Quarterly Financial Report

Containing:

- Independent auditor's review report
- Interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2009

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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 statement of financial position of Netia S.A. ('the Group') as at March 31, 2009 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows, interim condensed consolidated statement of changes in equity for the 3 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 3 months period ended March 31, 2009 has been presented in Euros, as a matter of arithmetic computation using the official rate of the National Bank of Poland at March 31, 2009 of PLN 4.7013 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 zoo

Ernst & Young Audit Sp. z o.o.

Warsaw, May 6, 2009

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three-month period ended March 31, 2009

Index to the interim condensed consolidated financial statements

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2009

(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2008 (PLN)	March 31, 2009 (PLN)	Convenience Translation March 31, 2009 (EUR)
ASSETS				
Non-current assets				
Property, plant and equipment, net	4	1,415,994	1,424,295	302,958
Intangible assets		411,298	399,492	84,975
Investment property		36,133	35,995	7,656
Deferred income tax assets		564	138	29
Available for sale financial assets		10	10	2
Long term receivables		6,623	6,623	1,409
Prepaid expenses and accrued income		16,867	14,787	3,146
Total non-current assets		**1,887,489**	**1,881,340**	**400,175**
Current assets				
Inventories		5,060	4,885	1,039
Trade and other receivables		169,627	154,613	32,887
Current income tax receivables		201	275	58
Prepaid expenses and accrued income		18,294	20,407	4,341
Derivative financial instruments	6	-	4,228	899
Financial assets at fair value through profit and loss		5,905	5,001	1,064
Held to maturity investments		-	19,775	4,206
Restricted cash		2,712	2,634	560
Cash and cash equivalents		192,685	170,796	36,330
		394,484	**382,614**	**81,384**
Assets classified as held for sale		513	513	109
Total current assets		**394,997**	**383,127**	**81,493**
Total assets		**2,282,486**	**2,264,467**	**481,668**

Mirosław Godlewski
President of the Company

Piotr Nesterowicz
Member of the Management Board

Jonathan Eastick
Member of the Management Board
Chief Financial Officer

Tom Ruhan
Member of the Management Board

Warsaw, Poland
May 6, 2009

(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2008 (PLN)	March 31, 2009 (PLN)	Convenience Translation March 31, 2009 (EUR)
EQUITY				
Share capital		389,277	389,277	82,802
Share premium		1,556,489	1,556,489	331,076
Retained earnings		(41,245)	(47,646)	(10,135)
Other components of equity		23,960	29,779	6,334
Total equity	7	**1,928,481**	**1,927,899**	**410,077**
LIABILITIES				
Non-current liabilities				
Provisions		7,537	8,005	1,703
Deferred income		7,779	7,656	1,628
Deferred income tax liabilities		9,121	8,421	1,791
Other long term liabilities		2,898	9,740	2,072
Total non-current liabilities		**27,335**	**33,822**	**7,194**
Current liabilities				
Trade and other payables		296,390	267,050	56,804
Derivative financial instruments	6	-	3,673	781
Financial liabilities at fair value through profit and loss		304	164	35
Current income tax liabilities		53	29	6
Provisions		7,545	7,327	1,559
Deferred income		22,378	24,503	5,212
Total current liabilities		**326,670**	**302,746**	**64,397**
Total liabilities		**354,005**	**336,568**	**71,591**
Total equity and liabilities		**2,282,486**	**2,264,467**	**481,668**

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

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2008 (PLN)	Three-month period ended March 31, 2009 (PLN)	Convenience Translation Three-month period ended March 31, 2009 (EUR)
CONSOLIDATED INCOME STATEMENT				
Revenue		228,696	375,665	79,907
Revenue generated by group of assets held for sale		8,774	-	-
Total revenue	3	**237,470**	**375,665**	**79,907**
Cost of sales		(181,794)	(251,818)	(53,563)
Gross profit		**55,676**	**123,847**	**26,344**
Selling and distribution costs		(57,055)	(84,104)	(17,890)
General and administration costs		(34,556)	(46,585)	(9,910)
Other income		2,363	2,943	626
Other expenses		(20)	(100)	(21)
Other gains / (losses), net		4,513	948	202
Operating loss	3	**(29,079)**	**(3,051)**	**(649)**
Finance income		633	2,104	448
Finance costs		(2,334)	(5,987)	(1,273)
Share of losses of former associates		(22,625)	-	-
Loss before income tax		**(53,405)**	**(6,934)**	**(1,474)**
Income tax benefit / (charge)		(1,889)	533	113
Loss		**(55,294)**	**(6,401)**	**(1,361)**
OTHER COMPREHENSIVE INCOME				
Cash flow hedges	6	-	3,139	668
Income tax relating to components of other comprehensive income	6	-	(562)	(120)
Other comprehensive income		**-**	**2,577**	**548**
TOTAL COMPREHENSIVE LOSS		**(55,294)**	**(3,824)**	**(813)**
Loss attributable to:				
Owners of the Company		(55,294)	(6,401)	(1,361)
Non-controlling interest		-	-	-
		(55,294)	**(6,401)**	**(1,361)**
Total comprehensive loss attributable to:				
Owners of the Company		(55,294)	(3,824)	(813)
Non-controlling interest		-	-	
		(55,294)	**(3,824)**	**(813)**
Earnings per share (expressed in PLN per share)				
- basic		(0.14)	(0.02)	(0.00)
- diluted		(0.14)	(0.02)	(0.00)

(All amounts in thousands, except as otherwise stated)

	Note	Share capital	Share premium	Retained earnings	Other supplementary capital associated with former associate	Employee share option scheme	Hedging reserve	Total equity
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2008		**389,277**	**1,641,398**	**(356,759)**	**40,102**	**14,676**	**(425)**	**1,728,269**
Dilution gain in former associate		-	-	-	9,530	-	-	9,530
Employee share option scheme:								
- value of services provided	7	-	-	-	-	4,624	-	4,624
Total comprehensive loss		-	-	(55,294)	-	-	-	(55,294)
Balance as at March 31, 2008		**389,277**	**1,641,398**	**(412,053)**	**49,632**	**19,300**	**(425)**	**1,687,129**

	Note	Share capital	Share premium	Retained earnings	Other supplementary capital associated with former associate	Employee share option scheme	Hedging reserve	Total equity
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2009		**389,277**	**1,556,489**	**(41,245)**	**-**	**24,244**	**(284)**	**1,928,481**
Employee share option scheme:								
- value of services provided	7	-	-	-	-	3,242	-	3,242
Total comprehensive loss		-	-	(6,401)	-	-	2,577	(3,824)
Balance as at March 31, 2009		**389,277**	**1,556,489**	**(47,646)**	**-**	**27,486**	**2,293**	**1,927,899**

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three-month period ended March 31, 2009

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2008	Three-month period ended March 31, 2009	Convenience Translation Three-month period ended March 31, 2009
		(PLN)	(PLN)	(EUR)
Cash flows from operating activities:				
Loss		**(55,294)**	**(6,401)**	**(1,361)**
Adjustments for:				
Depreciation and amortization	4	62,879	72,962	15,520
Impairment charges for specific individual assets		20	100	21
Share of losses of former associates		22,625	-	-
Deferred income tax charge / (benefit)		1,762	(835)	(178)
Interest expense charged on bank loans		2,132	-	-
Other interest charged		96	855	182
Financial guarantee contract		(435)	-	-
Interest accrued on loans granted		(8)	(3)	(1)
Share-based compensation		4,624	3,242	690
Fair value (gains) / losses on financial assets / liabilities		(78)	765	163
Fair value (gains) / losses on derivative financial instruments	6	-	1,954	416
Foreign exchange (gains) / losses		(91)	1,793	380
Loss on disposal of fixed assets		400	56	12
Gain on disposal of group of assets		(5,093)	-	-
Changes in working capital	10	(18,195)	1,773	378
Net cash provided by operating activities		**15,344**	**76,261**	**16,222**
Cash flows from investing activities:				
Purchase of fixed assets and computer software		(70,134)	(74,766)	(15,903)
Proceeds from sale of fixed assets		28	181	38
Proceeds from sale of group of assets		4,000	2,000	426
Investment in former associate		(8,124)	-	-
Purchase of subsidiaries, net of cash received	5, 10	(7,848)	(6,963)	(1,481)
Purchase of treasury bonds		-	(19,762)	(4,204)
Loan repayments		253	69	15
Net cash used in / provided by investing activities		**(81,825)**	**(99,241)**	**(21,109)**
Cash flows from financing activities:				
Finance lease payments		(475)	(484)	(103)
Proceeds from borrowings		85,000	-	-
Interest payments		(1,585)	-	-
Net cash used in / provided by financing activities		**82,940**	**(484)**	**(103)**
Net change in cash and cash equivalents		**16,459**	**(23,464)**	**(4,990)**
Exchange gains on cash and cash equivalents		**86**	**1,575**	**335**
Cash and cash equivalents at beginning of period		57,697	192,685	40,985
Cash and cash equivalents at end of period		**74,242**	**170,796**	**36,330**

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

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 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 interim condensed consolidated financial statements of Netia S.A. for the three-month period ended March 31, 2009 comprise the Company and its subsidiaries.

These interim condensed consolidated financial statements were approved for issuance by the Company's Management Board on May 6, 2009.

The Company and its subsidiaries (together, the "Netia Group") is the largest alternative fixed-line telecommunication operator in Poland. 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.

In September 2008 the Company acquired Tele2 Polska Sp. z o.o. ("Tele2 Polska", merged with Netia in February 2009), a company providing voice and broadband services Poland-wide on the basis of regulated access to the TP SA network, including call by call, 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 8 operators were acquired during 2008 with a total of 46,103 (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.

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.

Going concern

As at March 31, 2009, the Company's equity amounted to PLN 1,927,899 and the Netia Group had a working capital of PLN 80,381. 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 March 31, 2009 the Netia Group had net cash available of PLN 170,796, PLN 20,000 in nominal value of treasury bonds and undrawn borrowing facilities of PLN 375,000. 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 ("IFRS") as adopted by the European Union ("EU"). As of March 31, 2009, in light of the current process of IFRS endorsement in the EU and the nature of the Netia Group's activities, there is no difference between IFRS applied by the Netia Group and IFRS endorsed by the EU.

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, 2008, except for new accounting standards adopted as of January 1, 2009. 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, 2008 consolidated financial statements and the related notes.

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 interim condensed 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 March 31, 2009 of PLN 4.7013 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 consolidated financial statements are prepared under the historic cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities 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 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.

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 three-month period ended March 31, 2009 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 increase / (decrease) in the depreciation charge for the remaining period in 2009**
		(PLN)	**(PLN)**
Fixed telecommunications network	- useful lives of certain assets were extended until the end of 2010	(43)	(44)
Telecommunications equipment	- useful lives of certain assets were extended until the end of 2010,	(1,255)	462
	- useful lives of certain assets were shortened until December 2009,	755	2,265
Machinery and equipment	- useful lives of certain assets were extended until the end of 2009	(93)	(95)
Total non-current assets		**(636)**	**2,588**

New standards, interpretations and amendments to existing standards

Adoption of new accounting standards and interpretations

In 2009, the Netia Group adopted the following new standards, amendments to standards and new interpretations, which are relevant to its operations:

- IFRS 8, 'Operating Segments';
- Revised IFRS 2 "Share-based payments";
- Revised IAS 1 "Presentation of Financial Statements";
- Revised IAS 23, 'Borrowing costs';
- Revised IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" - "Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate";
- Amendments to IFRS 7 - Improving disclosures about financial instruments,
- Amendments to IFRS resulting from the annual improvements project;
- IFRIC 13, 'Customer Loyalty Programmes';
- IFRIC 15, "Agreements for the Construction of Real Estate";
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation";

IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a "management approach" to segment reporting, under which segment information is presented on the same basis as that used for internal reporting purposes. Previously, under IAS 14, the Netia Group had only one business segment – telecommunications (due to small relative size of mobile radio services operations, the Netia Group did not treat it as a separate segment). The new standard has resulted in a designation of four new reportable segments (for details see Note 3). As goodwill must be allocated at a segment level, the change in reportable segments has required the allocation of goodwill to the newly identified operating segments. This allocation has not resulted in any additional impairment of goodwill.

The adoption of revised IAS 1 has resulted in a change in presentation of certain items of income and expenses in the statement of changes in equity ('non-owner changes in equity' are presented separately from 'owner changes in equity'). All 'non-owner changes in equity' are shown in the statement of comprehensive income.

Adoption of other amendments and interpretations listed above did not have any effect on the financial position of the Netia Group's operations.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been early adopted:

- 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. This standard has not yet been endorsed by the EU;

- 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. The amendment have not yet been endorsed by the EU;

- Restructured IFRS 1 "First-time Adoption of International Financial Reporting Standards", effective for annual periods beginning on or after July 1, 2009. The amendment corrects a potential technical problem arising from the interaction of IFRS 1 and the revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements";

- IFRIC 17, "Agreements Distributions of Non-cash Assets to Owners", effective for annual periods beginning on or after July 1, 2009. IFRIC 17 clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, the dividend payable should be measured at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. This interpretation has not yet been endorsed by the EU;

- IFRIC 18, "Transfers of Assets from Customers ", effective for annual periods beginning on or after July 1, 2009. IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation has not yet been endorsed by the EU;

- Amendments to IFRIC 9 "Reassessment of embedded derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" - "Embedded Derivatives", effective for annual periods beginning on or after June 30, 2009. The amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment issued by the IASB in October 2008. The amendments have not yet been endorsed by the EU;

- Amendments to IFRS resulting from the annual improvements project, effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, depending on which IFRS the amendment relates to.

Management is currently assessing the impact of the above standards and interpretations on the Netia Group's operations.

(All amounts in thousands, except as otherwise stated)

3. Segment information

For management purposes, the Netia Group is organized into business units based on their customer segments, and has four reportable operating segments, as follows:

- Home, i.e. residential clients,
- SOHO / SME, i.e. small and medium enterprises,
- Corporate, i.e. large enterprises,
- Carriers, i.e. other telecom service providers.

Management monitors the operating results of its customer segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (defined as operating profit / (loss) adjusted for depreciation and amortization) which is derived from the information in the consolidated financial statements. The Netia Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

No operating segments have been aggregated to form the above reportable operating segments.

The following tables present revenue and profit / (loss) information regarding the Netia Group's operating segments for the three-month periods ended March 31, 2009 and 2008, respectively:

	Home	SOHO / SME	Corporate	Carriers	Total reportable segments	Unallocated	Total
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Three-month period ended March 31, 2009							
Revenue from external customers	**193,195**	**36,612**	**88,314**	**56,004**	**374,125**	**1,540**	**375,665**
EBITDA	26,836	11,811	43,476	25,299	107,422	(37,511)	69,911
Depreciation and Amortization	(8,836)	(5,878)	(34,647)	(15,953)	(65,314)	(7,648)	(72,962)
Operating profit / (loss)	**18,000**	**5,933**	**8,829**	**9,346**	**42,108**	**(45,159)**	**(3,051)**
Finance income / (cost), net	-	-	-	-	-	(3,883)	(3,883)
Income tax benefit / (charge)	-	-	-	-	-	533	533
Profit / (Loss)	**18,000**	**5,933**	**8,829**	**9,346**	**42,108**	**(48,509)**	**(6,401)**
Capital expenditure	18,638	3,042	26,369	15,582	63,631	6,153	69,784
Three-month period ended March 31, 2008							
Revenue from external customers	**65,693**	**30,794**	**87,798**	**50,863**	**235,148**	**2,322**	**237,470**
EBITDA	(3,297)	4,275	43,092	16,275	60,345	(26,545)	33,800
Depreciation and amortization	(15,431)	(6,789)	(26,180)	(6,189)	(54,589)	(8,290)	(62,879)
Operating profit / (loss)	**(18,728)**	**(2,514)**	**16,912**	**10,086**	**5,756**	**(34,835)**	**(29,079)**
Finance income / (cost), net	-	-	-	-	-	(1,701)	(1,701)
Share of loss of former associate	-	-	-	-	-	(22,625)	(22,625)
Income tax benefit / (charge)	-	-	-	-	-	(1,889)	(1,889)
Profit / (Loss)	**(18,728)**	**(2,514)**	**16,912**	**10,086**	**5,756**	**(61,050)**	**(55,294)**
Capital expenditure	7,436	2,670	10,821	9,611	30,538	4,667	35,205

A reconciliation of EBIT for reportable segments to profit / (loss) is provided as follows:

	Three-month period ended March 31, 2008	**Three-month period ended March 31, 2009**
	(PLN)	(PLN)
EBIT for reportable segments	5,756	42,108
Radio communication segment	29	(61)
Gain on disposal of group of assets	5,093	-
General fixed costs (incl. administration, IT, professional services)	(29,745)	(34,083)
Other operating expenses	(2,079)	(3,475)
Depreciation and amortization of unallocated assets	(8,133)	(7,540)
Finance income / (cost), net	(1,701)	(3,883)
Share of loss of former associate	(22,625)	-
Income tax benefit / (charge)	(1,889)	533
Profit / (Loss)	(55,294)	(6,401)

(All amounts in thousands, except as otherwise stated)

The following table presents assets allocated to certain segments, as at the end of the current period and at the end of the most recent annual financial year. Segment assets do not include investment property, deferred tax, cash and other financial assets as these assets are managed on a group basis.

Segment assets	Home	SOHO / SME	Corporate	Carriers	Total reportable segments	Unallocated	Total
	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
As at March 31, 2009	423,029	152,894	855,805	403,790	1,835,518	428,949	2,264,467
As at December 31, 2008	431,938	151,780	852,457	407,631	1,843,806	438,680	2,282,486

A reconciliation of assets for reportable segments to total assets is provided as follows:

	December 31, 2008	**March 31, 2009**
	(PLN)	(PLN)
Assets for reportable segments	1,843,806	1,835,518
Telecommunication licenses / permits	110,139	105,492
Investment property	36,133	35,995
Deferred income tax assets	564	138
Indemnities received	13,151	13,151
Transaction costs related to the credit facility	5,486	6,190
VAT and other government receivables	2,003	1,143
Loans	273	207
Derivative financial instruments	-	4,228
Financial assets at fair value through profit and loss	5,905	5,001
Held to maturity investments	-	19,775
Restricted cash	2,712	2,634
Cash and cash equivalents	192,685	170,796
Assets classified as held for sale	513	513
Radio communication segment	3,224	3,162
Other unallocated assets	65,892	60,524
Total assets	2,282,486	2,264,467

The Netia Group operates in one geographical area, which is the territory of Poland.

(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, 2009	36,121	3,395	1,967,921	1,774,688	107,218	123,729	9,435	100,744	4,123,251
Additions	-	-	398	205	47	338	74	64,044	65,106
Purchase of subsidiary	-	-	-	-	-	-	-	-	-
Transfers	3,957	-	11,748	42,157	1,515	66	-	(59,443)	-
Disposals	-	-	(21)	(866)	(167)	(984)	(115)	(166)	(2,319)
Other movements	1,141	-	(426)	626	1,160	(2,398)	-	-	103
Gross book value as at March 31, 2009	41.219	3,395	1,979,620	1,816,810	109,773	120,751	9,394	105,179	4,186,141
Accumulated depreciation as at January 1, 2009	17,176	-	722,284	766,238	61,793	96,268	4,457	-	1,668,216
Depreciation expense	611	-	17,434	34,004	1,594	2,194	418	-	56,255
Disposals	-	-	(13)	(428)	(122)	(917)	(116)	-	(1,596)
Other movements	151	-	(294)	(583)	564	265	-	-	103
Accumulated depreciation as at March 31, 2009	17,938	-	739,411	799,231	63,829	97,810	4,759	-	1,722,978
Accumulated impairment as at January 1, 2009	7,313	1,238	631,450	369,263	17,837	10,372	30	1,538	1,039,041
Impairment charge for specific assets	-	-	-	-	-	-	-	100	100
Transfers	-	-	7	73	7	6	-	(93)	-
Disposals	-	-	(4)	(206)	(10)	(53)	-	-	(273)
Other movements	9	-	(3)	(261)	254	-	1	-	-
Accumulated impairment as at March 31, 2009	7,322	1,238	631,450	368,869	18,088	10,325	31	1,545	1,038,868
Net book value as at January 1, 2009	11,632	2,157	614,187	639,187	27,588	17,089	4,948	99,206	1,415,994
Net book value as at March 31, 2009	**15,959**	**2,157**	**608,759**	**648,710**	**27,856**	**12,616**	**4,604**	**103,634**	**1,424,295**

(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, 2008	31,893	3,380	1,916,212	1,723,266	96,223	114,671	12,203	130,083	4,027,931
Additions	-	-	471	594	145	232	-	26,653	28,095
Purchase of subsidiary	-	-	-	-	293	1	-	153	447
Transfers	788	-	9,755	44,489	3,323	1,842	-	(60,197)	-
Transfers to assets held for sale	(180)	-	(121)	(7,765)	(44)	(398)	(5)	(807)	(9,320)
Disposals	(175)	-	-	(450)	(110)	(797)	(19)	(492)	(2,043)
Other movements	(15)	-	5,084	(5,801)	512	248	-	-	28
Gross book value as at March 31, 2008	32,311	3,380	1,931,401	1,754,333	100,342	115,799	12,179	95,393	4,045,138
Accumulated depreciation as at January 1, 2008	15,577	-	653,274	723,207	56,053	93,809	5,084	-	1,547,004
Depreciation expense	465	-	16,781	29,704	1,385	1,538	449	-	50,322
Transfers to assets held for sale	(16)	-	-	(2,115)	(16)	(176)	(5)	-	(2,328)
Disposals	(74)	-	-	(154)	(55)	(736)	(12)	-	(1,031)
Other movements	-	-	510	(582)	199	111	-	-	238
Accumulated depreciation as at March 31, 2008	15,952	-	670,565	750,060	57,566	94,546	5,516	-	1,594,205
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	-	-	-	-	-	-	-	20	20
Transfers	1	-	45	1,534	71	-	-	(1,651)	-
Transfers to assets held for sale	(7)	-	-	(1,068)	(5)	(42)	-	(295)	(1,417)
Disposals	(55)	-	-	(67)	(8)	(59)	(2)	(88)	(279)
Other movements	-	-	10	(200)	131	59	-	(84)	(84)
Accumulated impairment as at March 31, 2008	7,286	1,278	631,139	399,815	16,936	10,651	236	3,229	1,070,570
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 March 31, 2008	**9,073**	**2,102**	**629,697**	**604,458**	**25,840**	**10,602**	**6,427**	**92,164**	**1,380,363**

(All amounts in thousands, except as otherwise stated)

5. Acquisitions

Current period:

Registration of a subsidiary (not in thousand)

On January 30, 2009, the Company subsidiary, Netia UMTS Sp. z o.o. ("Netia UMTS"), was registered in National Court Register. Netia acquired 100 Netia UMTS' shares (with a par value of PLN 50 per share) constituting 100% of Netia UMTS' share capital and giving Netia 100% of the voting power at Netia UMTS' general meeting of shareholders. The book value of Netia UMTS in Netia's accounts amounts to PLN 5,000. The acquisition will be treated as a long-term investment.

Changes in provisional valuation

During the year ended December 31, 2008 the Netia Group acquired Tele2 Polska and 8 ethernet operators and performed a provisional valuation of the acquired companies' assets, liabilities and contingent liabilities. The valuation of Tele2 Polska's contingent liabilities and related indemnification asset was continued in the current period. Changes in provisional valuation are presented in the table below:

	Acquiree's carrying amount	**Provisional fair value as at December 31, 2008**	**Adjustments**	**Provisional fair value as at March 31, 2009**
	(PLN)	(PLN)	(PLN)	(PLN)
Property, plant and equipment	11,627	9,631	-	9,631
Customer relationships	-	32,314	-	32,314
Other intangible assets	975	3,855	-	3,855
Deferred income tax asset	1,901	396	-	396
Inventories	42	42	-	42
Receivables	50,524	64,433	(850)	63,583
Prepayments	5,030	5,030	-	5,030
Restricted cash	2,110	2,110	-	2,110
Cash and cash equivalents	27,039	27,039	-	27,039
Trade liabilities	(23,885)	(20,752)	-	(20,752)
Other liabilities and accruals	(25,535)	(43,167)	1,000	(42,167)
Defferred income	(6,376)	(6,376)	-	(6,376)
Deferred income tax liabilities	(1,901)	(6,704)	-	(6,704)
Net assets acquired	**41,551**	**67,851**	**150**	**68,001**

There was also a corresponding reduction in goodwill of PLN 150 to give total goodwill arising on the acquisition of PLN 85,742.

The 2008 comparative information has been restated to reflect the above adjustments.

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.

Comparative period:

On February 18, 2008, InterNetia Sp. z o.o., the Company's subsidiary (currently operating under the name Internetia Holdings Sp. z o.o., "InterNetia"), purchased 100% of the share capital of Punkt, an internet service provider. The total price of all Punkt's shares has been set at PLN 5,126. The purchase price was further increased up to PLN 6,701 due to fulfillment of certain conditions included in the related share purchase agreement and related to execution of certain transactions by Punkt's business partners.

The Netia Group accounted for the acquisition of Punkt using the purchase method and started consolidating the financial statements of Punkt as of February 29, 2008 adjusting the consolidated statement of comprehensive income and the consolidated statement of financial position for material transactions, which took place between February 18, 2008 and February 29, 2008. The acquired company contributed revenue of PLN 225 and loss of PLN 11 in the one-month period ended March 31, 2008, after taking into account intercompany eliminations. If the acquisition had occurred on January 1, 2008, the Netia Group's telecommunication revenue for the three-month period ended March 31, 2008 would have amounted to PLN 238,943, and loss would have been PLN 55,109.

During the year ended December 31, 2008 the Netia Group performed a valuation of Punkt's assets, liabilities and contingent liabilities. In particular, the Netia Group identified customer relationships as an intangible asset and recorded a related deferred income tax liability. The fair value of customer relationships was estimated using the excess earnings method.

(All amounts in thousands, except as otherwise stated)

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

	March 31, 2008 (PLN)	December 31, 2008 (PLN)
Purchase consideration, excluding transaction costs	6,701	6,701
Transaction costs	335	411
Fair value of net assets acquired	(3,495)	(3,495)
Goodwill	**3,541**	**3,617**

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

The assets and liabilities recognized in the consolidated statement of financial position arising from the acquisition, as at the acquisition date, are as follows:

	Acquiree's carrying amount (PLN)	Fair value (PLN)
Property, plant and equipment	448	448
Customer relationships	-	1,270
Deferred income tax assets	-	15
Inventories	38	38
Receivables	29	29
Prepayments	24	24
Cash and cash equivalents	2,311	2,311
Trade liabilities	(139)	(139)
Other liabilities and accruals	(243)	(243)
Deferred income	(17)	(17)
Deferred income tax liabilities	-	(241)
Fair value of net assets acquired	**2,451**	**3,495**

	Three-month period ended March 31, 2008 (PLN)	Year ended December 31, 2008 (PLN)
Total purchase consideration settled in cash	(7,036)	(7,112)
Cash and cash equivalents in the subsidiary acquired	2,311	2,311
Cash outflow on acquisition	**(4,725)**	**(4,801)**

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

6. Derivative financial instruments

In order to mitigate the currency risk related to the planned payments to be made under the equipment and construction contracts, which are linked to foreign currency, in the three-month period ended March 31, 2009 the Company entered into forward transactions to purchase a total of USD 28,310 and EUR 21,620 and sell a total of USD 14,030 and EUR 9,860 with expiration dates spread throughout 2009. Net fair value gains on open forward contracts recognised in the hedging reserve in equity on these contracts as of March 31, 2009 amounted to PLN 3,139 (PLN 2,577 net of tax). During the three-month period ended March 31, 2009, PLN 1,177 of net cash gains on closed forward contracts were recorded as a reduction in the cost of construction in progress and financial expenses for the three-month period ended March 31, 2009 include PLN 1,954 of expected losses on cancelled hedge transactions.

As at 31 March 2009, the related derivative financial instruments of PLN 555 (PLN 4,228 of assets and PLN 3,673 of liabilities) represent the net value of the outstanding open forward transactions.

7. Shareholders' equity

Share capital (not in thousands)

At March 31, 2009, 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 the shareholders' meetings. The holder of 1,000 series A1 shares has 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, 2008.

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 three-month period ended March 31, 2009 of PLN 32,707, the distributable reserve, as at March 31, 2009, amounted to PLN nil.

Stock options (not in thousands)

In the three-month period ended March 31, 2008 the following changes took place in the number of options granted under the Plan:

Options	Three-month period ended March 31, 2008 Average strike price	Three-month period ended March 31, 2008 Options	Three-month period ended March 31, 2009 Average strike price	Three-month period ended March 31, 2009 Options
At the beginning of the period	6.61	43,128,873	5.88	50,268,123
Granted	6.14	1,000,000	4.42	1,400,500
Forfeited / expired	-	-	6.14	(551,000)
At the end of the period	**6.60**	**44,128,873**	**5.89**	**51,117,623**

As at March 31, 2008 the total number of options approved by the Supervisory Board and issued was 83,364,970 as compared to 81,964,470 as at December 31, 2008. Out of these approved options 51,117,623 options were outstanding as at March 31, 2008 and 50,268,123 options were outstanding as at December 31, 2008. As at March 31, 2008 and December 31, 2007 the total number of vested options was 17,958,958 and 7,929,458, respectively. The vesting period for the options is up to three years from the date of grant. As at March 31, 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.

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. The cost of options recorded in the three-month period ended March 31, 2009 and 2008 amounted to PLN 3,460 thousands and PLN 4,624 thousands, respectively, while PLN 218 thousands was derecognized in the income statement in the three-month period ended March 31, 2009 and none in the prior year quarter.

8. Borrowings

Undrawn borrowing facilities

On May 15, 2007 the Company entered into a PLN 300,000 credit facility agreement (the "Facility"), which was further amended on June 27, 2008 and on December 4, 2008 with Rabobank Polska SA (as the arranger), Bank Millennium S.A., Bank Gospodarki Żywnościowej S.A. and Raiffeisen Bank Polska S.A.

Currently, the Facility amounts to PLN 375,000 and is to be repaid by June 30, 2013. The Facility bears 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 can 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 cumulative draw downs under this Facility made in previous years amounted to PLN 205,000 and were repaid in full.

The repayment of the Facility is secured by the following: capped mortgages on the right of perpetual usufruct of the Company's real estate at ul. Poleczki 13 in Warsaw; registered pledges on: (i) a set of movables and property rights acquired by Netia as a result of its merger with Świat Internet S.A., (ii) a collection of Netia's movables and property rights, (iii) shares in UNI-Net Sp. z o.o. and InterNetia, and (iv) the shares and general partner's rights in Netia Spółka Akcyjna UMTS s.k.a.; and assignment as collateral security of Netia's receivables under certain agreements. Moreover, the Company's subsidiaries (InterNetia, UNI-Net Sp. z o.o., Netia Spółka Akcyjna UMTS s.k.a.) 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 468,750.

9. Dividends per share

No dividends were proposed or paid in respect to the financial years ended December 31, 2008 and 2007. Netia's distributable reserves are described in Note 7.

10. Supplemental disclosures to interim condensed consolidated statement of cash flows

Changes in working capital components:

	Three-month period ended March 31, 2008 (PLN)	Three-month period ended March 31, 2009 (PLN)
Receivables	5,993	13,798
Inventories	1,106	175
Prepaid expenses	(8,311)	(33)
Restricted cash	-	78
Provisions, accruals and other payables	(17,134)	(14,247)
Deferred income	151	2,002
	(18,195)	**1,773**

(All amounts in thousands, except as otherwise stated)

Supplemental disclosures to operating activities:

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2009
	(PLN)	(PLN)
Income taxes paid	(151)	(250)
Interest received	884	2,732

Supplemental disclosures to investing activities:

	Three-month period ended March 31, 2008	Three-month period ended March 31, 2009
	(PLN)	(PLN)
Subsidiary purchased in current period	(4,725)	-
Subsidiaries purchased in previous periods	(3,123)	(6,963)
Purchase of subsidiaries, net of cash received	**(7,848)**	**(6,963)**

Non-cash transactions:

During the three-month period ended March 31, 2009 the Netia Group entered into finance lease agreements for telecommunication equipment. The carrying value of assets and liabilities recognized due to these transactions amounted to PLN 9,924.

11. The Management Board and Supervisory Board

Management Board

As at March 31, 2009 and December 31, 2008 the Company's Management Board consisted of the following members:
- Mirosław Godlewski – President,
- Jonathan Eastick – Chief Financial Officer,
- Piotr Nesterowicz,
- Tom Ruhan.

Supervisory Board

Effective March 9, 2009 Mr. Pantelis Tzortzakis resigned from his position as Member of the Company's Supervisory Board.

Due to the above changes as at March 31, 2009 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,
- Jerome de Vitry.

Furthermore, on March 26, 2009 Mr. Constantine Gonticas resigned from his position as member of the Company's Supervisory Board and Mr. Marek Gul resigned from his position as Chairman and member of the Company's Supervisory Board, effective as of the Ordinary General Meeting of Shareholders of Netia, that was convened for April 9, 2009. On March 30, 2009 Mr. Piotr Czapski and Mr. Bruce McInroy resigned from their positions as members of the Company's Supervisory Board, effective April 9, 2009.

12. Related party transactions

Options granted to members of the Management and Supervisory Boards (not in thousands)

As at March 31, 2009, the total number of options granted to members of the Company's Management Board under the Plan, was 36,605,314 of which 12,971,814 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 March 31, 2009 was PLN 3.09 per share.

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

Options	Three-month period ended March 31, 2008	Three-month period ended March 31, 2009
At the beginning of the period	33,271,814	36,605,314
At the end of the period	**33,271,814**	**36,605,314**

As at March 31, 2009 and December 31, 2008 Mr. Mirosław Godlewski – the Company's President of the Management Board – held 13,334,000 options, out of which 5,000,000 had vested as at March 31, 2009.

As at March 31, 2009 and December 31, 2008 Mr. Jonathan Eastick – a member of the Company's Management Board – held 10,938,314 options, out of which 4,771,814 had vested as at March 31, 2009.

As at March 31, 2009 and December 31, 2008 Mr. Piotr Nesterowicz – a member of the Company's Management – held 6,666,500 options, out of which 1,200,000 had vested as at March 31, 2009.

As at March 31, 2009 and December 31, 2008 Mr. Tom Ruhan – a member of the Company's Management Board – held 5,666,500 options, out of which 2,000,000 had vested as at March 31, 2009.

As at March 31, 2009 and December 31, 2008 Mr. Piotr Czapski – a member of the Company's Supervisory Board – held 1,000,000 options, all of which had vested.

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

As at March 31, 2009 and December 31, 2008 Mr. Tom Ruhan – a member of the Company's Management Board – held 253,593 series K shares of the Company.

As at March 31, 2009 and December 31, 2008, Mr. Jonathan Eastick – a member of the Company's Management Board – held 25,000 series K shares of the Company.

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

As at March 31, 2009 and December 31, 2008, Mr. Raimondo Eggink – a member of the Company's Supervisory Board – held 20,000 shares of the Company.

As at March 31, 2009 and December 31, 2008, Mr. Constantine Gonticas – a member of the Company's Supervisory Board – held 143,000 shares of the Company.

As at March 31, 2009 and December 31, 2008, Mr. Bruce McInroy – a member of the Company's Supervisory Board – held 150,000 shares of the Company.

As at March 31, 2009 and December 31, 2008, Mr. Tadeusz Radzimiński – a member of the Company's Supervisory Board – held 6,000 and 2,000 shares of the Company respectively.

Management Board remuneration

Compensation and related costs associated with members of the Company's Management Board during the three-month period ended March 31, 2009 and March 31, 2008 amounted to PLN 1,527 and PLN 2,303, respectively. In addition, the gross cost of share-based payments in the amounts of PLN 2,534 and PLN 3,294 was recognized in the respective periods.

Compensation and related costs associated with members of the Management Boards of the Company's subsidiaries during the three-month periods ended March 31, 2009 and March 31, 2008 amounted to PLN 356 and PLN 212, 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 three-month periods ended March 31, 2009 and March 31, 2008 amounted to PLN 194 and PLN 156, respectively.

Other transactions with related parties

During the three-month period ended March 31, 2009 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. Commitments

Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognized in the interim condensed consolidated financial statements amounted to PLN 39,821 as at March 31, 2009 and PLN 64,753 as at December 31, 2008 of which, PLN 6,595 and PLN 7,994, respectively, related to the planned acquisition of intangible assets.

(All amounts in thousands, except as otherwise stated)

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 22,622, 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 assure 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 intends to use all legal means to enforce these damages claims, but will recognize income only when TP SA either pays or settles in a manner acceptable to Netia.

Contingent liabilities

Claims against Netia as legal successor of 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 TP SA through unlawful enrichment by continuing to rely on the challenged UKE decisions in its settlements with TP SA. Tele2 Polska will vigorously defend this claim should TP SA instigate court proceedings 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.

Tele2 Polska has received 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 originate from 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 and further relaying on specific contractual indemnities provided by the seller, 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.

Tele2 Polska is a party of various proceedings conducted by UKE, UOKiK and SOKiK concerning compliance of Tele2 Polska's customer agreements and operating practices with relevant laws and regulations. Whilst the former Tele2 Polska's Management was rigorously defending its position in all these proceedings, some of these proceedings may result in fines or costs being incurred by the Netia Group, although Management does not expect these issues to have a material adverse effect on the Netia Group's financial condition.

Netia's Management believes that all or most of the matters described above will be resolved satisfactorily either through relevant proceedings, commercial settlement or contractual recourse to the seller and will not have a material adverse effect on the Netia Group's financial condition. Based on legal advice and representation from the former Tele2 Polska's Management, the Netia Group believes it has made adequate provisions for these matters in the provisional valuation of Tele2 Polska as at the date of acquisition (see Note 5).

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.

WiMAX license requirements

On October 27, 2005 Netia WiMax S.A. (merged with Netia in 2006) and Netia WiMax II S.A. (merged with Netia in 2008) 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 former 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. Considering 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 reducing the initial milestones. The amended milestones alloted for the year 2008 regarding population coverage were exceeded whilst there was a marginal underperformance of the territorial coverage requirements. In the event that license obligations are not met by an operator, the UKE has the power to confiscate the relevant license, if the issue is not rectified. However, historically such measures have rarely been used.

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.

As a result of a tax inspection conducted in 2008 with the objective of reviewing the accuracy of settlement of the corporate income tax liabilities from 2003, the Company received a post-inspection protocol in which the tax authorities claimed that the Company understated the taxable income generated thereby and its corresponding tax liability for the period subject to the review. The Company commissioned a tax opinion in which the accuracy of the legal basis given by the tax office for the increased liability was negated. Based on this opinion and the own analysis of the circumstances, the Company’s Management Board believes that the conclusions of the protocol are unfounded and unjustified. In the opinion of the Management Board the Company has no material overdue tax liabilities in connection with the issues covered by the protocol and it will take all the legal action necessary to negate the conclusions drawn in that protocol. As at the date of these financial statements the Tax Authorities are still assessing Netia's position in regard to the matters raised and no adverse tax decision has been issued. Other than the said protocol, Management is not aware of any other circumstances, that would indicate any threat of material tax liabilities.

15. Subsequent events

Resignation of the Supervisory Board member

On April 1, 2009 Netia was notified by Mr. Kazimierz Marcinkiewicz of his resignation from his position as member of the Company’s Supervisory Board, effective as of the opening of the Ordinary General Meeting of Shareholders of Netia that was convened for April 9, 2009.

Annual Shareholders’ Meeting

The Company’s ordinary shareholder’s meeting held on April 9, 2008 (the “AGM”) adopted resolutions concerning, among others, the approval of 2008 financial statements and coverage of losses, changes to the rules of remunerating the Supervisory Board members and changes to the composition of the Supervisory Board.

The AGM appointed to Netia’s Supervisory Board the following individuals: Mr. Stan Abbeloos, Mr. Ben Duster, Mr. George Karaplis, Mr. Nicolas Maguin, Ms. Ewa Pawluczuk and Mr. Piotr Żochowski. As a result of the above appointment, Netia’s Supervisory Board currently consists of the following 9 members: Stan Abbeloos, Ben Duster, Raimondo Eggink, George Karaplis, Nicolas Maguin, Ewa Pawluczuk, Tadeusz Radzimiński, Jerome de Vitry and Piotr Żochowski.

The AGM resolved that the net loss of PLN 173,185 incurred by Netia S.A. in 2008 and PLN 26,652 of uncovered losses from previous years resulting from a merger of subsidiaries with the Company during the financial year of 2008 will be covered in full by crediting part of the Company’s supplementary capital towards these losses.

The AGM approved changes of rules of remunerating the Supervisory Board members, according to which each independent Supervisory Board member (as defined in the Company’s Statute) elected by the General Meeting, who remains in office after these rules come into force received a one time grant of 50,000 (not in thousands) Restricted Stock Units corresponding to one ordinary share in the Company having the value equal to the market price of Company shares.

Moreover, each independent Supervisory Board member elected by the General Meeting will receive an annual grant of 20,000 (not in thousands) stock options (each of them entitling to acquire one Company share) if the AGM adopts a resolution on the issuance, acquisition or allocation of prior issues of shares as incentives for the independent Supervisory Board members. The stock option exercise price will be established at 125% of the market price of Company shares on the date on which the stock options were granted.