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, 2008

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

1. We have reviewed the attached interim condensed consolidated balance sheet of Netia S.A. Group ('the Group') as at March 31, 2008 and the related interim condensed consolidated income statement, interim condensed consolidated cash flow statement, interim condensed consolidated statement of changes in equity for the three-month period then ended and the notes to the interim condensed consolidated financial statement ('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 as adopted by the European Union ('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 three-month period ended March 31, 2008 has been presented in Euros, as a matter of arithmetic computation using the official rate of the National Bank of Poland at March 31, 2008 of PLN 3.5258 to EUR 1.00. We have not reviewed these translations and accordingly we do not report thereon. The Euro amounts presented in these interim condensed consolidated financial statements should not be construed as a representation that the PLN amounts have been or could have been converted to Euro at this rate or at any other rate.

Ernst & Young Audit Sp. z o.o.

Warsaw, Poland
May 14, 2008

NETIA S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three-month period ended March 31, 2008

Index to the interim condensed consolidated financial statements

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
as at March 31, 2008

(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2007 (PLN)	March 31, 2008 (PLN)	Convenience Translation March 31, 2008 (EUR)
ASSETS				
Non-current assets				
Property, plant and equipment, net	5	1,408,597	1,380,363	391,503
Intangible assets		267,946	267,933	75,992
Investment in associate	7	150,435	-	-
Deferred income tax assets		2,162	311	88
Available for sale financial assets		10	10	3
Long term receivables		250	188	53
Other financial assets	7	-	1,476	418
Prepaid expenses		5,667	6,682	1,895
Total non-current assets		**1,835,067**	**1,656,963**	**469,952**
Current assets				
Inventories		2,903	1,835	520
Trade and other receivables		127,339	124,307	35,257
Current income tax receivables		22	-	-
Prepaid expenses and accrued income		10,899	17,008	4,824
Cash and cash equivalents		57,700	74,242	21,057
		198,863	**217,392**	**61,658**
Assets classified as held for sale	7	36,721	187,901	53,293
Total current assets		**235,584**	**405,293**	**114,951**
Total assets		**2,070,651**	**2,062,256**	**584,903**

Mirosław Godlewski
President of the Company

Piotr Czapski
Member of the Management Board

Jonathan Eastick
Member of the Management Board
Chief Financial Officer

Bertrand Le Guern
Member of the Management Board

Tom Ruhan
Member of the Management Board

Warsaw, Poland
May 14, 2008

(All amounts in thousands, except as otherwise stated)

	Note	December 31, 2007 (PLN)	March 31, 2008 (PLN)	Convenience Translation March 31, 2008 (EUR)
EQUITY				
Share capital	8	389,277	389,277	110,408
Share premium		1,641,398	1,641,398	465,539
Other supplementary capital associated with investments in associate held for sale		40,102	49,632	14,077
Other reserves	8	14,251	18,875	5,353
Retained earnings		(356,759)	(412,054)	(116,868)
Total equity		**1,728,269**	**1,687,128**	**478,509**
LIABILITIES				
Non-current liabilities				
Borrowings	9	87,344	150,283	42,624
Provisions		97	73	21
Deferred income		8,567	8,265	2,344
Deferred income tax liabilities		1,954	2,089	592
Other financial liabilities	7	-	363	103
Other long term liabilities		3,454	3,090	877
Total non-current liabilities		**101,416**	**164,163**	**46,561**
Current liabilities				
Trade and other payables		219,486	163,961	46,502
Borrowings	9	7,397	29,195	8,280
Current income tax liabilities		154	1	0
Provisions		562	331	94
Financial guarantee contract		435	-	-
Deferred income		12,932	13,402	3,801
Liabilities directly associated with assets held for sale	7	-	4,075	1,156
Total current liabilities		**240,966**	**210,965**	**59,833**
Total liabilities		**342,382**	**375,128**	**106,394**
Total equity and liabilities		**2,070,651**	**2,062,256**	**584,903**

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)	Convenience Translation Three-month period ended March 31, 2008 (EUR)
Revenue		187,755	228,696	64,863
Revenue generated by group of assets held for sale	3	16,637	8,774	2,489
Total revenue		**204,392**	**237,470**	**67,352**
Cost of sales		(155,041)	(181,794)	(51,561)
Gross profit		**49,351**	**55,676**	**15,791**
Selling and distribution costs		(37,957)	(57,055)	(16,183)
General and administration costs		(35,298)	(34,556)	(9,801)
Other income		11,047	2,363	670
Other expenses		(4,764)	(20)	(6)
Other gains / (losses), net		2,711	4,513	1,280
Operating loss		**(14,910)**	**(29,079)**	(8,249)
Finance income		1,816	633	180
Finance costs		(28)	(2,334)	(662)
Share of loss of associat held for sale		(25,618)	(22,625)	(6,417)
Loss before income tax		**(38,740)**	**(53,405)**	**(15,148)**
Income tax benefit / (charge)		938	(1,889)	(536)
Loss		**(37,802)**	**(55,294)**	**(15,684)**
Attributable to:				
Equity holders of the Company		(37,855)	(55,294)	(15,684)
Minority interest		53	-	-
		(37,802)	**(55,294)**	**(15,684)**
Earnings per share for loss attributable to the equity holders of the Company (expressed in PLN per share)				
- basic		(0.10)	(0.14)	(0.04)
- diluted		(0.10)	(0.14)	(0.04)

NETIA S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three-month period ended March 31, 2008

(All amounts in thousands, except as otherwise stated)

	Note	Attributable to the Company's equity holders						Minority interest	Total equity
				Supplementary capital					
		Share capital	Treasury shares	Share premium	Other supplementary capital	Other reserves	Retained earnings		
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2007		**389,168**	**-**	**1,666,216**	**143,218**	**29,644**	**(283,248)**	**6,902**	**1,951,900**
Cash flow hedges, net of tax associated with investments in associate held for sale		-	-	-	-	450	-	-	450
Difference between purchase price and book value of minority		-	-	-	-	-	(39)	-	(39)
Net income recognised directly in equity		-	-	-	-	450	(39)	-	411
Profit / (Loss)		-	-	-	-	-	(37,855)	53	(37,802)
Total recognised income / (expense) for the period		**-**	**-**	**-**	**-**	**450**	**(37,894)**	**53**	**(37,391)**
Employee share option scheme: - value of services provided		-	-	-	-	911	-	-	911
Acquisition of shares from minority		-	-	-	-	-	-	(661)	(661)
Coverage of Netia's 2006 loss		-	-	(24,960)	(143,218)	(28,162)	196,340	-	-
Balance as at March 31, 2007		**389,168**	**-**	**1,641,256**	**-**	**2,843**	**(124,802)**	**6,294**	**1,914,759**

	Note	Attributable to the Company's equity holders						Minority interest	Total equity
				Supplementary capital					
		Share capital	Treasury shares	Share premium	Other supplementary capital associated with investments in associate held for sale	Other reserves	Retained earnings		
		(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)	(PLN)
Balance as at January 1, 2008		**389,277**	**-**	**1,641,398**	**40,102**	**14,251**	**(356,759)**	**-**	**1,728,269**
Dilution gain in associate	3	-	-	-	9,530	-	-	-	9,530
Net income / (expense) recognised directly in equity		-	-	-	9,530	-	-	-	9,530
Loss		-	-	-	-	-	(55,294)	-	(55,294)
Total recognised income / (expense) for the period		**-**	**-**	**-**	**9,530**	**-**	**(55,294)**	**-**	**(45,764)**
Employee share option scheme: - value of services provided		-	-	-	-	4,624	-	-	4,624
Balance as at March 31, 2008		**389,277**	**-**	**1,641,398**	**49,632**	**18,875**	**(412,053)**	**-**	**1,687,129**

(All amounts in thousands, except as otherwise stated)

	Note	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)	Convenience Translation Three-month period ended March 31, 2008 (EUR)
Cash flows from operating activities:				
Loss		**(37,802)**	**(55,294)**	**(15,684)**
Adjustments for:				
Depreciation and amortization	5	69,519	62,879	17,834
Impairment charges for specific individual assets			20	6
Share of loss of associate held for sale	7	25,618	22,625	6,417
Deferred income tax (benefit) / charge		(1,044)	1,762	500
Interest expense accrued on bank loans		-	2,132	605
Other interest accrued		-	96	27
Financial guarantee contract		(798)	(435)	(123)
Interest accrued on loans granted		(13)	(8)	(2)
Share-based compensation	8	911	4,624	1,311
Fair value gains / (losses) on financial assets / liabilities		(21)	106	30
Fair value adjustments on other receivables		-	(184)	(52)
Foreign exchange (gains) / losses		(302)	(91)	(23)
Gain on disposal of group of assets	3	-	(5,093)	(1,444)
Loss on disposal of fixed assets		57	400	113
Decrease of purchase consideration		(1,940)	-	-
Changes in working capital	11	30,602	(18,195)	(6,408)
Net cash provided by operating activities		**84,787**	**15,344**	**3,107**
Cash flows from investing activities:				
Purchase of fixed assets and computer software		(61,906)	(70,134)	(19,892)
Proceeds from sale of fixed assets		1,120	28	8
Investment in associate	7	(29,907)	(8,124)	(2,304)
Purchase of subsidiaries, net of cash received		(700)	(7,848)	(2,226)
Proceeds from sale of group of assets		-	4,000	2,382
Sale of financial assets at fair value through profit and loss		14,777	-	-
Loan repayments		69	209	59
Interest repayments		-	44	12
Net cash used in investing activities		**(76,547)**	**(81,825)**	**(21,961)**
Cash flows from financing activities:				
Finance lease payments		-	(475)	(135)
Proceeds from borrowings	9	-	85,000	24,108
Interest repayments	9	-	(1,585)	(450)
Net cash provided by financing activities		**-**	**82,940**	**23,523**
Net change in cash and cash equivalents		**8,240**	**16,459**	**4,669**
Exchange gains on cash and cash equivalents		**303**	**86**	**24**
Cash and cash equivalents at beginning of period		143,586	57,697	16,364
Cash and cash equivalents at end of period		**152,129**	**74,242**	**21,057**

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

The interim condensed consolidated financial statements of Netia S.A. for the three-month period ended March 31, 2008 comprise the Company and its subsidiaries.

These interim condensed consolidated financial statements were approved for issuance by the Company's Management Board on May 14, 2008.

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

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

The Netia Group provides various voice telephony and data transmission services. These services include switched, fixed-line voice telephone services (including domestic long distance, international long distance and fixed-to-mobile services), Integrated Services Digital Network ("ISDN"), Voice over Internet Protocol ("VoIP"), voice mail, dial-up and fixed-access Internet, leased lines and frame relay and MPLS services. The Netia Group also offers wholesale services (including the wholesale termination of in-bound traffic, ducts, dark fiber and co-location services), services based upon intelligent networks (free phone, split charge and premium rate services) and provides broadband Internet access with ADSL technology.

On October 27, 2005 the Company's subsidiaries, Netia WiMax S.A. (merged with Netia in 2006) and Netia WiMax II S.A. (currently operating under the name "Netia WiMax S.A.", "Netia WiMax"), 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.

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 thirteenth acquisition Przedsiębiorstwo Informatyczne Punkt Sp. z o.o. ("Punkt", see Note 6) was made during the first quarter of 2008.

To further broaden Netia's product offer, including convergent services, Netia intends to offer mobile services. On December 7, 2007, Netia signed 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. Commercial service is scheduled to begin during 2008.

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.

In the first quarter of 2008, Netia agreed to sell minority stake in mobile operator P4 for EUR 131,795. Furthermore, in March 2008 the Company also disposed of its activities providing international voice termination services to foreign telecommunications operators

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

Current financial condition

As at March 31, 2008, the Company's equity amounted to PLN 1,687,128 and the Netia Group had a working capital of PLN 194,328. 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, 2008 the Netia Group had PLN 74,242 of cash, PLN 180,000 of debt and undrawn borrowing facilities of PLN 120,000. Furthermore, the Company received EUR 131,795 for its stake in P4 on April 30, 2008. Based on this position, the Management does not believe that events or conditions exist which may cast significant doubt on the Company's ability to continue as a going concern.

(All amounts in thousands, except as otherwise stated)

2. Summary of significant accounting policies

Basis of preparation

Following European Union regulations, commencing January 1, 2005 Netia as a public company in Poland prepares consolidated financial statements, as required by the Accounting Act of September 29, 1994 (Journal of Laws of 2002, No. 76, item 694 with later amendments, "the Accounting Act") in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"). As of March 31, 2008 there are no differences as regards policies adopted by the Netia Group and applicable to its operations, between these standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2007, except for new accounting standards adopted as of January 1, 2008. These interim condensed consolidated financial statements do not include all the information and disclosures required in complete sets of financial statements and should be read in conjunction with the audited December 31, 2007 consolidated financial statements and the related notes.

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

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. The Company makes estimates and assumptions concerning the future. The areas where assumptions and estimates are significant to the interim condensed consolidated financial statements include property, plant and equipment, customer relationships, deferred income tax and financial guarantee contract.

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

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

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

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

All Euro amounts shown as supplementary information in the consolidated financial statements have been translated from PLN only as a matter of arithmetic computation using the official rate of the National Bank of Poland at March 31, 2008 of PLN 3.5258 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.

Changes in estimates

In the three-month period ended March 31, 2008 the Netia Group reassessed the useful lives of its property, plant and equipment and in consequence, for certain non-current assets the remaining period over which they will be depreciated was extended (in most cases) and depreciation rates were changed accordingly.

The following table summarizes main changes in these estimates:

Non-current assets	**Main changes in the period of depreciation / amortization**	**Decrease in the depreciation charge recognized in current period**	**Relevant decrease in the depreciation charge for the remaining period in 2008**
		(PLN)	**(PLN)**
Fixed telecommunications network	- useful lives of certain assets were extended until the end of 2009	(2)	(3)
Telecommunications equipment	- useful lives of certain assets were extended until the end of 2009	(1,408)	(1,025)
Machinery and equipment	- useful lives of certain assets were extended until the end of 2009	(63)	(81)
Total non-current assets		**(1,473)**	**(1,109)**

New standards, interpretations and amendments to existing standards

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

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

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

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

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

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

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

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

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

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

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

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

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

Dilution gain in associate

On February 1, 2008 the Company executed an annex (the "Annex") to the Shareholders' Agreement of P4 (see Note 7) in order to establish the basis upon which the shareholders will provide equity contributions to finance P4's current operations in 2008. The Annex relates to further equity contributions above the initial EUR 300,000 and applies to amounts of up to EUR 150,000 that may be contributed to P4 during 2008. Netia agreed to accept such share capital increases and not to subscribe for new equity itself before July 1, 2008.

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

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

On March 19, 2008 the Netia Group sold its wholesale international voice traffic termination (IVT) activities to Mediatel S.A. ("Mediatel") for PLN 13,619, of which PLN 8,000 shall be settled in cash and PLN 5,619 is the estimated fair value of shares to be issued by Mediatel and related "put" and "call" options. Mediatel acquired the IVT specific business assets, principally customer contracts, employees and telecommunications switching equipment, of the Company's subsidiary Premium Internet S.A. (for details see Note 7) whilst Netia retained the Premium Internet S.A. ("Premium Internet") legal entity and its interconnection infrastructure, used both for IVT and for the provision of wholesale line rental voice and indirect access services to Netia's retail customers.

(All amounts in thousands, except as otherwise stated)

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

	Three-month period ended March 31, 2007	Three-month period ended March 31, 2008
	(PLN)	(PLN)
Data	4	5
Wholesale services	16,633	8,769
Total revenue	**16,637**	**8,774**
Cost of sales	(12,292)	(9,474)
Gross profit/ (loss)	**4,345**	**(700)**
Operating costs	(530)	(197)
Other gains / (losses), net	130	(50)
Profit/ (loss)	**3,945**	**(947)**

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

	Three-month period ended March 31, 2008
	(PLN)
Fair value of the sale transaction	13,619
Net book value of disposed property, plant and equipment (see Note 7)	(5,327)
Net book value of disposed software (see Note 7)	(24)
Net book value of disposed inventory (see Note 7)	(304)
Provision for expected losses	(2,621)
Other transaction costs	(250)
Gain on disposal of a group of assets comprising Premium Internet's IVT activities	**5,093**
Income tax charge	(783)
Total gain	**4,310**

4. Impairment of non-current assets

The Netia Group tests annually whether goodwill has suffered any impairment and assesses at each balance sheet date whether there is any indication that an asset may be impaired.

As a result of previous annual impairment tests the Netia Group recorded impairment charges of PLN 354,672 and PLN 799,695 in 2006 and 2003, respectively.

The impairment test performed in 2007 showed that no additional impairment is to be recognized

As at March 31, 2008 the Netia Group assessed whether there was any indication that the impairment loss recognized for non-current assets in the prior years may no longer exist or may have reversed. After assessing both the external and internal sources of information, no indications were identified which could result in a new assessment of impairment losses recorded in 2006 and 2003.

(All amounts in thousands, except as otherwise stated)

5. Property, plant and equipment

Current period:

	Buildings (PLN)	Land (PLN)	Fixed telecommunications network (PLN)	Telecommunications equipment (PLN)	Machinery and equipment (PLN)	Office furniture and equipment (PLN)	Vehicles (PLN)	Fixed assets under construction (PLN)	Total (PLN)
Gross book value as at January 1, 2008	31,893	3,380	1,916,212	1,723,266	96,223	114,671	12,203	130,083	4,027,931
Additions	-	-	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 non-current assets held for sale	(127)	-	(121)	-	-	-	-	-	(248)
Disposals	(175)	-	-	(450)	(110)	(797)	(19)	(492)	(2,043)
Transfers referring to the sale of a group of assets	(53)	-	-	(7,765)	(44)	(398)	(5)	(807)	(9,072)
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
Depreciation expense referring to the sale of a group of assets	1	-	-	200	2	22	-	-	225
Disposals	(74)	-	-	(154)	(55)	(736)	(12)	-	(1,031)
Transfers referring to the sale of a group of assets	(16)	-	-	(2,115)	(16)	(176)	(5)	-	(2,328)
Other movements	(1)	-	510	(782)	197	89	-	-	13
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)	-
Disposals	(55)	-	-	(67)	(8)	(59)	(2)	(88)	(279)
Transfers referring to the sale of a group of assets	(7)	-	-	(1,068)	(5)	(42)	-	(295)	(1,417)
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. Property, plant and equipment (cont'd)

Comparative period:

	Buildings (PLN)	Land (PLN)	Fixed telecommunications network (PLN)	Telecommunications equipment (PLN)	Machinery and equipment (PLN)	Office furniture and equipment (PLN)	Vehicles (PLN)	Fixed assets under construction (PLN)	Total (PLN)
Gross book value as at January 1, 2007	73,157	17,308	1,888,100	1,557,141	85,782	127,302	12,918	134,111	3,895,819
Additions	4	-	-	29	44	418	-	31,678	32,173
Transfers	1,288	22	3,154	38,828	1,461	32	-	(44,785)	-
Transfers to non-current assets held for sale	-	(987)	-	-	-	-	-	-	(987)
Disposals	(295)	-	-	-	(26)	(412)	(411)	(371)	(1,515)
Other movements	-	-	3	(1,207)	1,448	(244)	-	30	30
Gross book value as at March 31, 2007	74,154	16,343	1,891,257	1,594,791	88,709	127,096	12,507	120,663	3,925,520
Accumulated depreciation as at January 1, 2007	20,478	-	587,898	582,734	50,180	101,649	4,082	-	1,347,021
Depreciation expense	901	-	16,346	37,202	1,156	1,711	516	-	57,832
Depreciation expense referring to the sale of a group of assets	1	-	-	161	1	17	-	-	180
Disposals	(250)	-	-	-	(22)	(381)	(276)	-	(929)
Other movements	-	-	1	(526)	714	(189)	-	-	-
Accumulated depreciation as at March 31, 2007	21,130	-	604,245	619,571	52,029	102,807	4,322	-	1,404,104
Accumulated impairment as at January 1, 2007	16,477	5,108	629,552	388,517	15,080	12,736	305	22,994	1,090,769
Transfers	188	4	465	4,975	196	7	-	(6,280)	(445)
Transfers to non-current assets held for sale	-	(235)	-	-	-	-	-	-	(235)
Disposals	(45)	-	-	-	(1)	(17)	(18)	(56)	(137)
Other movements	-	-	1	(254)	307	(54)	-	(32)	(32)
Accumulated impairment as at March 31, 2007	16,620	4,877	630,018	393,238	15,582	12,672	287	16,626	1,089,920
Net book value as at January 1, 2007	36,202	12,200	670,650	585,890	20,522	12,917	8,531	111,117	1,458,029
Net book value as at March 31, 2007	**36,404**	**11,466**	**656,994**	**581,982**	**21,098**	**11,617**	**7,898**	**104,037**	**1,431,496**

(All amounts in thousands, except as otherwise stated)

6. Acquisitions

Current period:

On February 18, 2008, Internetia Sp. z o.o., the Company's subsidiary, 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. This represents an equivalent of the value of Punkt's active customers as agreed with the sellers of PLN 4,173, increased by balances of the cash and cash equivalents held by Punkt, and decreased by Punkt's debt and overdue liabilities as at February 13, 2008. The purchase price may be increased up to PLN 6,701 in case of the fulfillment of certain conditions included in the related share purchase agreement and related to execution of certain transactions by Punkt's business partners.

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 statements of operations and the consolidated balance sheet 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 would have amounted to PLN 238,943, and loss would have been PLN 55,109.

In the purchase price allocation process the Netia Group identified customer relationships as an intangible asset and recorded related deferred income tax. The fair value of customer relationships was estimated using the excess earnings method. The provisional fair values of other assets, liabilities and contingent liabilities acquired are based on amounts from Punkt historical accounting records and will therefore be subject to adjustments as additional information is obtained. Such additional information may include information related to pre-acquisition contingencies and calculation of the related deferred income taxes. A detailed review will be performed during the course of the period ending December 31, 2008, which may result in further adjustments to the carrying amounts of identifiable net assets as at the acquisition date.

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

	(PLN)
Purchase consideration, including transaction costs of PLN 335	7,036
Provisional fair value of net assets acquired	(3,495)
Goodwill	**3,541**

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

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

	Acquiree's carrying amount (PLN)	Provisional 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)
Provisional fair value of net assets acquired	**2,451**	**3,495**

	(PLN)
Total purchase consideration settled in cash	(7,036)
Cash and cash equivalents in the subsidiary acquired	2,311
Cash outflow on acquisition	**(4,725)**

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

Comparative period:

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

As such transactions with minority shareholders are not governed by IFRS 3 "Business Combinations", the Netia Group decided to apply the economic entity model for this acquisition. The negative difference between purchase price and book value of minority in the amount of PLN 367 (PLN 39 during the three-month period ended March 31, 2007) was deducted directly from equity.

7. Assets classified as held for sale

	December 31, 2007 (PLN)	March 31, 2008 (PLN)
Assets held for sale		
Investment in an associate	-	145,464
Group of assets comprising Premium Internet's IVT activities	-	5,468
Other non-current assets classified as held for sale	36,721	36,969
	36,721	**187,901**
Liabilities directly associated with assets held for sale		
Liabilities directly associated with the group of assets comprising Premium Internet's IVT activities	-	4,075
	-	**4,075**

Investment in an associate (number of shares not in thousands)

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

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

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

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

Following the above transactions Netia Mobile held 11,349 shares constituting 23.4% of the share capital of P4, and Novator held shares constituting a total of 54.6% of the share capital (see also Note 3).

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

The Shareholders reiterated their earlier commitments to make contributions to P4, pro rata to their respective changed shareholdings in P4's share capital. From EUR 300,000 of the aggregate cash contributions committed by the shareholders in the Shareholders Agreement, the cash contributions made and agreed to be made prior to and in connection with the closing of the transaction, amounted to EUR 185,797, including Netia's contributions of EUR 52,835 (out of total committed cash contributions of EUR 79,500); Novator's contributions of EUR 123,087 (out of total committed cash contributions of EUR 185,500) and Tollerton's contributions of EUR 9,875. Post closing of the transaction further shareholders' committed cash contributions amounted to EUR 114,202 in the aggregate, including Netia's committed contribution of EUR 26.665; Novator's committed contribution of EUR 62,413 and Tollerton's committed contribution of EUR 25,124.

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

The following table summarizes changes in the investment in P4:

	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
At the beginning of the period	141,394	150,435
Investment in associate	30,000	8,124
Dilution gain in associate (see Note 3)	-	9,530
Settlement of hedge transaction	(93)	-
Share of loss recognized until reclassification to assets held for sale	(25,618)	(22,625)
At the end of the period	**145,683**	**145,464**

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

(All amounts in thousands, except as otherwise stated)

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

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

The completion of the transaction was dependent on the satisfaction or waiver of the following conditions precedent:

(i) receiving by the Company and Netia Mobile from China Development Bank ("CDB"), Comverse Limited and Huawei the release and confirmation of the full discharge from all obligations and liability of the Company and Netia Mobile under the CDB Facility Agreement and subordinate agreements. If the Company waives this condition Tollerton and Novator will be obliged to indemnify the Company and Netia Mobile for all loses incurred under the CDB Facility Agreement and subordinate agreements;
(ii) receiving by the Company a confirmation from P4's Facility agent stating that the Facility agent has received a duly-executed "accession deed" together with the documents required by the share retention agreement. By executing the "ccession deed" the new shareholder of P4 assumes all rights and duties of the former shareholder under the guarantee and share retention agreement;
(iii) the audited financial statements of Novator One L.P. indicate that its net assets comply with the required net asset level as specified in the share retention agreement;

On March 12, 2008 the Company waived all the conditions precedent and the transaction was closed on April 30, 2008 (see Note 16) for a final price of EUR 131,795.

The following table summarizes financial information of the associate:

	December 31, 2007 (PLN)	March 31, 2008 (PLN)
Assets	1,235,860	1,384,365
Liabilities	628,944	696,703

	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Revenue	957	152,031
Loss for the period	(85,395)	(173,993)

Group of assets comprising Premium Internet's IVT activities

Following the Management decision to sell the IVT activities of Premium Internet to Mediatel (see Note 3) the following assets and liabilities were classified as held for sale:

Assets held for sale	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Net book value of reclassified property, plant and equipment	-	5,327
Net book value of reclassified software	-	24
Net book value of reclassified inventory	-	304
Net book value of reclassified receivables	-	5,468
Disposal of reclassified property, plant and equipment	-	(5,327)
Disposal of reclassified software	-	(24)
Disposal of reclassified inventory	-	(304)
	-	**5,468**

Liabilities directly associated with assets held for sale	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Provision for expected losses	-	2,621
Trade payables	-	46
Accrued expenses	-	1,408
	-	**4,075**

Other non-current assets classified as held for sale

Due to Management's decision relating to the disposal of certain non-current assets (land and buildings) the Netia Group reclassified those assets to non-current assets held for sale. For all these assets an active program to locate potential buyers has been already initiated.

8. Shareholders' equity

Share capital (not in thousands)

At March 31, 2008, the Company's share capital consisted of 389,276,294 ordinary shares and of 1,000 series A1 shares with a par value of PLN 1 per share. Each ordinary share had one vote at shareholders' meetings. The holder of 1,000 series A1 shares had the right to nominate one member of the Supervisory Board. The majority of votes of the Supervisory Board elect the Management Board. The Company's share capital has not changed since December 31, 2007.

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:

	Three-month period ended March 31, 2007		Three-month period ended March 31, 2008	
Options	**Average strike price**	**Options**	**Average strike price**	**Options**
At the beginning of the period	4.44	1,935,149	6.61	43,128,873
Granted	6.78	10,000,000	6.14	1,000,000
At the end of the period	**6.40**	**11,935,149**	**6.60**	**44,128,873**

As at March 31, 2008 the total number of options approved by the Supervisory Board and issued was 64,696,220 as compared to 63,696,220 as at December 31, 2007. Out of these approved options 44,128,873 options were outstanding as at March 31, 2008 and 43,128,873 options were outstanding as at December 31, 2007. As at March 31, 2008 and December 31, 2007 the total number of vested options was 8,814,229 and 325,229, 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 5 years. All 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 4.71 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 periods ended March 31, 2008 and March 31, 2007, amounted to PLN 4,624 thousands and PLN 911 thousands, respectively.

9. Borrowings

	December 31, 2007 (PLN)	March 31, 2008 (PLN)
Bank loan	94,738	179,478
Bank overdraft	3	-
	94,741	**179,478**
Of which:		
Current	7,397	29,195
Non-current	87,344	150,283

Bank loan

On May 15, 2007 the Company entered into a PLN 300,000 credit facility agreement with Rabobank Polska SA (the "Bank") as arranger, credit facility agent, security agent and lender (the "Facility"). The Facility is to be repaid by November 15, 2011. The proceeds from the Facility will be used to finance Netia's capital expenditures and current operations and may be drawn down until November 15, 2008. As at March 31, 2008 the total draw downs under this Facility amounted to PLN 180,000.

The Facility bears interest at a variable interest rate of WIBOR plus a margin dependant on financial ratios. Moreover, the Company must pay a commitment fee on the undrawn, uncancelled amount of the Facility commitment. The borrowing is measured at amortized cost using an effective interest rate of 7.93%. As at March 31, 2008 total transaction costs amounted to PLN 4,103, out of which PLN 1,015 and PLN 1,211 related to the draw downs made in 2007 and 2008, respectively, and were included in the calculation of the effective interest rate.

The carrying amount of the borrowings approximates their fair value and the discount rate for the fair value calculation approximates the effective interest rate.

The repayment of the Facility is secured by the following: two capped mortgages on the right of perpetual usufruct of the Company's real estate at ul. Poleczki 13 in Warsaw, a registered pledge on a set of movables and rights constituting an organised part of the enterprise of Świat Internet, registered pledges and financial pledges on the shares of Świat Internet S.A., UNI-Net, InterNetia Sp. z o.o, Netia WiMax S.A., Premium Internet S.A. and assignment as collateral security of Netia's receivables under certain agreements. The financial pledges on shares were in place until registration of the registered pledges was completed. Moreover, the Company's subsidiaries (Świat Internet S.A., Netia WiMax S.A., Premium Internet S.A, InterNetia Sp. z o.o,) 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 375,000.

10. Dividends per share

No dividend has been proposed or paid in respect to the financial years ended December 31, 2007 and 2006.

11. Supplemental disclosures to consolidated cash flow statement

Changes in working capital components:

	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Receivables	24,471	5,993
Inventories	(95)	1,106
Prepaid expenses	406	(8,311)
Restricted cash	3,600	-
Provisions, accruals and other payables	1,360	(17,134)
Deferred income	860	151
	30,602	**(18,195)**

Supplemental disclosures to operating activities:

	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Income taxes paid	141	151
Interest received	(2,126)	(884)

Supplemental disclosures to investing activities:

	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Increase of interest in subsidiary	(700)	-
Subsidiary purchased in current interim period	-	(4,725)
Subsidiaries purchased in 2007	-	(3,123)
Purchase of subsidiaries, net of cash received	**(700)**	**(7,848)**

Non-cash transactions (not in thousands):

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

Cash and cash equivalents

As at March 31, 2008 March 31, 2007 and December 31, 2007 the amounts of PLN 1,465, PLN 1,186 and PLN 1,477, respectively, were restricted as they were placed as collateral securing payments to vendors.

12. The Management Board and Supervisory Board

As at March 31, 2008 and December 31, 2007 the Company's Management Board consisted of the following members:

- Mirosław Godlewski – President,
- Piotr Czapski,
- Jonathan Eastick,
- Bertrand Le Guern,
- Tom Ruhan.

As at March 31, 2008 and December 31, 2007 the Company's Supervisory Board consisted of the following members (see also Note 16):

- Wojciech Sobieraj – Chairman,
- Constantine Gonticas – Deputy Chairman,
- Raimondo Eggink,
- Bruce McInroy,
- Bogusław Kasprzyk,
- Tadeusz Radzimiński,
- Pantelis Tzortzakis.

13. Related party transactions

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

As at March 31, 2008, the total number of options granted to members of the Company's Management Board under the Plan, was 33,271,814 of which 6,600,000 had vested as of that date. Strike prices for the options granted to the Management Board range between PLN 4.80 to 8.25 per share. The market price of the Company's shares at March 31, 2008 was PLN 3.71 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, 2007**	**Three-month period ended March 31, 2008**
At the beginning of the period	1,721,489	33,271,814
Granted	10,000,000	-
Status changed due to resignation from Management Board	(634,233)	-
At the end of the period	**11,087,256**	**33,271,814**

As at March 31, 2008 and December 31, 2007 Mr. Piotr Czapski – a member of the Company's Management Board – held 5,000,000 options.

As at March 31, 2008 and December 31, 2007 Mr. Jonathan Eastick – a member of the Company's Management Board – held 9,271,814 options.

As at March 31, 2008 and December 31, 2007 Mr. Mirosław Godlewski – the Company's President of the Management Board – held 10,000,000 options.

As at March 31, 2008 and December 31, 2007 Mr. Bertrand Le Guern – a member of the Company's Management Board – held 5,000,000 options.

As at March 31, 2008 and December 31, 2007 Mr. Tom Ruhan – a member of the Company's Management Board – held 4,000,000 options.

Members of the Supervisory Board did not hold any options as at March 31, 2008 and December 31, 2007.

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

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

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

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

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

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

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

Management Board remuneration

Compensation and related costs associated with members of the Company's Management Board during the three-month periods ended March 31, 2008 and March 31, 2007 amounted to PLN 2,303 and PLN 1,748, respectively. In addition, the cost of share-based payments in the amounts of PLN 3,294 and PLN 879 was recognized in the respective periods. Additional to the above, termination benefits for the former members of the Management Board of PLN 1,116 were recognized as a cost in the three-month period ended March 31, 2007.

Compensation and related costs associated with members of the Management Boards of the Company's subsidiaries during the the three-month periods ended March 31, 2008 and March 31, 2007 amounted to PLN 212 and PLN 28, respectively. These amounts were paid to certain employees of the Netia Group who are not past or present members of the Management Board of Netia S.A.

Supervisory Board remuneration

Compensation and related costs associated with members of the Company's Supervisory Board during the three-month periods ended March 31, 2008 and March 31, 2007 amounted to PLN 156 and PLN 130, respectively.

Transactions with the associate

The following transactions were carried out with P4 Group (see also Note 7 and 16):

	Three-month period ended March 31, 2007 (PLN)	Three-month period ended March 31, 2008 (PLN)
Telecommunication revenue	-	6,357
Sale of services	560	407
Other sales transactions	676	175
	1,236	**6,939**
Interconnection charges	-	(1,241)
Other costs	-	(18)
	-	**(1,259)**
	1,236	**5,680**

	December 31, 2007 (PLN)	March 31, 2008 (PLN)
Trade receivables	4,023	2,726
Trade payables	(3,060)	(3,923)
	963	**(1,197)**

Other transactions with related parties

During the three-month periods ended March 31, 2008 and March 31, 2007, the Netia Group has not been a party to any other material transactions, or proposed transactions, apart from transactions mentioned above, in which any member of the key management personnel or close members of their families, had or was to have a direct or indirect material interest.

14. Commitments

Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognized in the consolidated financial statements amounted to PLN 64,710 as at March 31, 2008 and PLN 62,262 as at December 31, 2007 of which, PLN 7,717 and PLN 4,934, respectively, related to the planned acquisition of intangible assets.

15. Contingencies

Contingent assets

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 totalling PLN 22,605, 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.

Contingent liabilities

Millennium (not in thousands)

In August and September 2000, the Company entered into certain agreements to acquire all of the outstanding equity of Millennium Communications S.A. ("Millennium"), a provider of telecommunications services in Warsaw. Certain advances were made to Millennium following the execution of the agreements, and currently a loan of EUR 2.9 million (PLN 10.2 million at the March 31, 2008 exchange rate) increased by the applicable interest is outstanding from Millennium. As on April 24, 2007 Millennium was declared bankrupt, on July 31, 2007 the Court of Appeal in Warsaw quashed the judgment issued by the Regional Court with respect to Millennium's repayment of the loan and discontinued the proceedings. The loan has been claimed by the Company in the bankruptcy proceedings relating to Millennium. The bankruptcy trustee of Millennium accepted Netia's claim against Millennium and registered it on the list of claims in the amount of PLN 65.5 million. The bankruptcy proceeding of Millennium is still pending.

In 2001, a valuation allowance of PLN 17.0 million was recorded as other operating expense against the outstanding amount receivable from Millennium as a result of the events described above.

On April 5, 2005, Millennium filed a claim against Regionalne Sieci Telekomunikacyjne El-Net S.A. ("El-Net"), the subsidiary merged with Netia in July 2006, in connection with the alleged acts of unfair competition of El-Net against Millennium. El-Net filed an answer to the claim on June 6, 2005 in which it requested the District Court to dismiss the claim as wholly unsubstantiated. The matter is still pending.

In July 2005, Millennium filed a motion to secure the claim against El-Net for determination that an agreement between El-Net and Millennium concerning provisions of telephone services and the use of 30,000 telephone numbers by Millennium was not effectively terminated by El-Net. On August 21, 2005, Millennium filed a motion against El-Net in connection with the claim to which the injunction pertained to. El-Net filed an answer to the claim on October 19, 2005 in which it requested the District Court to dismiss the claim as wholly unsubstantiated. The matter is still pending.

Management, having obtained legal advice, does not believe that the settlement of the matters described above will have a material adverse effect on the Netia Group's financial condition. Accordingly no liability has been recorded for the claims.

Jupiter

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

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

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

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

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

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

WiMAX license requirements

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

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.

The Company's Management is not aware of any circumstances, which may currently give rise to a potential material liability in this respect.

16. Subsequent events

Resignation of Supervisory Board Members

On April 10, 2008, Mr. Wojciech Sobieraj, Chairman of the Company's Supervisory Board, resigned from his position as Chairman and member of the Supervisory Board.

On April 30, 2008 Mr. Bogusław Kasprzyk resigned from his position as member of the Company's Supervisory Board.

These resignations are effective from the date of the Annual General Meeting of the Company held on May 7, 2008.

Acqusition of a subsidiary

On April 18, 2008 the Company's subsidiary Lanet Sp. z o.o. ("Lanet") concluded an agreement for the acquisition of 100 shares in the share capital of KOM-NET Systemy Komputerowe Piotr Szulc i Henryka Szulc Sp. z o.o. ("Kom-Net SK") with the total nominal value of PLN 50 for all these shares, which represent 100% of the share capital and confer the right to 100% of the votes at the general meeting of shareholders. The total price of all these shares has been set at PLN 129.

The acquired company owns the rights of access to the telecommunications infrastructure in the city of Wrocław in the Southern Poland. The purchase transaction will facilitate the acquisition of new customers as well as the operational integration of Ethernet networks in the Wrocław area, which were purchased previously by Lanet.

The Netia Group accounted for the acquisition of Kom-Net SK using the purchase method and started consolidating the financial statements of Kom-Net SK as of April 30, 2008 adjusting the consolidated statements of operations and the consolidated balance sheet for material transactions, which took place between April 18, 2008 and April 30, 2008. The provisional fair values of assets, liabilities and contingent liabilities acquired are based on amounts from Kom-Net SK historical accounting records and will therefore be subject to adjustments as additional information is obtained. Such additional information may include information related to pre-acquisition contingencies and calculation of the related deferred income taxes. A detailed review will be performed during the course of the period ending December 31, 2008, which may result in adjustments to the carrying amounts of identifiable net assets as at the acquisition date.

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

	(PLN)
Purchase consideration	129
Provisional fair value of net assets acquired	(50)
Goodwill	**79**

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

Provisional fair value of Kom-Net SK's net assets comprises cash and cash equivalents of PLN 48 and receivables in the amount of PLN 2. The provisional fair values of assets are equal to the carrying amounts of these assets.

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

The acquired company reported revenue of PLN nil and loss of PLN 2 in the three-month period ended March 31, 2008. If the acquisition had occurred on January 1, 2008, the Netia Group's revenue would not have changed and loss would have been PLN 55,296.

Sale of investment in P4 (number of shares not in thousands)

On April 30, 2008 the Company closed the transaction to sell its interest in P4 to Tollerton and Novator (see Note 7), for the total price of EUR 131,795 and Netia Mobile received payment in full.

The gain on this transaction to be recognized in the consolidated income statement for the three-month period ended June 30, 2008 has been provisionally estimated at PLN 353,371. Immediately following receipt of payment the Netia Group's cash balance was PLN 518,205 and the Company's outstanding debt was PLN 180,000.

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

Annual Shareholders' Meeting

The Company's ordinary shareholder's meeting held on May 7, 2008 (the "AGM") adopted resolutions concerning, among others, the approval of 2007 financial statements and coverage of losses, merger of Netia with it's wholly-owned subsidiary Świat Internet SA and changes to the composition of the Supervisory Board.

The AGM appointed Messrs. Jerome de Vitry and Marek Gul to Netia's Supervisory Board. As a result of the above appointment, Netia's Supervisory Board now comprises the following 7 members: Constantine Gonticas, Raimondo Eggink, Marek Gul, Bruce McInroy, Tadeusz Radzimiński, Pantelis Tzortzakis i Jerome de Vitry.

The AGM resolved that the net loss of PLN 73,217 incurred by Netia S.A. in 2007 and PLN 11,692 of uncovered losses from previous years resulting from a merger of a subsidiary with the Company during the financial year of 2007 will be covered in full by crediting part of the Company's supplementary capital towards these losses.