629*	*38,132*
Voice over IP *(excl. LLU)*	16,618	19,734	23,848	29,549	37,342
WiMAX voice	19,758	21,526	21,699	21,334	20,788
Netia network subscriber voice lines	**392,102**	**391,084**	**392,278**	**393,858**	**394,204**
WLR	740,086	743,231	746,959	745,248	758,096
LLU voice over IP	14,688	24,133	33,771	43,210	61,284
Total	**1,146,876**	**1,158,448**	**1,173,008**	**1,182,316**	**1,213,584**



Voice ARPU per WLR line amounted to PLN 48 in Q3 2010 as compared to PLN 50 in Q3 2009 and PLN 49 in Q2 2010 as a result of offering more competitive tariffs under Netia's customer retention activities.

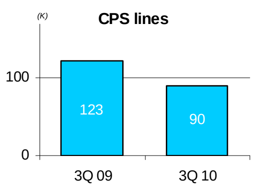


Voice ARPU per Netia network subscriber line amounted to PLN 56 in Q3 2010 as compared to PLN 62 in Q3 2009 and PLN 58 in Q2 2010, with the decreases reflecting overall tariff reduction trends and reduced usage, particularly in the business segments where the economic slow-down continues to visibly impact demand.



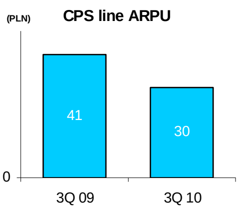
Blended voice ARPU was PLN 51 in Q3 2010 as compared to PLN 54 in Q3 2009 and PLN 53 in Q2 2010. In the medium term, Netia expects blended voice ARPU to stabilize.

2.2.2. Indirect voice



CPS lines *(carrier pre selection)* totalled 90,124 at September 30, 2010 as compared to 122,501 at September 30, 2009 and 98,287 at June 30, 2010. Netia is focused on the conversion of CPS customers to WLR and is not actively acquiring new CPS customers.

CPS clients are not counted in the total Netia voice subscriber base of 1,213,584 clients as at September 30, 2010.



Indirect voice ARPU per CPS line was PLN 30 in Q3 2010 as compared to PLN 41 in Q3 2009 and PLN 32 in Q2 2010. Tariff reductions, reduced call volumes and conversion of higher ARPU customers to Netia's WLR or LLU offers is responsible for the year-on-year ARPU decline.

2.3. Other

Headcount for the Netia group was 1,450 at September 30, 2010, compared to 1,477 at September 30, 2009 and 1,416 at June 30, 2010. Active headcount was 1,393 at September 30, 2010 versus 1,413 at September 30, 2009 and 1,366 at June 30, 2010. The year-on-year decrease in headcount was driven by the "Profit" restructuring project implemented during 2009 and was achieved despite the addition of employees of new Ethernet networks acquired during the twelve month period. The increase in headcount during Q3 2010 was associated mainly with the acquisition of a new Ethernet company with 25 employees.

The movement in headcount can be analyzed as follows:

	Active	Total
Headcount at September 30, 2009	**1,413**	**1,711**
Ethernet networks' acquired headcount	70	70
Headcount reductions, net	(90)	(331)
Headcount at September 30, 2010	**1,393**	**1,450**

Management expects the current employment level at Netia group to remain broadly stable during 2010, subject to any new employees acquired along with Ethernet networks.

Capital investment additions

Capital investment additions *(PLN'M)*	**YTD 2010**	**YTD 2009**	*Change %*
Existing network and IT	46.8	75.3	*-38%*
Broadband networks	72.1	78.0	*-8%*
P4 transmission project	6.2	17.0	*-64%*
Total	**125.1**	**170.3**	***-27%***

Lower capital investments in existing network and IT in the nine months of 2010 versus the same period in 2009 reflect strict control measures with regard to investments in legacy networks and increased utilization of previously developed IT functionality. Capital expenditures related to broadband networks in 2010 reflect mainly the LLU roll-out with respect to nodes to be unbundled during 2010 and upgrades to transmission capacity. Given the completion of the P4 transmission roll-out, the amount of related investments declined versus the prior year with no further significant capex outlays planned in future pertaining to this project.

Capex related cash payments were PLN 144.0m for year-to-date 2010 and PLN 49.1m for Q3 2010.

A significant part of the foreign exchange exposure on capital investment was hedged with forward contracts.

3. OTHER HIGHLIGHTS

Financing. On September 30, 2010, Netia had PLN 157.4m in cash plus PLN 155.9m in treasury bills (market value).

Netia's broadband-driven growth strategy to reach 1 million broadband subscribers by the end of 2012 is self-financing with loan facilities needed only in relation to funding in-market consolidation opportunities, should they occur.

On July 29, 2010 Netia entered into a mandate with Rabobank Polska SA, Raiffeisen Bank Polska SA and BRE Bank SA for arrangement of new financing, considered by the Management sufficient to fund a major in-market acquisition by the Company. In parallel, Netia terminated its existing loan facilities totaling PLN 295.0m, effective August 5, 2010.

On October 4, 2010 the mandate was joined by the Polish branch of BNP Paribas. The funds available under the mandate total PLN 700.0m. When including Netia's own resources of PLN 313.3m at September 30, 2010, the total financial resources that may be devoted by the Netia group to finance potential M&A activities exceed PLN 1.0bn.

In addition to the financing, Netia signed agreements with the investment banking consortium of Raiffeisen Investment and Lazard and, separately, with Rabobank Corporate Advisory, for financial advisory in relation to potential major acquisition opportunities on the Polish telecommunications market.

Management intends to retain a cash balance of approximately PLN 300.0m to support major acquisitions whilst such opportunities remain feasible. Netia will consider recommending a dividend payment in 2011 from any surplus cash flow if such acquisitions do not materialize.

Customer satisfaction initiatives (the "Klientomania" project). Following the rapid acquisition of new customers in 2009, Netia decided to focus its 2010 strategic initiatives on customer service improvements. In March 2010 a new project "Klientomania" was launched with a goal to increase customer satisfaction at every stage of the customer life cycle and to establish Netia as the clear market leader in this respect.

Following the research phase, which defined twelve main initiatives focusing on service provisioning and customer relationships, the project is now fully in implementation. Examples of tasks already completed include:

- Introduction of a unified service provisioning agreement for all services and technologies
- Provision of mobile Internet access to clients awaiting the activation of their fixed Internet services (Mobile Internet to Start)
- Implementation of joint quality control tools in customer care, both internal and outsourced
- Extended use of electronic media in communications with clients (sms, email)
- Hardware (router) installation video manual

More customer satisfaction initiatives are scheduled for completion in Q4 2010 and Q1 2011.

The "Klientomania" project is being conducted with participation of all functions in the Company and is expected to deliver measurable improvements in customer satisfaction and be self-financing through increased sales and better customer retention performance.

Decision of the Director of the Tax Control Office. On February 19, 2010 Netia received a decision of the Director of the Tax Chamber in Warsaw ("Tax Chamber Director") according to which the Company's corporate income tax ("CIT") due for the year 2003 was set at PLN 34.2m plus penalty interest of approximately PLN 25.3m.

The Company appealed to the Voivodship Administrative Court against the decision issued by the Tax Chamber Director and **awaits the first hearing scheduled for November 5, 2010**.

Should the decision of the Voivodship Administrative Court (and any subsequent appeals) be positive for the Company, the amount of unduly paid tax plus interest will be treated as an overpayment and must be returned by the tax authorities together with interest (currently the interest rate on tax liabilities amounts to 10% per annum). Netia will undertake all possible legal steps to prove that the decision of the Tax Chamber's Director was groundless.

Netia executed the decision of the Tax Chamber Director, which was enforceable as a decision of the second instance tax authority, on February 23, 2010 using some of the Company's cash deposits. Of the PLN 59.6m settled, PLN 1.3m was subsequently conceded by the Tax Authority as overpayment. Netia is treating the overpaid tax as a receivable in its accounts rather than as an expense, due to Management's expectations, based on the expert advice received, that the amounts paid will ultimately be recovered.

Regulatory issues (margin squeeze test) and recent market developments. During July 2010, the telecommunications regulator (UKE) announced that TP's proposed new offer had passed margin squeeze tests designed to protect profit margins of altnet operators. TP introduced this new offer on October 1, 2010, with average 20% price cuts bringing broadband pricing very close to Netia's levels for BSA service.

Netia had taken steps in anticipation of the new TP offering by launching its broadband promotion "Hypnotizing Offer II" in September 2010 and by accelerating customer contract extension activities. Nevertheless, Netia is surprised that TP's new prices for the lowest transmission speeds somehow passed the tests and currently participates along with other operators associated at KIGEiT, a telecom chamber, and TP in consultations initiated by the Regulator, which are aimed at improving the test procedure to increase its transparency going forward. Moreover, in October 2010 Netia responded to TP's new offering by increasing its lowest transmission speed over bitstream access from up to 1 Mb/s to up to 2 Mb/s at an unchanged price point.

Despite the outcome of the margin squeeze test for lower speeds, Netia's broadband offering over its own network and LLU remain competitively priced while economics for services based on bitstream access appear now more challenging. Accordingly, Netia is considering the expansion of its LLU roll-out to 700 nodes from over 500 nodes planned previously while simultaneously reducing its target for customers served over bitstream access.

Potential exercise of options under Netia's stock option plan. Given that the Company's current employee stock option plan expires at the end of 2012, Netia management will encourage participants to exercise their options and acquire Netia shares over the next two years. As of September 30, 2010, there were 53.6m options granted of which 39.3m had vested, including 20.2m that were in the money. Upon exercise of the options, Netia issues to each exercising participant the number of shares representing such participant's gain from the exercise of the options, being the difference between the exercise price and the strike price of the options. The Company estimates that if all in the money options were executed at the closing price prevailing on September 30, 2010 (PLN 5.57) then the dilution would amount to 0.9%. The estimated cost of exercise of the above mentioned vested options was fully provided for in Netia's financial statements for Q3 2010.

4. GUIDANCE FOR FY2010 MAINTAINED

Netia continues to target unchanged goals for 2010 and maintains its previously published guidance.

	2010 Guidance
Number of broadband service clients *(excl. Ethernet acquisitions)*	700,000
Number of voice service clients *(own network, WLR and LLU)*	1,225,000
Unbundled local loop (LLU) nodes	500+
Revenue *(PLN m)*	1,550.0+
Adjusted EBITDA *(PLN m)*	355.0+
Adjusted EBITDA margin *(PLN m)*	23%
EBITDA *(PLN m)*	360.0+
EBIT *(PLN m)*	60.0+
Capital investment (excl. M&A) *(PLN m)*	220.0
Capital investment to sales *(%)*	14%

Subscriber guidance excludes potential for further Ethernet network acquisitions which remain important to Netia's strategy but are difficult to forecast in time and amount.

In addition, Netia forecasts to be net profitable for the full year 2010.

The medium term outlook for Netia remains unchanged:

	Mid term outlook
Revenue growth (CAGR) total	3% - 5%
Revenue growth (CAGR) in retail market segments	5% - 10%
EBITDA margin in 2010 (%)	23%
EBITDA margin in 2012 (%)	28%
Net profit by	2010
Capex to sales down to 15% by	2010
1 million broadband subscribers	2012

Consolidated Financial Information

Please also refer to our financial statements for the nine-month period ended September 30, 2010.

2010 Year-to-Date vs. 2009 Year-to-Date

Revenue rose by 5% YoY to PLN 1,175.1m for the nine-month period ended September 30, 2010 from PLN 1,119.6m for the same period in 2009. This growth was supported by effective execution of Netia's broadband-driven strategy with good momentum in new sales and was achieved despite PLN 14.1m (38%) lower revenue from the disposed P4 transmission project.

Telecommunication revenue increased by 5% YoY to PLN 1,171.5m in the first nine months of 2010 from PLN 1,115.6m in year-to-date 2009. Data revenue increased to PLN 432.1m, up by 13% YoY from PLN 380.8m in the nine-month period ended September 30, 2009, 16 percentage points being attributable to broadband-related organic growth and 1 percentage point to acquisitions of Ethernet operators while data transmission connections for P4 accounted for a decrease of 4 percentage points. Revenue from direct voice services amounted to PLN 557.0m as compared to PLN 554.0m for the comparative period in 2009, supported by Netia's organic additions of VoIP and WLR voice customers.

The overall revenue level was supported by growth in wholesale services with an increase of 45% YoY or PLN 27.0m. The gradual run-down in indirect voice customers produced a revenue decrease of PLN 22.6m or 43% YoY.

Cost of sales increased by 6% YoY to PLN 801.0m from PLN 756.1m for the nine-month period ended September 30, 2009 and represented 68% of total revenue as compared to 67% for year-to-date in 2009.

<u>Network operation and maintenance costs</u> increased by 9% YoY to PLN 392.5m for the nine-month period ended September 30, 2010 from PLN 361.0m for the same period of 2009. This rise was driven by the growing regulated access customer base where WLR, LLU and BSA services combined increased by 14%. Whilst the increased share of LLU based customers is reducing costs, ancillary fees paid to TP for migration or changes of transmission speed are becoming significant.

<u>Interconnection charges</u> increased by 10% to PLN 165.1m in the first nine months of 2010 as compared to PLN 149.6m for the corresponding period of 2009. This was mainly the result of increased voice termination services in the carrier segment.

<u>Costs of goods sold</u> increased by 36% YoY to PLN 13.8m from PLN 10.1m, driven by higher broadband gross additions, and introduction of Wi-Fi router modems into broadband promotional offers and customer retention activities and mobile broadband devices sold to new mobile data customers.

<u>Depreciation and amortization</u> related to cost of sales decreased by 1% to PLN 185.6m from PLN 187.6m in the first nine months of 2009.

<u>Salaries and benefits related to cost of sales</u> (excluding restructuring costs) decreased by 11% YoY to PLN 14.9m from PLN 16.8m in the nine-month period ended September 30, 2009 reflecting the reduced employment level following the "Profit" project.

Gross profit for the nine-month period ended September 30, 2010 was PLN 374.1m as compared to PLN 363.6m for the corresponding period of 2009. Gross profit margin was 31.8% for year-to-date 2010 and 32.5% for year-to-date 2009. Lower ARPUs and higher volumes of lower margin wholesale regulated access customers in the subscriber mix plus higher costs associated with activation of a higher volume of new broadband customers, migrations to LLU and customer retention were offset by cost savings and the increased share of LLU based customers.

Selling and distribution costs decreased by 8% YoY to PLN 233.1m from PLN 253.6m for the same period last year and represented 20% of total revenue as compared to 23% in the prior year period. This improvement fully reflects the positive impact of Tele2 Polska related synergies and the impact of the "Profit" Project on the structure of selling and distribution costs as broadband additions were higher in the first nine months of 2010, whilst total selling and distribution cost fell supported mainly by lower billing, mailing and logistics costs as well as lower advertising spending.

Billing, mailing and logistics costs decreased significantly by 35% YoY to PLN 26.7m from PLN 41.2m in the nine-month period ended September 30, 2009, partially as a result of more customers accepting electronic bill presentation and shifting Tele2 Polska's customers onto Netia's billing system.

Advertising and promotion expenditure was down by 14% YoY to PLN 38.5m from PLN 44.7m in the nine-month period ended September 30, 2009. The decrease reflected cost savings on media spending and the elimination of SOHO/SME focused campaigns in the current year period.

Third party commissions paid for the acquisition of new customers were down by 12% YoY to PLN 29.1m from PLN 33.2m, reflecting changes in the commission systems for third parties reselling Netia services and in particular the shift in Q1 2010 of legacy Tele2 Polska distribution channels onto the Netia commission system and practices, as well as ongoing optimization of sales channel-mix.

Salaries and benefits costs related to selling and distribution (excluding restructuring costs) decreased by 4% YoY to PLN 64.4m from PLN 66.9m in the nine-month period ended September 30, 2009 reflecting the reduced employment level following "Profit" project and the restructuring in the SOHO/ SME segment in Q1 2010.

Outsourced customer service costs grew by 12% YoY to PLN 23.5m from PLN 21.0m in the first nine months of 2009 due to much higher customer transaction volumes offset by efficiency gains.

General and administration costs decreased by 17% YoY to PLN 107.4m from PLN 129.5m for year-to-date 2009 and represented 9% of total revenue as compared to 12% in the corresponding period of 2009, reflecting expenditure reductions following the Project "Profit" and the positive impact of Tele2 Polska related synergies.

Office and car maintenance costs decreased by 41% YoY to PLN 9.0m from PLN 15.4m in the nine-month period ended September 30, 2009, mainly thanks to growing revenue from office space rental and the "Profit" Project related cost reductions. A positive exchange rate comparative for most of the current year period reduced the cost of Euro denominated office leases.

Electronic data processing costs related to general administration were down by 37% YoY to PLN 7.9m from PLN 12.4m in year-to-date 2009 as these cost no longer include the cost of outsourced billing system services payable to Tele2 Sverige.

Salaries and benefits costs related to general administration (excluding restructuring costs) decreased by 8% YoY to PLN 53.8m from PLN 58.2m in the nine-month period ended September 30, 2009, reflecting the headcount decrease within the "Profit" Project.

Adjusted EBITDA increased by 19% YoY to PLN 271.7m from PLN 227.2m for the nine-month period ended September 30, 2009. Including restructuring expenses related to the "Profit" Project executed during 2009, which amounted to PLN 0.5m in year-to-date 2010 and PLN 10.3m in the year-to-date 2009, and the gain on the disposal of the tranches of transmission equipment to P4, which amounted to PLN 7.3m for year-to-date 2010 and PLN 5.3m for year-to-date 2009, EBITDA was PLN 278.6m, 25% up on the first nine months of 2009. Adjusted EBITDA margin increased to 23.1% and EBITDA margin increased to 23.7% as compared to 20.3% and 19.8% respectively in the nine-month period ended September 30, 2009.

Depreciation and amortization remained almost stable YoY and amounted to PLN 224.2m as compared to PLN 223.2m in the first nine months of 2009.

Operating profit (EBIT) was PLN 54.4m as compared to an operating loss of PLN 1.0m for the nine-month period ended September 30, 2009, reflecting increased scale, synergies realized on the Tele2 Polska acquisition and the "Profit" Project savings. Excluding restructuring expenses and the gain on disposal of transmission equipment to P4, EBIT for the first nine months of 2010 would have been PLN 47.6m versus PLN 4.0m in the corresponding period of 2009.

Income tax charge, which was mainly related to deferred taxes, of PLN 12.3m was recorded in the nine-month period ended September 30, 2010 following the recognition of the deferred income tax assets in Q4 2009. An income tax benefit amounted to PLN 0.5m for year-to-date 2009. The PLN 58.3m net paid to the tax office in relation to a tax dispute (see Other Highlights) was not expensed as Management expects, based on advice received, to recover this amount, with interest, through the courts.

Net profit was PLN 42.3m for the nine-month period ended September 30, 2010 versus net loss of PLN 10.4m for the same period in 2009.

Capital investment for the purchase of fixed assets and computer software decreased by 24% to PLN 144.0m for the nine-month period ended September 30, 2010 from PLN 191.7m for the corresponding period of 2009 in line with the forecasted decline in capital investments level in 2010. The year-on-year decrease in capital investments largely results from tight spending controls on legacy networks, completion of several IT projects and the run-down of spending related to the P4 transmission contract.

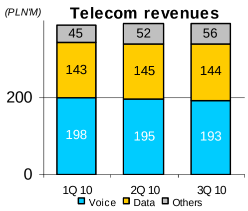
Other significant cash items during the first nine months of 2010 included a PLN 94.3m outflow related to the purchases of short-dated treasury bills and a PLN 58.3m net outflow to meet the claim of an enforceable decision of the Director of the Tax Chamber in Warsaw relating to Netia's corporate income tax ("CIT") for the year 2003, partially offset by a PLN 26.2m gross inflow for the third and final tranche of transmission equipment sold to P4 on July 1, 2010.

Cash and cash equivalents at September 30, 2010 totalled PLN 313.3m (PLN 157.4m in cash and cash equivalents plus PLN 155.9m in treasury bills at market value), up by PLN 101.7m versus September 30, 2009.

Netia was virtually debt free at September 30, 2010.

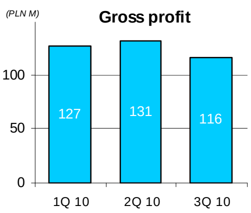
Q3 2010 vs. Q2 2010

Revenue rose by 0.2% QoQ and amounted to PLN 394.5m in Q3 2010 as compared to 393.7m in Q2 2010.



Telecommunication revenue was PLN 393.3m in Q3 2010 and PLN 392.5m in Q2 2010. Data revenue decreased sequentially by 1% to PLN 143.8m in Q3 2010 due to PLN 2.7m lower revenue from P4 following the sale of the final tranche of transmission equipment to P4 in July 2010. Voice revenue decreased sequentially by 1% to PLN 193.2m mainly as a result of offering more competitive tariffs to WLR customers under Netia's customer retention activities. Higher transit traffic volumes in Q3 2010 compared to Q2 2010 resulted in wholesale and interconnection revenue increasing by PLN 4.7m or 10% driven by several opportunistic deals in the carriers segment.

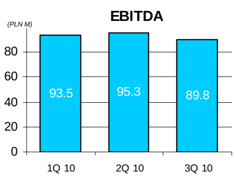
Cost of sales increased by 6% QoQ and amounted to PLN 278.6m in Q3 2010 versus PLN 262.2m in Q2 2010 and represented 71% and 67% of total revenue, respectively. Interconnection charges increased by 13% or PLN 7.0m due to higher transit and wholesale termination volumes. Network maintenance costs increased by 4% or PLN 5.2m in connection with higher volumes of migrations from BSA/WLR to LLU and related deactivation fees on BSA/WLR lines, coupled with the fees payable to TP upon increasing transmission speeds over BSA lines which were offered in Q3 2010 for customers contract extension. The cost of goods sold was higher by 98% QoQ or PLN 3.2m due to increased numbers of Wi-Fi routers delivered to customers under both Netia's recent promotions and customer contract prolongation activities and, additionally, the cost of mobile Internet modems delivered to customers who decided to purchase this service following the end of a trial period.



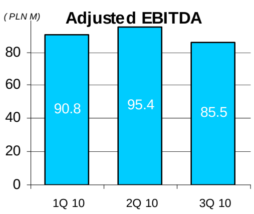
Gross profit was PLN 115.9m in Q3 2010 as compared to PLN 131.5m in Q2 2010, with gross profit margin at 29.4% as compared to 33.4% in Q2 2010.

Selling and distribution costs increased QoQ by 1% to PLN 78.1m in Q3 2010 as compared to PLN 77.1m in Q2 2010 and represented 20% of total revenue in both quarters. The increase was mainly due to higher sales volumes. Outsourced customer service costs increased by 41% or PLN 2.6m compared to Q2 2010 while sales commissions paid to external sales forces were higher by 29% or PLN 2.3m. The above increases were offset partly by 12% QoQ decrease in advertising and promotion expenses associated with less intensive advertising during Q3 2010.

General and administrative expenses increased by 1% to PLN 35.3m in Q3 2010 from PLN 35.1m in Q2 2010, and represented 9% of total revenue in both quarters.



EBITDA was PLN 89.8m as compared to PLN 95.3m in Q2 2010. Excluding restructuring expenses related to "Profit" Project, and the profit recorded on the sale of the third and final tranche of transmission equipment to P4 in Q3 2010, **Adjusted EBITDA** was PLN 85.5m for Q3 2010, down by 10% over Q2 2010 and Adjusted EBITDA margin was 21.7% in Q3 2010 versus 24.2% for Q2 2010. Migration and retention costs in Q3 2010 of PLN 1.8m and PLN 7.0m, respectively, were up by PLN 1.4m and PLN 4.9m sequentially and account for 1.6 percentage point of the 2.6 percentage point sequential margin decline.



Operating profit (EBIT) was PLN 14.4m as compared to operating profit of PLN 20.5m in Q2 2010.

Income tax charge, which was mainly related to deferred taxes, of PLN 1.9m was recorded in Q3 2010 versus PLN 7.2m in Q2 2010.

Net profit of PLN 12.4m was recorded in Q3 2010 as compared to net profit of PLN 15.6m in Q2 2010.

Key Figures

PLN'000	YTD 2009	YTD 2010	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Revenues	1,119,625	1,175,142	370,281	386,246	386,979	393,698	394,465
y-o-y % change	*48.9%*	*5.0%*	*36.6%*	*4.7%*	*3.0%*	*5.4%*	*6.5%*
Adjusted EBITDA	227,213	271,757	81,915	76,737	90,799	95,433	85,525
Margin %	*20.3%*	*23.1%*	*22.1%*	*19.9%*	*23.5%*	*24.2%*	*21.7%*
y-o-y change %	*101.0%*	*19.6%*	*86.9%*	*33.3%*	*57.7%*	*29.4%*	*4.4%*
EBITDA	222,232	278,587	82,901	90,602	93,526	95,271	89,790
Margin %	*19.8%*	*23.7%*	*22.4%*	*23.5%*	*24.2%*	*24.2%*	*22.8%*
EBIT	(950)	54,418	7,069	15,218	19,554	20,485	14,379
Margin %	*(0.1%)*	*4.6%*	*1.9%*	*3.9%*	*5.1%*	*5.2%*	*3.6%*
Profit/(Loss) of the Netia Group *(consolidated)*	(10,399)	42,318	4,236	99,096	14,344	15,564	12,410
Margin %	*(0.9%)*	*3.6%*	*1.1%*	*25.7%*	*3.7%*	*4.0%*	*3.1%*
Profit/(Loss) of Netia SA *(stand alone)* [1]	(18,264)	43,260	10,278	255,099	14,228	17,059	11,973
Cash and cash equivalents	163,338	157,427	163,338	181,203	108,703	145,224	157,427
Treasury bills (market value)	48,303	155,886	48,303	58,489	97,636	127,248	155,886
Bank debt	-	334	-	-	-	-	334
Capex related payments	190,916	143,991	50,174	46,858	56,565	38,304	49,122
Investments in tangible and intangible fixed assets	170,318	125,140	49,098	76,105	29,029	52,071	44,040

EUR '000 [2]	YTD 2009	YTD 2010	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Revenues	280,819	294,743	92,872	96,876	97,060	98,745	98,938
y-o-y % change	*48.9%*	*5.0%*	*36.6%*	*4.7%*	*3.0%*	*5.4%*	*6.5%*
Adjusted EBITDA	56,989	68,161	20,546	19,247	22,774	23,936	21,451
Margin %	*20.3%*	*23.1%*	*22.1%*	*19.9%*	*23.5%*	*24.2%*	*21.7%*
y-o-y change %	*101.0%*	*19.6%*	*86.9%*	*33.3%*	*57.7%*	*29.4%*	*4.4%*
EBITDA	55,739	69,874	20,793	22,724	23,458	23,895	22,521
Margin %	*19.8%*	*23.7%*	*22.4%*	*23.5%*	*24.2%*	*24.2%*	*22.8%*
EBIT	(238)	13,649	1,773	3,817	4,904	5,138	3,606
Margin %	*(0.1%)*	*4.6%*	*1.9%*	*3.9%*	*5.1%*	*5.2%*	*3.6%*
Profit/(Loss) of the Netia Group *(consolidated)*	(2,608)	10,614	1,062	24,855	3,598	3,904	3,113
Margin %	*(0.9%)*	*3.6%*	*1.1%*	*25.7%*	*3.7%*	*4.0%*	*3.1%*
Profit/(Loss) of Netia SA *(stand alone)* [2]	(4,581)	10,850	2,578	63,983	3,569	4,279	3,003
Cash and cash equivalents	40,968	39,485	40,968	45,448	27,264	36,424	39,485
Treasury bills (market value)	12,115	39,099	12,115	14,670	24,489	31,916	39,099
Bank debt	-	84	-	-	-	-	84
Capex related payments	47,885	36,115	12,584	11,753	14,187	9,607	12,321
Investments in tangible and intangible fixed assets	42,718	31,387	12,315	19,088	7,281	13,060	11,046

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

[2] The EUR amounts shown in this table and in the entire document have been translated using an exchange rate of PLN 3.9870 = EUR 1.00, the average rate announced by the National Bank of Poland on September 30, 2010. These figures are included for the convenience of the reader only.

Key Operational Indicators

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Broadband data services							
Netia infrastructure-based services	189,047	191,910	196,123	217,418	223,392	225,189	232,475
Own fixed-line networks	*174,874*	*176,769*	*179,733*	*200,060*	*205,045*	*206,154*	*213,238*
WiMAX	*13,416*	*14,467*	*15,791*	*17,079*	*18,094*	*18,828*	*19,079*
Others	*757*	*674*	*599*	*279*	*253*	*207*	*158*
Bitstream access....................................	248,455	259,626	272,419	293,782	320,470	325,289	322,871
LLU	3,764	7,324	21,281	48,117	59,505	73,101	98,555
Total broadband data services (end of period)	**441,266**	**458,860**	**489,823**	**559,317**	**603,367**	**623,579**	**653,901**
Voice services (excl. CPS)							
Netia network subscriber voice services	390,714	390,919	392,102	391,084	392,278	393,858	394,204
Traditional direct voice..........................	*361,963*	*359,024*	*355,726*	*349,824*	*346,731*	*342,975*	*336,074*
incl. ISDN equivalent of lines	*129,810*	*132,002*	*134,478*	*136,350*	*139,182*	*141,884*	*141,110*
incl. legacy wireless	*39,728*	*38,791*	*39,324*	*37,316*	*37,582*	*37,629*	*38,132*
Voice over IP (excl. LLU)	*11,421*	*13,546*	*16,618*	*19,734*	*23,848*	*29,549*	*37,342*
WiMAX voice	*17,330*	*18,349*	*19,758*	*21,526*	*21,699*	*21,334*	*20,788*
WLR	710,633	730,913	740,086	743,231	746,959	745,248	758,096
LLU voice over IP	3,696	6,896	14,688	24,133	33,771	43,210	61,284
Total voice services (cumulative)	**1,105,043**	**1,128,728**	**1,146,876**	**1,158,448**	**1,173,008**	**1,182,316**	**1,213,584**
Total Broadband and Voice services (end of period)	**1,546,309**	**1,587,588**	**1,636,699**	**1,717,765**	**1,776,375**	**1,805,895**	**1,867,485**
Corporate segment	143,621	147,385	151,993	157,280	161,981	168,769	177,556
Carrier segment	5,243	5,124	5,020	2,711	2,566	2,576	2,574
Residential segment	1,224,394	1,257,681	1,293,243	1,362,318	1,401,749	1,412,543	1,447,284
Share of lines with multiplay services.....	*15%*	*17%*	*19%*	*21%*	*24%*	*26%*	*27%*
SOHO/SME segment	173,051	177,398	186,443	195,456	210,079	222,007	240,071
Share of lines with multiplay services.....	*28%*	*30%*	*31%*	*36%*	*39%*	*41%*	*41%*
Other							
Total net additions in Broadband data services	27,621	17,594	30,963	69,494	44,050	20,212	30,322
Monthly Broadband APRU (PLN)	59	59	59	60	56	54	54
Monthly Broadband SAC (PLN)	184	194	197	206	186	212	202
Total net additions in Voice services	39,527	23,685	18,148	11,572	14,560	9,308	31,268
Business mix of total subscriber lines (cumulative)	22.6%	22.6%	25.1%	25.3%	26.1%	27,1%	28,1%
Monthly Voice ARPU in own network (PLN)	66	64	62	62	60	58	56
Monthly Voice ARPU for WLR (PLN)	51	50	50	51	50	49	48
Monthly Voice ARPU blended (PLN)	56	55	54	55	53	53	51
CPS lines (cumulative)	150,076	132,159	122,501	116,628	108,705	98,287	90,124
Monthly Voice ARPU for CPS	40	40	41	36	34	32	30
Headcount..	1,609	1,606	1,477	1,432	1,410	1,416	1,450
Active headcount.......................................	1,557	1,504	1,413	1,369	1,359	1,366	1,393

(Tables to Follow)

Income Statement (PLN in thousands unless otherwise stated)

Time periods: Telecommunications revenue	**YTD 2009** *unaudited*	**YTD 2010** *unaudited*	**Q2 2010** *unaudited*	**Q3 2010** *unaudited*
Direct Voice	554,020	556,966	185,609	184,776
Incl. monthly fees	*339,230*	*360,462*	*120,403*	*122,052*
Incl. calling charges	*214,501*	*196,300*	*65,184*	*62,660*
Indirect Voice	52,593	29,995	9,883	8,480
Data	380,764	432,118	145,499	143,808
Interconnection revenues	51,656	49,913	16,059	17,663
Wholesale services	59,592	86,609	30,164	33,228
Other telecommunications revenues	17,001	15,884	5,266	5,343
Total telecommunications revenue	**1,115,626**	**1,171,485**	**392,480**	**393,298**
Radio communications revenue	3,999	3,657	1,218	1,167
Total revenue	**1,119,625**	**1,175,142**	**393,698**	**394,465**
Cost of sales	(756,038)	(801,026)	(262,207)	(278,595)
Interconnection charges	*(149,628)*	*(165,103)*	*(54,623)*	*(61,600)*
Network operations and maintenance	*(361,041)*	*(392,550)*	*(128,511)*	*(133,672)*
Costs of goods sold	*(10,098)*	*(13,778)*	*(3,269)*	*(6,482)*
Depreciation and amortization	*(187,586)*	*(185,625)*	*(61,786)*	*(62,526)*
Salaries and benefits	*(16,787)*	*(14,896)*	*(4,716)*	*(5,057)*
Restructuring (Project Profit)	*(2,437)*	*(25)*	-	*(25)*
Taxes, frequency fees and other expenses	*(28,461)*	*(29,049)*	*(9,302)*	*(9,233)*
Gross profit	**363,587**	**374,116**	**131,491**	**115,870**
Margin (%)	***32.5%***	***31.8%***	***33.4%***	***29.4%***
Selling and distribution costs	(253,647)	(233,123)	(77,125)	(78,062)
Advertising and promotion	*(44,681)*	*(38,559)*	*(14,554)*	*(12,747)*
Third party commissions	*(33,196)*	*(29,119)*	*(7,869)*	*(10,161)*
Billing, mailing and logistics	*(41,224)*	*(26,670)*	*(8,549)*	*(8,894)*
Outsourced customer service	*(21,017)*	*(23,556)*	*(6,352)*	*(8,951)*
Impairment of receivables	*(6,219)*	*(7,355)*	*(2,727)*	*(1,960)*
Depreciation and amortization	*(23,465)*	*(24,403)*	*(8,303)*	*(8,114)*
Salaries and benefits	*(66,918)*	*(64,413)*	*(21,581)*	*(20,773)*
Restructuring (Project Profit)	*(3,323)*	*(241)*	*(162)*	*5*
Other costs	*(13,604)*	*(18,807)*	*(7,028)*	*(6,467)*
General and administration costs	(129,487)	(107,395)	(35,118)	(35,328)
Professional services	*(8,120)*	*(6,521)*	*(2,397)*	*(2,191)*
Electronic data processing	*(12,416)*	*(7,861)*	*(2,834)*	*(2,546)*
Office and car maintenance	*(15,361)*	*(9,020)*	*(2,586)*	*(3,107)*
Depreciation and amortization	*(12,131)*	*(14,141)*	*(4,697)*	*(4,771)*
Salaries and benefits	*(58,223)*	*(53,813)*	*(17,280)*	*(17,144)*
Restructuring (Project Profit)	*(4,519)*	*(202)*	-	*(148)*
Other costs	*(18,717)*	*(15,837)*	*(5,324)*	*(5,421)*
Other income	9,152	13,365	1,491	6,961
Other expense	(300)	(782)	(782)	-
Other gains/ (losses), net	9,745	8,237	528	4,938
EBIT	**(950)**	**54,418**	**20,485**	**14,379**
Margin (%)	***(0.1%)***	***4.6%***	**5.2%**	***3.6%***
Finance income	5,296	8,456	4,409	1,284
Finance cost	(15,256)	(8,281)	(2,081)	(1,308)
Profit before tax	**(10,910)**	**54,593**	**22,813**	**14,355**
Tax benefit / (charge)	511	(12,275)	(7,249)	(1,945)
Profit	**(10,399)**	**42,318**	**15,564**	**12,410**

EBITDA Reconciliation to Profit / (Loss)

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2009 *unaudited*	YTD 2010 *unaudited*	Q2 2010 *unaudited*	Q3 2010 *unaudited*
Operating Profit / (Loss)	**(950)**	**54,418**	**20,485**	**14,379**
Add back:				
Depreciation and amortization	223,182	224,169	74,786	75,411
EBITDA	**222,232**	**278,587**	**95,271**	**89,790**
Add back:				
Project Profit restructuring costs	10,279	468	162	168
Less:				
Gain on disposal of transmission equipment to P4	(5,298)	(7,298)	-	(4,433)
Adjusted EBITDA	**227,213**	**271,757**	**95,433**	**85,525**
Margin (%)	***20.3%***	***23.1%***	***24.2%***	***21.7%***

Note to Other Income

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2009 *unaudited*	YTD 2010 *unaudited*	Q2 2010 *unaudited*	Q3 2010 *unaudited*
Reminder fees and penalties	5,900	5,279	882	2,508
Settlement with Tele2 Sverige	-	1,461	-	-
Forgiveness of liabilities	186	-	-	-
Fair value adjustments on other receivables and reversal of provisions	597	4,010	-	3,317
Other operating income	2,469	2,615	609	1,136
				-
Total	**9,152**	**13,365**	**1,491**	**6,961**

Note to Other Expense

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2009 *unaudited*	YTD 2010 *unaudited*	Q2 2010 *unaudited*	Q3 2010 *unaudited*
Impairment charges for specific individual assets	300	782	782	-

Note to Other Gains / (losses), net

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2009 *unaudited*	YTD 2010 *unaudited*	Q2 2010 *unaudited*	Q3 2010 *unaudited*
Gain on sale of impaired receivables	949	1,691	782	909
Gain on disposal of fixed assets	7,712	8,096	433	4,380
Net foreign exchange gains / (losses)	1,084	(1,550)	(687)	(351)
				-
Total	**9,745**	**8,237**	**528**	**4,938**

Total comprehensive Income

(PLN in thousands unless otherwise stated)

Time periods:	YTD 2009 *unaudited*	YTD 2010 *unaudited*	Q2 2010 *unaudited*	Q3 2010 *unaudited*
Profit	**(10,399)**	**42,318**	**15,564**	**12,410**
Cash flow hedges	(4,669)	1,865	3,716	(1,400)
Income tax relating to components of other comprehensive income	(4)	(378)	(615)	262
Other comprehensive Income / (Loss)	**(4,673)**	**1,487**	**3,101**	**(1,138)**
Total comprehensive Income / (Loss)	**(15,072)**	**43,805**	**18,665**	**11,272**
Attributable to:				
Equity holders of the Company	(15,072)	43,805	18,665	11,272

Balance Sheet (PLN in thousands unless otherwise stated)

Time Periods	Dec. 31,2009 *audited*	March 31, 2010 *unaudited*	June 30, 2010 *unaudited*	Sept. 30, 2010 *unaudited*
Property, plant and equipment, net	1,386,727	1,335,542	1,324,510	1,289,269
Intangible assets	388,891	374,754	364,654	361,086
Investment property	35,574	35,538	35,340	35,310
Deferred income tax assets	79,400	76,379	68,552	65,733
Available for sale financial assets	10	10	10	10
Long-term receivables	676	217	217	217
Prepaid expenses and accrued income	7,555	7,721	16,203	10,660
Total non-current assets	**1,898,833**	**1,830,161**	**1,809,486**	**1,762,285**
Inventories	3,143	4,446	5,973	7,147
Trade and other receivables	173,519	162,965	173,047	173,191
Current income tax receivables	59	59,645	58,384	59,102
Prepaid expenses and accrued income	20,216	32,888	38,109	44,690
Derivative financial instruments	110	63	2,128	131
Financial assets at fair value through profit and loss	3,660	-	-	-
Held to maturity investments	58,489	97,636	127,248	155,886
Restricted cash	2,330	2,330	2,330	2,123
Cash and cash equivalents	181,203	108,703	145,224	157,427
	442,729	**468,676**	**552,443**	**599,697**
Non-current assets classified as held for sale	87	-	-	-
Total current assets	**442,816**	**468,676**	**552,443**	**599,697**
TOTAL ASSETS	**2,341,649**	**2,298,837**	**2,361,929**	**2,361,982**
Share capital	389,277	389,338	389,338	389,338
Share premium	1,356,652	1,356,666	1,599,287	1,599,287
Retained earnings	247,984	261,602	35,272	47,681
Other components of equity	32,264	34,894	38,976	38,835
TOTAL EQUITY	**2,026,177**	**2,042,500**	**2,062,873**	**2,075,141**
Bank loans	-	-	-	334
Provisions	1,401	1,319	1,246	1,168
Deferred income	7,289	7,275	10,766	10,576
Other long-term liabilities	13,054	12,387	11,269	11,157
Total non-current liabilities	**21,744**	**20,981**	**23,281**	**23,235**
Trade and other payables	248,876	189,675	229,596	213,046
Derivative financial instruments	4,423	4,453	367	964
Borrowings	347	-	-	-
Other financial liabilities	80	-	-	-
Current income tax liabilities	1	1	1	1
Provisions	4,888	4,012	3,708	3,636
Deferred income	35,113	37,215	42,103	45,959
Total current liabilities	**293,728**	**235,356**	**275,775**	**263,606**
Total liabilities	**315,472**	**256,337**	**299,056**	**286,841**
TOTAL EQUITY AND LIABILITIES	**2,341,649**	**2,298,837**	**2,361,929**	**2,361,982**

Cash Flow Statement (PLN in thousands unless otherwise stated)

Time periods:	YTD 2009 *unaudited*	YTD 2010 *unaudited*	Q2 2010 *unaudited*	Q3 2010 *unaudited*
Profit / (Loss)	**(10,399)**	**42,318**	**15,564**	**12,410**
Depreciation and amortization	223,182	224,169	74,786	75,411
Impairment charges for specific individual assets	300	782	782	-
Reversal of impairment charges	-	(308)	(58)	(250)
Deferred income tax charge / (benefit	(1,256)	12,777	7,176	2,605
Interest expense and fees charged on bank loans	3,188	5,741	2,903	-
Other interest charged	969	(2,702)	(975)	(1,197)
Interest accrued on loans granted	(27)	-	-	-
Share-based compensation	7,688	5,684	1,069	1,288
Fair value (gains)/losses on financial assets/liabilities	283	(697)	-	-
Fair value (gains)losses on derivative financial instruments	2,588	(1,255)	(2,811)	1,188
Foreign exchange losses	6,304	815	114	(471)
Gain on disposal of fixed assets	(7,512)	(8,009)	(434)	(4,379)
Loss on sale of investments	-	881	-	-
Changes in working capital	11,982	(18,577)	(16,323)	12,061
Overpaid tax	-	(58,325)	1,261	-
Net cash provided by operating activities	**237,290**	**203,294**	**83,054**	**98,666**
Purchase of fixed assets and computer software	(190,916)	(143,991)	(38,304)	(49,122)
Purchase of operational networks	(807)	(818)	-	-
Proceeds from sale of non-core assets	26,699	23,770	22,220	10
Proceeds from sale of group of assets	2,000	-	-	-
Purchase of subsidiaries, net of received cash	(45,009)	(8,483)	(516)	(7,967)
Purchase of treasury bills /notes, net	(47,464)	(94,306)	(28,521)	(27,298)
Sale of investments	-	3,395	-	-
Loan and interest repayments	231	-	-	-
Net cash used in investing activities	**(255,266)**	**(220,433)**	**(45,121)**	**(84,377)**
Finance lease payments	(2,137)	(4,362)	(1,414)	(1,534)
Loan repayments	-	(347)	-	-
Payments of fees relating to bank loans	(3,086)	(1,113)	(561)	-
Net cash used in financing activities	**(5,223)**	**(5,822)**	**(1,975)**	**(1,534)**
Net change in cash and cash equivalents	**(23,199)**	**(22,961)**	**35,958**	**12,755**
Effect of exchange rate change on cash and cash equivalents	(6,148)	(815)	563	(552)
Cash and cash equivalents at the beginning of the period	192,685	181,203	108,703	145,224
Cash and cash equivalents at the end of the period	**163,338**	**157,427**	**145,224**	**157,427**

Definitions

Active headcount	–	Full-time employment equivalent with regard to employees who are not during maternity leaves, non-paid leaves nor long-term sick leaves (above 33 days during calendar year), who are not at military service or who were relieved from the obligation to perform work
Backbone	–	a telecommunications network designed to carry the telecommunications traffic between the main junctions of the network;
Bitstream access	–	a type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by TPSA. The altnet connects to the TPSA data network and may only offer services identical to those of TPSA, paying TPSA on a retail minus basis for use of the TPSA network.
Broadband SAC	–	a cost per unit related to the acquisition of new customers through broadband access (i.e., Bitstream, LLU, WiMAX, xDSL), including a one-time payment to TP (the incumbent), sales commissions, postal services and the cost of modems sold;
Broadband ARPU	–	average monthly revenue per broadband port during the period; Broadband ARPU is obtained by dividing the amount of monthly revenues from data services related to provisioning fixed Internet access by the average number of broadband ports, in each case for the referenced three-month period; Where significant promotional discounts are given at the beginning of contracts, revenues are averaged over the life of the contract.
Broadband port	–	a broadband port which is active at the end of a given period;
Cash	–	cash and cash equivalents at the end of period;
Cost of network operations and maintenance	–	cost of rentals of lines and telecommunications equipment, as well as maintenance, services and related expenses necessary to operate our network;
Data revenues	–	revenues from provisioning Frame Relay (including IP VPN-virtual private network services), lease of lines (including leased lines for carriers), Internet fixed-access services (provided, among others, through bitsteam and WiMAX types of access) and IP Transit;
Direct voice revenues	–	telecommunications revenues from voice services offered by Netia to its subscribers (through various types of access, including, among others, WiMAX). Direct voice services include the following traffic fractions: local calls, domestic long-distance (DLD) calls, international long distance (ILD) calls, fixed-to-mobile calls and other services (incl. Internet dial-in, emergency calls and 0-80x/0-70x -type calls originated by Netia's subscribers);
DSLAM	–	Technical infrastructure that splits data from voice traffic over a copper line and is deployed in the local network of a telecommunications operator to provide ADSL services to customers connected to a given local network node.
EBITDA / Adjusted EBITDA	–	to supplement the reporting of our consolidated financial information under IFRS, we will continue to present certain financial measures, including EBITDA. We define EBITDA as profit/(loss) as measured by IFRS, adjusted for depreciation and amortization, financial income and expense, income taxes and results of investments in associates. EBITDA has been further

		adjusted for one-off restructuring expenses related to the cost reduction program (the "Profit" project), a gain on disposal of the transmission equipment to P4 and a positive accounting impact from the settlement agreement with TP and is therefore defined as Adjusted EBITDA. We believe EBITDA and related measures of cash flow from operating activities serve as useful supplementary financial indicators in measuring the operating performance of telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of profit/(loss) or as an indicator of operating performance or as a measure of cash flows from operations under IFRS or as an indicator of liquidity. The presentation of EBITDA, however, enables investors to focus on period-over-period operating performance, without the impact of non-operational or non-recurring items. It is also among the primary indicators we use in planning and operating the business. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself provides no grounds for comparison with other companies;
Headcount	–	full time employment equivalents;
Indirect voice revenues	–	telecommunications revenues from the services offered through Netia's prefix (1055) or Tele2 Polska's prefix (1061) to customers being subscribers of other operators. Indirect access services include the following traffic fractions: domestic long-distance (DLD) calls, international long distance (ILD) calls and fixed-to-mobile calls;
Interconnection charges	–	payments made by Netia to other operators for origination, termination or transfer of traffic using other operators' networks;
Interconnection revenues	–	payments made by other operators to Netia for origination, termination or transfer of traffic using Netia's network, netted against the cost of traffic termination;
Local Loop Unbundling (LLU)	–	A type of regulatory broadband access enabling provision of broadband service by an altnet to customers connected by a copper line owned by TPSA. The altnet installs DSLAM equipment at a TPSA local network node and connects it to its own backbone network. The altnet may offer broadband and voice service to any customer connected by TPSA copper line to the given node. The alnet can offer an unrestricted range of services and pays TPSA space rental and monthly fees per customer line used.
Professional services	–	costs of legal, financial and other services (excluding insurance and taxes and fees, which are presented separately) provided to Netia by third parties;
Other telecommunications services revenues	–	revenues from provisioning Internet dial-in services for Netia's indirect customers (based on a call-back principle and an access number (0-20)); revenues from provisioning free-phone, split-charge and premium rate services (i.e., 0-800, 0-801 and 0-70x type services), netted against the cost of revenue sharing; as well as other non-core revenues;
Radiocommunications revenue	–	revenues from radio-trunking services provided by Netia's subsidiary, UNI-Net Sp. z o.o.;
Subscriber line	–	a connected line which became activated and generated revenue at the end of the period;

Voice ARPU	–	average monthly revenue per direct voice line during the period; ARPU is obtained by dividing the amount of monthly revenues from direct voice services (excluding installation fees) by the average number of subscriber lines, in each case for the referenced three-month period;
Wholesale Line Rental (WLR)	–	A type of regulatory voice access enabling provision of voice service by an altnet to customers connected by a copper line owned by TPSA. The altnet connects to the TPSA voice network and charges the customer for both line rental and calls made. TPSA receives a payment for line rental plus call origination fees and keeps all interconnection revenues from incoming calls.
Wholesale services	–	revenues from providing commercial network services such as voice termination, incoming Voice over Internet Protocol (VoIP), telehousing and collocation as well as backbone-based services.

Netia management will hold a conference call to review the results on November 4, 2010 at 09:00 AM (UK) / 10:00 AM (Continent) / 05:00 AM (Eastern).

Dial in numbers:
(UK) +44 20 3003 2666
(US) +1 212 999 6659

Replay number:
(UK) +44 20 8196 1998
Passcode: 4189036#

A link to an audio recording of the conference call for replay on a later date will be posted on Netia's investor website (www.investor.netia.pl)

For further information, please contact Anna Kuchnio at +48 22 352 2061, email: anna_kuchnio@netia.pl.

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

# # #