(All amounts in thousands, except as otherwise stated)

This comment presents the financial results of Netia S.A. ("Netia", the "Company", the "Issuer") and the consolidated financial results for the Netia S.A. Group ("Netia Group").

1. The Netia Group's structure

The interim consolidated financial statements as at and for the six-month period ended June 30, 2008 include the financial statements of the Company and the following subsidiaries:

UNI-Net Sp. z o.o.
Netia WiMax S.A.
Netia Spółka Akcyjna UMTS Spółka komandytowo – akcyjna (previously operating under the name Netia Mobile Sp. z o.o.)
Świat Internet S.A. Group
InterNetia Sp. z o.o. Group

The financial statements of the Świat Internet S.A. Group include the financial statements of Świat Internet S.A. and its subsidiary Premium Internet S.A.

The financial statements of the InterNetia Sp. z o.o. Group include the financial statements of InterNetia Sp. z o.o. and its subsidiaries:

- Interbit Sp. z o.o.
- Netis Sp. z o.o.
- Przedsiębiorstwo Informatyczne Punkt Sp. z o.o.
- Connect Systemy Komputerowe Sp. z o.o.
- Cybertech Sp. z o.o.
- Lanet Sp. z o.o. Group

The financial statements of the Lanet Sp. z o.o. Group include the financial statements of Lanet Sp. z o.o. and its subsidiary Kom-Net Systemy Komputerowe Piotr Szulc i Henryka Szulc Sp. z o.o.

The Netia Group accounted for the investment in associate company P4 Sp. z o.o. ("P4") using the equity method, until the date of receiving a consent of the Supervisory Board of the Company to sign an agreement to sell P4's shares (see "Changes within the Netia Group's structure" below).

2. Changes within the Netia Group's structure

Decrease of Netia's share in Netia Mobile

On January 21, 2008, the Company sold to its subsidiary InterNetia Sp. z o.o. („Internetia") 1 share of Netia Mobile Sp. z o.o. („Netia Mobile", currently Netia Spółka Akcyjna UMTS Spółka komandytowo – akcyjna), representing 0,01% of its share capital, for a total of PLN 10. As a result of this transaction, the Company holds 99.99% of Netia Mobile's share capital.

Transfer of shares' ownership (not in thousands)

On January 31, 2008, the Company transferred the ownership of the below mentioned shares in telecommunications companies to its subsidiary Lanet Sp. z o.o. („Lanet"):

(i) 946 shares in the share capital of Magma Systemy Komputerowe Schmidt i S-ka S.J. ("Magma") with the nominal value of PLN 500 each and the total nominal value of PLN 473,000 for all these shares, which represent 100% of the share capital and confer the right to 100% of the votes at Magma's meeting of shareholders,
(ii) 100 shares in the share capital of Kom-Net Systemy Komputerowe Sp. z o.o. ("Kom-Net") with the nominal value of PLN 500 each and the total nominal value of PLN 50,000 for all these shares, which represent 100% of the share capital and confer the right to 100% of the votes at Kom-Net's meeting of shareholders.

These transfers were made in execution of the agreement concluded by Netia and Lanet on January 31, 2008. The shares represent an in-kind contribution in exchange for which Netia acquired 400 newly issued shares in Lanet, with the nominal value of PLN 500 and at the issue price of PLN 44,545.43 each, i.e., at the total price of PLN 17.8 million.

The transfer of the shares represents one of the elements of the Ethernet companies' consolidation process within the Netia Group.

Transformation of Netia's subsidiary

On February 20, 2008 Warsaw Regional Court registered the transformation of Netia's subsidiary, Netia Mobile Sp. z o.o. (a limited liability company), into Netia Spółka Akcyjna UMTS, a limited joint stock partnership (spółka komandytowo - akcyjna).

Netia holds 99.99% of the share capital and 99.99% of the votes at the meetings of the shareholders of Netia Mobile and is the general partner in the transformed company, i.e. the partner liable without limitation for the obligations of the transformed company. InterNetia Sp. z o.o., the Company's subsidiary, holds 1 share, which amounts to 0.01% of the share capital and 0.01% of the votes at the meetings of the shareholders of Netia Mobile.

The goal of this transformation is the restructuring of some of the companies of Netia Group.

Transfer of shares' ownership in an Ethernet subsidiary (not in thousands)

On April 29, 2008 the Company transferred ownership of 500 shares in the share capital of Lanet, with the nominal value of PLN 500 each and the total nominal value of PLN 250,000, to its subsidiary Internetia. These shares represent 100% of the share capital and confer the right to 100% of the votes at Lanet's meeting of shareholders.

The transfer of the shares was made in execution of the agreement concluded by Netia and Internetia on April 29, 2008. The shares represent an in-kind contribution in exchange for which Netia acquired 500 newly issued shares in Internetia, with the nominal value of PLN 500 and at the issue price of PLN 68,200.00 each, i.e., for a total price of PLN 34,100,000.

Mergers with subsidiaries

On February 19, 2008 Lanet merged with its wholly-owned subsidiary Akron Sp. z o.o. and on May 30, 2008 Lanet merged with the following subsidiaries:

- 3Vnet Sp. z o.o.
- Ikatel Telekom Sp. z o.o.
- Inet Sp. z o.o.
- KOM-NET Systemy Komputerowe Sp. z o.o.
- Magma Systemy Komputerowe Schmidt i S-ka Sp. z o.o.
- Ozimek Net Sp. z o.o.
- Verizone Sp. z o.o.
- Zielona Burza Sp. z o.o.

The mergers were carried out through the transfer of the acquired companies' assets to Lanet (merger by acquisition) without any increase in Lanet's share capital and without any share exchanges.

Sale of investment in P4

On February 22, 2008 the Company concluded an agreement to sell its interest in P4 held by Netia Mobile to Tollerton Investments Limited ("Tollerton") and Novator Telecom Poland S.a.r.l. ("Novator Telecom Poland"). The transaction was closed on April 30, 2008 for a final price of EUR 131,795. The gain on this transaction recognized in the consolidated income statement for the six-month period ended June 30, 2008 amounted to PLN 353,427.

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.

Acqusitions (not in thousands)

On February 18, 2008, Internetia, the Company's subsidiary, purchased 200 shares of Przedsiębiorstwo Informatyczne Punkt Sp. z o.o. ("Punkt"), constituting jointly 100% of the share capital of Punkt with the total nominal value of PLN 100,000 for all these shares. The total price of all the Shares has been set at PLN 5.1 million. This represents an equivalent of the value of Punkt's active customers as agreed with the Sellers of PLN 4.2 million, 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 6.7 million in case of the fulfillment of certain conditions included in the Shares purchase agreement and related to execution of certain transactions by Punkt's business partners.

On June 11, 2008, Internetia purchased 11,300 shares in the share capital of a company operating under the business name Connect Systemy Komputerowe Sp. z o.o. ("Connect") with the total nominal value of PLN 565,000 for all these shares, which represent 100% of the share capital of Connect. The total price for the shares has been set at PLN 4.5 million.

On June 27, 2008, Internetia purchased 200 shares in the share capital of a company operating under the business name Cybertech Sp. z o.o. ("Cybertech") with the total nominal value of PLN 50,000 for all these shares, which represent 100% of the share capital of Cybertech. The total price for the shares has been set at PLN 4.0 million.

On April 18, 2008, Lanet, the Company's subsidiary, purchased 100 shares in the share capital of a company operating under the business name KOM-NET Systemy Komputerowe Piotr Szulc I Henryka Szulc Sp. z o.o. ("Kom-Net SK") with the total nominal value of PLN 50,000 for all these shares, which represent 100% of the share capital of Kom-Net SK. The total price for the shares has been set at PLN 0.1 million.

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

3. Shareholders holding at least 5% of the votes at the General Shareholders' Meeting of Netia as at the date of filing this report (not in thousands)

Based on the information presented to the Company by the shareholders, as at the date filing of this report, significant blocks of the Company's shares were held by the following entities (the interest and the number of votes are calculated on the basis of the number of shares constituting the Company's share capital as at August 11, 2008):

Novator Telecom Poland II S.a.r.l.

Novator Telecom Poland II S.a.r.l. held 113,941,170 shares constituting 29.3% of the Company's share capital and carrying 29.3% of the total number of votes at the General Shareholders' Meeting of the Company. The number of the Company's shares held by Novator Telecom Poland II S.a.r.l. has not changed since the submission of the annual report.

Subsidiaries of SISU Capital Limited

The subsidiaries of SISU Capital Limited held a total of 39,043,006 of the Company's shares constituting 10.0% of its share capital and carrying 10.0% of the total number of votes at the General Shareholders' Meeting of the Company. The number of the Company's shares held by the subsidiaries of SISU Capital Limited has not changed since the submission of the annual report.

Third Avenue Management LLC

Third Avenue Management LLC held 79,955,192 shares constituting 20.5% of the Company's share capital and carrying 20.5% of the total number of votes at the General Shareholders' Meeting of the Company, inclusive of the shareholding of Third Avenue International Value Fund described below. The number of the Company's shares held by Third Avenue Management LLC has not changed since the submission of the annual report.

Third Avenue International Value Fund

Third Avenue International Value Fund held 19,594,034 of the Company's shares constituting 5.03% of the Company's share capital and representing 5.03% of the total number of votes at the General Shareholders' Meeting of the Company. The number of the Company's shares held by the subsidiaries of Third Avenue International Value Fund has not changed since the submission of the annual report.

Banca Akros S.p.A.

Banca Akros S.p.A. held 23,262,944 shares constituting 5.98% of the Company's share capital and representing 5.98% of the total number of votes at the General Shareholders' Meeting of the Company. The number of the Company's shares held by Banca Akros S.p.A. has not changed since the submission of the annual report.

4. Changes in shares and share options held by members of the Company's Management Board and Supervisory Board (not in thousands)

Between the adoption of the employee share option scheme (the "Plan") on April 10, 2003 and June 30, 2008, the Supervisory Board approved and issued a total number of 64,696,220 options to members of the Management Board and to Netia's key employees. Out of the total number of approved options 42,769,873 were outstanding as at June 30, 2008. The options are exercisable until December 20, 2012. The strike price of the approved outstanding options, depending on the agreement, ranges between PLN 4.71 and PLN 8.25 per share.

During the first half of 2008 the following changes took place in the number of options granted under the Plan:

Six-month period ended June 30, 2008

At the beginning of the period	43,128,873
Granted..	1,000,000
Forfeited / expired..	(1,359,000)
At the end of the period	42,769,873

Options held by members of the Company's Management Board are presented below:

Six-month period ended June 30, 2008	Mirosław Godlewski	Jonathan Eastick	Piotr Czapski	Bertrand Le Guern	Tom Ruhan	Total
At the beginning of the period	10,000,000	9,271,814	5,000,000	5,000,000	4,000,000	33,271,814
At the end of the period	10,000,000	9,271,814	5,000,000	5,000,000	4,000,000	33,271,814

There were no further changes in the number of options granted to members of the Management Board as at the date of filing this report.

The members of the Supervisory Board did not hold any options as at June 30, 2008.

(All amounts in thousands, except as otherwise stated)

Changes in the number of Netia's shares held by members of the Company's Management Board are presented below:

Six-month period ended June 30, 2008	Tom Ruhan	Jonathan Eastick	Total
At the beginning of the period	253,593	-	253,593
Purchase of Netia's shares	-	15,000	15,000
At the end of the period	253,593	15,000	268,593

Movements in the number of Netia's shares held by members of the Company's Supervisory Board are presented below:

Six-month period ended June 30, 2008	Tadeusz Radzimiński	Raimondo Eggink	Constantine Gonticas	Bruce McInroy	Total
At the beginning of the period	2,000	20,000	93,000	50,000	165,000
Purchase of Netia's shares	-	-	50,000	100,000	150,000
At the end of the period	2,000	20,000	143,000	150,000	315,000

There were no further changes in the number of shares held by members of the Supervisory and Management Boards as at the date of filing this report.

5. Legal proceedings

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 9.7 million at the June 30, 2008 exchange rate) increased by the applicable interest is outstanding from Millennium. As on April 24, 2007 Millennium was declared bankrupt. 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. On May 27, 2008, the Appellate Court rejected Millennium's appeal against the decision of the District Court issued on December 22, 2006 dismissing Millennium's claim. The decision of the District Court is therefore final and non-appealable.

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. On April 16, 2008, the District Court dismissed Millennium's claim. The decision of the District Court is final and non-appealable. As a result of the decision, the injunction described above, was cancelled by operation of law.

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.

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 23,323, following the expiration of an initial grace period. Netia's management intends to use all legal means to enforce the penalties and will recognize income when TP SA either pays or settles the liability in a manner acceptable to Netia. After the Company's demand for TP SA to pay contractual penalties delivered in 2007, Netia filed a claim in court against TP SA for payment of PLN 19,542 of penalties. Despite the fact that the Management Board is convinced of the legitimacy of the claim the Management Board cannot ensure that the Court will decide fully in accordance with the claim.

6. Factors which may have an impact on the result of the Netia Group

Risk of changes to the Netia Group's strategy

On April 18, 2007 the Company announced the main assumptions of its new operational strategy. No assurance can be given as to whether new strategic initiatives included in the new strategy, will be successful, and if not, whether they may adversely affect the operating activity of the Netia Group, its financial standing or its overall performance.

Funding Risk

Although Netia has maintained a significant cash surplus over the past few years and the Company's core activities remain cash generative, the Company has recently changed its strategy to one which requires significant investments and start-up losses in order to develop new sources of revenue and to expand Netia's market share. Netia received EUR 131,795 for its stake in P4 on April 30, 2008 and has raised funding from medium-term senior debt of PLN 275.000 . Furthermore, the Company has entered into an agreement to purchase Tele2 Polska Sp. z o.o. ("Tele2") for up to EUR 33,900, net of cash to be acquired in a transaction expected to close before the end of 2008 and an additional PLN 100,000 borrowing facility has been secured to fund the majority of this acquisition. Whilst these amounts are currently expected to be sufficient for Netia to reach cash flow break-even, no assurance can be given that Netia's plans will be reached as expected and, if performance is significantly below expectations, the Company may need to raise additional financing from financial institutions and or from its shareholders. We cannot guarantee that such funding would be available on acceptable market conditions or at all and, if this proved to be the case, Netia would have to significantly modify its development plans.

Risk of changes in the shareholder structure, which may influence business activity

Currently, Netia is not controlled by any strategic investors, and its shares are held by a large number of shareholders. Novator Telecom Poland II S.a.r.l. („Novator"), is the largest single shareholder of Netia and according to the information furnished to the Company it holds 113,941,170 shares which represents 29.3% of the Company's share capital and 29.3% of the aggregate number of votes at the Company's General Shareholders' Meeting. During 2007, Third Avenue Management LLC increased its stake in the Company's share capital and holds 79,955,192 shares representing 20.5% of the Company's share capital and 20.5% of the aggregate number of votes at the Company's General Meeting of Shareholders' Meeting. The subsidiaries of SISU Capital Limited also increased their stake in the Company's share capital in 2007, and hold 39,043,006 shares representing 10.0% of the Company's share capital and 10.0% of the aggregate number of votes at the Company's General Shareholders' Meeting. Moreover, in 2007 Banca Akros S.p.A. exceeded the threshold of 5% of the total number of votes at the General Shareholders' Meeting of the Company and holds 23,262,944 shares representing 6.0% of the Company's share capital. Neither Netia's corporate documents nor the provisions of Polish law provide for any serious restrictions to changes in control over the Issuer in the event of third parties acquiring a considerable number of shares. Thus, such changes of control may materially affect the composition of the Company's Supervisory Board and the Management Board and, in turn, the strategy and business activity of the Netia Group. Due to the above, the Issuer cannot guarantee that any adopted strategy of the Netia Group will be pursued in accordance with its initial objectives.

Conflict of interests between major and minority shareholders

Novator, as the owner of 29.3% of the Shares, is currently the Company's largest shareholder. Even though the equity stake held by Novator does not entitle it to exercise control over the Company, it nevertheless enables Novator to have a significant degree of influence on key decisions taken by the Company. In particular, Novator may materially influence the composition of the Company's Supervisory Board, especially given the fact that the remaining shareholders do not represent a single unified position. The Company's Statute provides that the consent of the majority of the Company's Supervisory Board members is required to adopt resolutions on key matters affecting the Company's operations.

Any potential conflicts between Novator and the remaining shareholders may adversely affect the operations of the Netia Group.

Risk concerning the liquidity of the market for the Company's shares

Based on information provided to the Company, almost 66 % of Netia's share capital is currently held by four investors each holding at least 5 % of the Company's equity. As these investors have built their positions, we have noted a steady reduction in the average volume of the Company's shares traded on the Warsaw stock exchange. The relatively low liquidity in the market for our shares may make it difficult for a shareholder to sell their shareholding at the previously prevailing market price.

(All amounts in thousands, except as otherwise stated)

Risk connected with the impact of potential future takeovers and acquisitions of large-scale businesses

Revenues and financial performance of the Netia Group may materially be affected by takeovers of and mergers with other entities that operate large scale telecommunications businesses. Upon the Company's takeover of another entity, the process of fully integrating this entity may carry high risks, e.g. employment termination by key employees, the loss of a certain segment of its customers or high costs of the entire integration process.

The highly fragmented market of alternative operators rendering wireline telephone services may result in increasing consolidation within the Polish market. The Company shall evaluate potential takeovers and acquisitions whenever such possibilities arise. The performance of such transactions requires the special involvement of the Company's high-ranking managers and may entail high costs connected with the identification and evaluation of the candidates for takeover, the negotiating of agreements and integration of the entities acquired. The Netia Group may require additional funding in order to conduct such transactions.

The benefits from potential takeovers will depend mostly on the extent to which the Netia Group is able to integrate the acquired entities into its structures. Future company acquisitions may entail acquiring existing liabilities and the risk of undisclosed liabilities. The Netia Group cannot guarantee that beneficial takeover possibilities will arise in the future, nor, if such possibilities arise, that they will result in the successful integration of the acquired entities with the Netia Group. Failure to integrate the acquired entities into the structures of the Netia Group and / or the failure to generate the expected operating and strategic synergies may adversely affect the operations and financial standing of the Netia Group.

Risks relating to the acquisition, integration and development of Ethernet network operators

An important element of Netia's strategy to expand its broadband subscriber base is the acquisition of Ethernet network operators. Our plans require that these companies, which typically have no more than 5,000 customers at the time of acquisition, are fully integrated into Netia's core operations. We aim to continue to grow the subscriber bases connected to the networks that we acquire and to upsell their customers voice services in addition to the internet access that they currently purchase. We cannot provide any assurance that we will be successful in implementing this strategy in whole or in part in any or all of the Ethernet networks that we have or will acquire. Costs of integration may exceed our plans or we may discover undisclosed liabilities post acquisition. Customers may prove reluctant to switch to services provided by Netia directly or unwilling to switch to Netia voice services from their current providers. Moreover the price of such Ethernet networks may increase to the point that further acquisitions are uneconomic, making it more difficult for Netia to reach its subscriber growth objectives. Failure to fully implement our stategy in regard to Ethernet network operators may adversely affect the operations and financial standing of the Netia Group.

Technological risk

The telecommunications sector is an area witnessing dynamic technological changes. In designing and expanding its networks, the Netia Group uses the latest technical solutions. However, it is not possible to predict how the Netia Group's operations may be affected by technological advances in the field of fixed-line telephony, wireless transmission, voice transmission protocol via the Internet or cable television telephony. In particular, the business activities of the Netia Group may be affected by the tendency to provide telecom services via wireless or portable platforms, with wireless broadband access and third generation mobile cellular telephone systems equipped with IP. Even if the Netia Group succeeds in adapting its operations to such technological advances, new market participants may emerge as a result of the new technology with a competitive advantage over Netia or existing competitors may benefit relatively more than Netia from the new technologies.

Risk of employment termination by key executives and difficulties related to the recruitment of new, competent executives

The activity of the Netia Group is dependent on the quality of the work of its staff and employees in executive positions. The Management Board cannot guarantee that the possible termination of employment by some of its key executives will not adversely affect the financial standing and performance of the Netia Group, which, should some of its executives terminate their employment, may then lack executives with sufficient knowledge and experience in the field of management and operating activity. Changes in composition at the Company's executive levels may result in disruptions in the Netia Group's business activity.

Risk resulting from changes in the Telecommunications Law

The Telecommunications Law transposed the so-called "set of directives 2002" and entered into force on September 3, 2004, with the exception of several provisions, which entered into force on January 1, 2005.

Pursuant to the Telecommunications Law, each public telecommunications network operator is required to conduct negotiations concerning interconnection agreements upon another telecom operator's request. However, the President of the UKE is required to resolve any disputes between the parties to the negotiations by way of an administrative decision, which shall replace the relevant agreement only if one of the negotiating parties is a public telecommunications network operator required to provide the interconnection.

The Telecommunications Law states that the obligation to provide universal services shall rest with the operator selected pursuant to a decision of the President of the UKE issued after a tender procedure. On November 7, 2006 the President of the UKE issued a decision assigning TP SA as an operator required to provide universal services commencing on May 8, 2011. Telecommunications providers whose revenues from telecom activities exceed PLN 4,000 will have to co-finance the performance of this obligation, by co-financing the funding of universal services, if the funding has been assigned to the telecommunications provider selected on the basis of the decision of the President of the UKE. The share in the funding that a telecommunications provider will be required to provide shall also be established by a decision of the President of the UKE;

however, it may not exceed 1% of the telecommunications provider's revenues in the given calendar year. The amount of the share in the funding of the universal service shall constitute a deductible cost, as defined by the Act on Corporate Income Tax. At the present stage one may not guarantee that the Netia Group will not be required to co-finance the funding of universal services.

On June 29, 2007 TP SA applied to the President of UKE for a subsidy towards the incurred costs of the universal service provision. The application pertains to the subsidy towards the costs of the period from May 8, 2006 to December 31, 2006. With the Decision dated September 13, 2007 (no. DHRT-WKO-6044-1/07(34)) UKE refused to subsidize to TP SA the costs of services provided by TP SA that form a part of the universal service. TP SA applied for reconsideration. Regulator affirmed the Decision of September 13, 2007. with the Decision dated 11 February, 2008 (no. DHRT-WKO-6044-1/07(94)).

On June 25, 2008 lower administrative court in Warsaw reversed the appealed decision of the President of UKE dated February 11, 2008, as well as the preceding decision dated September 13, 2007 and indicated that both these decisions should not be enforced.

The Management is unable to assure that the decision of the administrative court will be modified.

Additionally, in accordance with the information published by TP SA follows that it filed on June 27, 2008 a motion for subsidies to costs of universal service incurred in 2007. The Management is unable to assure that the President of UKE dismisses the motion of TP SA.

The Telecommunications Law requires that telecommunications providers pay annual telecommunications fees of up to 0.05 % of the provider's annual revenues from telecommunications activities generated in the financial year 2 years prior to the year to which the annual fee pertains, if the annual revenues exceed PLN 4,000. The amount of the annual telecommunications fee shall constitute a deductible cost as defined by the Act on Corporate Income Tax.

As from January 1, 2006, Netia is required to provide subscribers' with a right to retain their numbers when changing operators. Despite the fact that Netia performs this obligation, the Management Board cannot guarantee that it will be possible to enter into an agreement with particular telecommunication operators to define the terms and conditions of cooperation between the parties to the extent required to execute the subscribers' rights to retain his/her number.

The Ministry of Infrastructure prepares amendments to the Telecommunications Law. It is difficult to determine if and when they will become law at this stage.

Risks related to holding a position of SMP

On April 26, 2007, UKE issued the decision no. DRTD-SMP-6043-10/06 (20), whereby it has appointed Netia as a telecommunications operator holding significant market power in the market for the call termination in its fixed public telephone network, in the area of the network where the termination is executed. At the same time, UKE imposed regulatory obligations that relate to:

- providing access to the network (including the use of network elements and associated facilities to the extent they are used to provide call termination services in the fixed public telephone network of Netia),
- non-discrimination (obligation not to discriminate between telecommunications operators with regard to telecommunications access to the call termination services in its fixed public telecommunications network, in particular to offer the same conditions in comparable circumstances, as well as to offer the services and to provide the information on the conditions not less favorable than used within own enterprise or in relations with affiliates);
- transparency (comprising the publication of the information in matters concerning provision of telecommunications access with regard to the provision of call termination services in the fixed public telecommunications network of Netia S.A., on technical specifications of networks and telecommunications equipment, network characteristics, terms and conditions of the services and of the use of networks, as well as on the fees).

In the performance of the obligation imposed on Netia in the above mentioned decision of the President of UKE, the Company published information on the conditions of telecommunications access with regard to call termination services in the fixed public telephone network of Netia by posting them on the internet site of Netia S.A., at: http://www.netia.pl/informacje,dla_biznesu,42,921.html. The published document, hereinafter the "Netia IC Offer" contains information as required in the Decision of the President of UKE, necessary for the preparation by the interested entrepreneurs of an application pertaining to the provision of telecommunications access with regard to call termination services in the fixed public telephone network of Netia.

Netia filed an appeal against the Decision of the President of UKE No. DRTD-SMP-6043-10/06 (20) dated April 26, 2007 to the District Court in Warsaw – The Court of Competition and Consumer Protection. By virtue of the decision of January 23, 2008, the Court suspended legal proceedings, due to the juridicial question filed to the Supreme Court in another case and concerning the correctness of appointing the President of the Office of Electronic Communications and certain related issues.

By virtue of the resolution of February 20, 2008, the Supreme Court has decided that the President of UKE may effectively undertake all activities, such as the issuing decisions and provisions, as well as the granting of power(s) of attorney.

(All amounts in thousands, except as otherwise stated)

Dependence of the Company on TP SA due to telecommunication access services

Interconnect

The rendering of telecommunications services by the Netia Group is dependent on the possibility of accessing the telephony network of TP SA. Except for some cases, calls initiated in Netia's network ending outside this network, including the majority of international and domestic long distance calls by subscribers of the Netia Group companies, are - due to technical reasons - executed via the network of TP SA. According to the provisions of the new Telecommunications Law TP SA is required to connect companies such as Netia to its network.

In the past Netia has had many disputes with TP SA over interconnection, in particular in relation to the interconnection agreements of its former subsidiary El-Net (now merged with Netia SA) and due to the continued existence of the interconnection agreements between TP SA and the Netia Group companies for local calls based on a bill & keep payment systems. In order to avoid further disputes and to prevent conflict escalation, in December 2006 Netia concluded an agreement with TP SA on closing all disputed issues. Finally, on June 30, 2007 Netia and TP SA concluded contracts related to interconnection that thoroughly regulate the cooperation between operators.

With a motion dated September 17, 2007, TP SA has requested from Netia the renegotiation of fees for call termination in the public fixed telecommunications network of Netia. Despite the lack of legal obligation to follow the motion of TP SA, the Board may provide no assurance that TP SA will not request from UKE to issue a decision that substitutes the amendment to the contract in relation to the fees and that UKE will not consider that the fees should be aligned with the fees of TP SA.

With a motion dated September 28, 2007, TP SA requested to raise fees for wholesale access to its network provided to PISA. Despite the lack of legal obligation to follow the proposal of TP SA, the Board may provide no assurance that UKE will not consider necessary to change the fees for that service in line with the motion of TP SA.

By virtue of the judgment of February 25, 2008, the Court of Competition and Consumer Protection annulled the decision of the President of UKE (decision no. DRT-WWM-60600-47/06(39), dated January 26, 2007. The above-mentioned decision was establishing the rules for the use by PISA of the wholesale access to the network of TP S.A.

The Court based the annulment of the decision no. DRT-WWM-60600-47/06(39) dated January 26, 2007 mostly on admitting that the President of UKE, as the authority that issued the decision, was invalidly appointed, despite a clearly opposite evaluation of this fact expressed by the Supreme Court on February 20, 2008 (docket no. III SZP 1/08). As far as the terms and amount of remuneration for wholesale network access provided by TP SA as specified in the Decision dated January 26, 2007, that were questioned by the Court as well, remain generally in compliance with obligations of TP SA as specified in the decision dated April 7, 2008 issued by the President of UKE (DHRT-WKO-6042-1/08(57)) that obliged TP SA to adjust the remuneration for wholesale network access and for additional services to the wholesale network access, as well as in the decision of the President of UKE issued on April 8, 2008 (DRT-WOR-6062-3/06(138) that approved “Reference offer of TP SA for the telecommunication access with regard to call initiation, call termination, and wholesale network access”.

The above Court's decision has been appealed against.

Despite the deep conviction of the legitimacy of the appeal charges, the Management Board can not ensure that the Court of Appeal will change the judgment of the Court of Competition and Consumer Protection.

During the procedure before the court of appeals, TP SA moved for stay in the enforcement of the decision of the President of UKE DRT-WWM-60600-47/06(39) dated January 26, 2007 (. In a resolution dated July 24, 2008 the court of appeals in Warsaw dismissed the motion of TP SA for the stay in the enforcement of the decision of the President of UKE DRT-WWM-60600-47/06(39) dated January 26, 2007.

Bitstream Access

On November 9, 2007 the President of UKE issued the decision no. DRTH-WWM-60600-75/07(21) that modified rules for calculating remuneration for TP SA for the services provided to Netia. The services comprised access to nodes of telecommunications network for the purpose of selling by Netia broadband data transmission services (“BSA service”). Rules were modified by raising the bulk rebate for the special version of the service (i.e., provided on the basis of the periodic contract) from 41% to 51%. TP SA has appealed this decision on November 22, 2007 which was delivered to Netia on March 18, 2008.

The Management cannot assure that the Court will refuse the appeal of TP SA and that it will not annul the Decision dated November 9, 2007.

On July 2, 2008, the President of UKE issued the decision no, DRTH-WWM-60600-160/07(26) that modified the contract concluded between Netia and TP on September 15, 2006 on the access to the local loop by way of accessing nodes of telecommunications network for the purpose of sales of broadband data transmission services. The decision released Netia from the obligation to pay to TP SA compensation for the resignation from the special version of the BSA service before the term for which the service was ordered for. The President of UKE decided that according to „the frame offer of TP of the terms of telecommunications access with regard to broadband access service, including the broadband data transmission”, the level of fees due to TP SA for the deactivation of the BSA Service is 40,98 PLN. Netia is not obliged to pay this fee in case of resignation from the BSA Service activated before the date of serving with the above mentioned decision, if the resignation takes place within the term of the validity of the special version of the service. In the decision, the President of UKE has also provided for the level of fees for the activation of the BSA Service up to PLN 40,98.

In the decision, simplified rules for settling prognoses of demand for the BSA Service were provided for and linked to the level of the decreased fee for its activation.

The Management cannot assure that TP SA has not appealed this decision and the Court will refuse the appeal of TP SA and that it will not annul the Decision dated July 2, 2008.

The Management cannot guarantee that new sources of dispute with TP SA will not emerge in the future and, if they do emerge, whether these will have a material impact on the business of the Netia Group.

Risks related to amendments to reference offers

Reference Interconnect Offer

In the decision no. DRT-WOR-6062-3/06 dated April 8, 2008 the President of UKE approved the „Reference offer of TP SA on telecommunications access with regard to call initiation, call termination, and wholesale network access". The decision was made immediately binding. On this basis, Netia and Premium Internet S.A. ("Premium Internet") applied to TP SA for the conclusion of a contract that would regulate wholesale network access to the network of TP SA, according to the reference offer approved on April 8, 2008. Despite a binding law that is the basis for the applications, the Management cannot assure that Netia and Premium Internet will conclude the contract with TP SA according to the content of the applications.

Given the fact that TP SA applied for a reconsideration of the case finalized with the Decision dated April 8, 2008 the Management cannot assure that the Decision will not be amended or annulled.

Bitstream Access Reference Interconnect Offer

On May 6, 2008 in the decision no. DHRT-WOR-6062-6/07(100) the President of UKE approved the „Offer of Telekomunikacja Polska S.A. specifying reference terms for the telecommunications access with regard to broadband access, including broadband data transmission", which modified the terms of the broadband access that were agreed in the contract between Netia and TP SA. The decision was made immediately binding.

The Management cannot assure that due to the entry into life of the reference offer of TP SA approved in the Decision of the President of UKE dated May 6, 2008 the terms on which Netia uses access to the network of TP SA for the purpose of offering broadband data transmission services will remain unchanged.

Other regulatory risks

UKE is regularly carrying out inspections of Netia's compliance with legal requirements related to the provision of internet services to subscribers utilizing Bitstream Access over the TP SA network. To date, none of these inspections have ended with a monetary penalty.

The Management cannot assure that with regard to all inspection procedures UKE agrees that the position of Netia and the activities undertaken on its basis by the Netia Group are consistent with regulatory requirements and the law.

Risk of increased competition

The Netia Group's main competitors in the field of telephone services are TP SA and cellular network operators, and in some geographic areas also other operators providing wireline telephone services including some cable television networks. Within the market for data transmission services, the main competitors are numerous providers of various sizes, the most significant of which is TP SA. Poland has witnessed a considerable increase in competition, which, as can be expected, will intensify even further, considering the lack of legal barriers in entering the market and increasing integration within the European Union. Netia is unable to evaluate the extent to which new market participants will use the availability of their rights, particularly with regard to the significantly lower costs of entering the market than those incurred by the Netia Group. The Management is unable to evaluate the extent to which the intensification of competition will affect the Netia Group's activity.

Risk of competition from TP SA and TP SA's compliance with regulatory decisions

TP SA occupies a leading position among wireline telephone service operators in Poland. At the same time, it enjoys a stable position on the market for data transmission. Within the scope of wireline telephone services, the Netia Group encounters competition from TP SA in all the geographic areas in which it operates. TP SA is a much larger entity than the Netia Group and possesses a much wider backbone and access networks. It enjoys long-established relationships with many customers which the Netia Group considers its target customers, including many companies operating in areas where the Netia Group conducts its business activities. The infrastructure used by TP SA in these areas is comparable to the infrastructure of the Netia Group in terms of the technologies employed.

Moreover, TP SA still maintains a leading position among operators of domestic long-distance calls, which enables it to offer more flexible tariffs. It is difficult to predict what policies TP SA will pursue with regard to tariffs, the selection of target markets and arrangements concerning access to its infrastructure and interconnections as a reaction to the extension of the network by the Netia Group and more intense competition from the Netia Group in various areas of the country. However, the Management expects that TP SA will compete with the Netia Group on prices and for the most attractive customers. In the past, the Netia Group was forced to lower its prices in order to attract new customers and retain the current ones, and such measures may also be necessary in the future. The Management expects that TP SA will maintain a strong competitive position against the Netia Group on the Warsaw market and in most geographic areas where the Netia Group provides telephone services, and will continue to compete with the Netia Group in other fields, including data transmission services and internet access. It is possible that aggressive competition from TP SA will materially and adversely affect the revenues of the Netia Group and the results of its operating activity.

TP SA owns most local loop access networks and has, in the past, offered other operators access to the network of these local loops on terms that, in many cases, render the addition of a customer to the network too expensive. However, during the course of 2006 a new telecommunications regulator has issued decisions creating unified offers in the area of regulatory access to the TP SA network which Netia currently considers to be commercially viable. As a result, in 2006 the Netia Group signed a new cooperation agreement with TP SA that allows Netia to offer Internet access to TP SA's customers using a regulated TP SA wholesale service known as bitstream access. In January 2007 President of UKE issued a decision changing an interconnect agreement between TP SA and Premium Internet SA., the Company's subsidiary, regarding wholesale line rental (WLR). This decision constituted the basis for a new type of access to TP SA's network, enabling the Netia Group to offer voice services to TP SA customers. Moreover, in April 2007 the Company concluded an agreement with TP SA on local loop unbundling. The Netia Group plans to use it in providing voice, data and differentiated value added services such as IPTV. Whilst key commercial terms of these services, as set by the regulatory decisions, are currently commercially attractive, operational cooperation with TP SA in order to provide and maintain such services to end customers needs to be much more coordinated than has been the case in the past. The Management can give no assurance that TP SA will provide the required level of cooperation or that the regulator will respond by effectively enforcing TP SA's cooperation. Furthermore, we can give no assurance that market developments or future regulatory decisions may not render the current opportunities to reach customers via TP SA access networks no longer commercially viable.

Competition from other independent operators

According to the regulations in force before January 1, 2001, the Minister of Telecommunications granted licenses for the provision of local telecom services within a given geographic area (usually within a given numbering zone) to one private operator (apart from TP SA). Obtaining licenses usually entailed significant investments. Pursuant to the New Telecommunications Law, telecommunications activity may be pursued on the basis of an entry in the Register of Telecommunications Providers kept by the President of the UKE. Therefore, the Netia Group expects the number of operators active in the areas in which it conducts its activities to increase. In 2003 there was a swap of license fee liabilities of the then-operating subsidiaries of the Netia Group, and in the case of the fees which El-Net was required to pay, the swap for capital expenditures took place in 2006. However, the license fees installments paid prior to the change in the Telecommunications Law have not been repaid to Netia. Operators who have not paid license fees and, therefore, do not need to recover the costs of such license fees, hold a competitive advantage.

In some areas in which the Netia Group operates, there are large institutions with their own internal telecommunications networks (where the users of the telecom services of such institutions include, additionally, the inhabitants of the given area), which reduces the potential revenues that the Netia Group could generate in these areas, and such operators may be a potential source of competition in the future.

Competition from cellular mobile telephone operators

In recent years, services offered by cellular telephone operators have negatively affected wire line telephone operators. This stems largely from mobile substitution, where subscribers choose to make telephone calls using their mobile phones in preference over fixed telephones, resulting either in less traffic or disconnections for fixed line operators. Mobile substitution becomes more pronounced as mobile tariffs decline, as they have in recent years, converging with traditionally lower cost fixed line tariffs.

To help mitigate the losses to mobile operators, Netia invested in Poland's newest mobile phone operator, P4. In 2007 P4 began commercial service offering a range of mobile telephony services. Despite Netia's sale of its interest in P4, Netia expects to benefit from cooperation with P4 by being able to offer convergent products and by having a wholesale mobile service provider agreement to serve mobile services from P4 that Netia may resell under the Netia brand to Netia customers.

During the first half of 2008, certain Polish mobile operators have begun to market fixed internet access services via the fixed access network of TP SA, on the basis of regulated bitstream access decisions. This represents a significant new source of competition for market share in the fixed broadband market.

Other sources of competition

Over the last several years, competition for voice and Internet services has increased from cable television operators. Triple play bundles (voice telephony, Internet access and cable television) have proven to be particularly challenging, however, Netia is reviewing alternatives to combat this threat. Specifically, IPTV offers fixed line telephone operators the ability to compete head on with cable television operators. The importance of IPTV and related services (such as video on demand) is being analyzed in the context of Netia's strategy to expand its share of the broadband market.

Market consolidation

Market consolidation through acquisitions remains an effective way for fixed line operators to strengthen their market position while by utilizing the effects of scale. In the past Netia has successfully acquired several telecommunications operators making it the market leader for consolidation.

Whilst acquisitions of large scale telecommunications businesses are not crucial to the Company's strategy Netia closely monitors the situation of all its main altnet competitors and may choose to try to acquire one or more of these competitors in the future if the opportunity arises. Some acquisitions may consume a considerable portion of Netia's financial reserves and no assurance can be given that expected synergies from such acquisitions will be reached as planned.

Strategic importance of P4 to Netia's future development

The successful development of P4 into an important player on the Polish mobile market, having significant market share and being able to self-finance its continued development is in turn important for Netia with respect to being able to achieve its own development plans. The successful and profitable implementation of the Transmission Agreement with P4, under which Netia is providing substantially all the transmission services for P4's UMTS network depends on P4's long term ability to build out its network and meet its obligations to Netia. Furthermore, Netia's opportunities to cross sell its fixed line services to P4's mobile subscribers and for the joint development of fixed-mobile convergent services in the future depend upon P4 building a significant market share in order to be commercially viable.

The Management can provide no assurance that P4 will develop in accordance with its current business plans and, should P4 underperform those plans, this may have a material financial impact upon the results and cash flows of Netia from its commercial agreements with P4 and may also limit Netia's opportunities to grow its own fixed line business. No assurance can be given that Netia can find an alternative supplier of wholesale mobile services on acceptable financial terms or at all if P4 ceases to operate or is sold to another owner.

Announced acquisition of Tele2

On June 30, 2008 Netia announced that it had agreed to acquireTele2, hitherto one of Netia’s largest altnet competitors, for a price of up to EUR 33,900, net of cash to be acquired.

Completion of this transaction is dependant upon receipt of competition authority approval and Netia’s Shareholders approving the pledging of the Company’s enterprise to the bank syndicate providing PLN 100,000 of additional financing to fund this acquisition. Management can give no assurance that both these approvals will be obtained and that the acquisition will be effected.

Should the acquisition be completed, Netia will begin implementing its plans to integrate Tele2’s operations into its own business and to deliver PLN 30,000 of annual cost savings within 12 months of completion. As with any large scale acquisition, there is a risk that Management’s estimates of the savings to be reached may prove inaccurate. Moreover, Tele2’s operations are exclusively based on regulated access to TP SA’s network, thereby significantly increasing Netia’s risk exposure in respect to the following risk factors described elsewhere in this section: ”Dependence of the Company on TP SA due to telecommunication access services”, “Risks related to amendments to reference offers”, “Other regulatory risks”.

Tele2, like Netia, has a significant number of ongoing disputes with TP SA and/or is an interested party in a number of appeals made by TP SA against decisions of the President of the UKE.

While Management has plans in place to mitigate many of these business risks associated with Tele2’s business, we can give no assurance that our plans will be successful or that future decisions of Courts or the telecommunications regulator on the activities of TP SA will not have a material negative effect on the value of Tele2’s business after we have acquired it.

7. Transactions with related parties

Guarantees granted

The Company’s subsidiaries (Świat Internet S.A., Netia WiMax S.A., Premium Internet S.A., InterNetia Sp. z o.o, Netia Spółka Akcyjna UMTS s.k.a) guaranteed repayment of Netia’s credit facility to the maximum amount of PLN 343,750 (see also “Bank loan” in “Loans, warranties and collaterals”).

Other transactions

A detailed list of transactions with related parties has been presented in the interim consolidated financial statements of the Netia Group (Note 37) and interim condensed financial statements of Netia (Note 12).

8. Loans, warranties and collaterals

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 Telecom Poland 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 Telecom Poland.

(All amounts in thousands, except as otherwise stated)

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"). As at June 30, 2008 the total draw downs under this Facility had reached PLN 180,000 when they were repaid in full.

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

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

Furthermore, pursuant to the Amendment Agreement the Company is entitled to increase the Facility granted by the consortium of the banks in the amount of PLN 100,000 (to PLN 375,000), for the acquisition of Tele2 (see "Other information" below). In this case the Facility shall be repaid by June 30, 2013. The additional facility is conditional upon the satisfaction of certain conditions precedent, including, pledging Netia's enterprise, which itself requires a Shareholders' Approval, and the closing of the acquisition of Tele2.

9. Guidance for 2008 and medium-term outlook for 2008-2011 (not in thousands)

On February 28, 2008 the Management Board of the Company announced its guidance for the 2008 financial year:

2008 Guidance	
Number of broadband service clients	> 400,000
Number of voice service clients (own network and WLR)	> 580,000
Unbundled local loop (LLU) nodes	100
Revenues (PLN m)	> 950.0
EBITDA *(*PLN m*)*	125.0
of which regulatory start-up losses for the development of the regulatory access methods (i.e., bitstream access, local loop unbundling, wholesale line rental) and reaching 400,000 broadband subscribers	*80.0*
Investment outlays (excl. M&A) (PLN m)	280.0
M&A investment (PLN m)	40.0

Furthermore, Management informed that after almost a year of rolling out Netia's broadband driven growth strategy announced on April 18, 2007, sufficient performance data has been accumulated to provide a medium-term outlook for future development.

Management believes that Netia has now established itself as the leading altnet provider and that further acceleration of broadband customer acquisitions will result from the Company's investment in advertising and acceleration in market penetration growth. The Company now projects that it will reach its primary strategic target of achieving 1 million broadband subscribers by the end of 2010.

The Company targets continuous sequential quarterly revenue growth and annual growth rates in the mid to high teens for 2008-2010, driven mainly by broadband, double-play with voice service, Netia branded mobile services and transmission services for P4.

Management considers that achieving a recovery in EBITDA above the PLN 220.0m level of 2006 is mainly dependent on deep penetration of double-play services and an extensive and timely roll out of DSL equipment into the TP local loop. Both are primary focus areas for 2008, along with increasing sales efficiency. Management currently expects EBITDA to recover strongly above PLN 220.0m by 2010 and for long run EBITDA margins to settle above 20% by 2011 with a less asset intensive business model.

(All amounts in thousands, except as otherwise stated)

The first year's results indicate that the original estimate of PLN 200.0m of start-up losses for broadband growth and PLN 500.0m of capital investments for broadband investment and ethernet network acquisitions to achieve 1 million subscribers remains on track. Of these amounts, PLN 66.0m of operational losses, PLN 81.4m of investments in broadband and PLN 39.0m in acquisitions of ethernet networks were consumed during 2007. Management maintains its objective of free cash flow break-even by 2010. Management's projections indicate that Netia should return to operating profit by 2010 and net profit by 2011 at the latest.

Netia would also like to announce that it will continue to monitor the possibilities of achieving the forecast results on a quarterly basis. The achievement of the forecast results will be assessed, and any necessary adjustments introduced, after the end of a given quarter of the financial year based on an analysis of sales revenues, investment expenditure and the number of broadband clients.

2008 guidance increased

The following guidance is for the Netia Group before including the impact of the announced acquisition of Tele2.

2008 Guidance	**Updated**
Number of broadband service clients	> 400,000
Number of voice service clients (own network and WLR)	> 580,000
Unbundled local loop (LLU) nodes	125
Revenues (PLN m)	960.0 – 975.0
EBITDA *(*PLN m*)* *of which regulatory start-up losses for the development of the regulatory access methods (i.e., bitstream access, local loop unbundling, wholesale line rental) and reaching 400,000 broadband subscribers*	125.0 *80.0*
Investment outlays (excl. M&A) (PLN m)	240.0
M&A investment (PLN m)	60.0

Following the strong H1 2008, revenue guidance is being raised from PLN 950.0m to PLN 960.0m – PLN 975.0m.

Customer base targets are being maintained, along with EBITDA guidance at PLN 125.0. The unchanged EBITDA guidance reflects forecasts for the H2 2008 that include increased acquisition expenses to support accelerated organic growth, incremental fixed network costs associated with the higher number of LLU nodes to be rolled-out and an the absence of one-off gains from significant non-core asset divestments.

Projected capital investment savings allow for a PLN 40.0m cut in anticipated capital expenditures to PLN 240.0m. Moreover, this lower amount should cover an additional 25 nodes to be unbundled during 2008. At the same time, funding for bolt-on acquisitions of Ethernet operators is being increased to PLN 60.0m due to the increasing potential of the deal pipeline.

In view of the uncertain closing date for the Tele2 acquisition, full-year guidance including Tele2 will not be given until the close of the transaction.

10. Other information

Sale of group of assets comprising Premium Internet'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 whilst Netia retained the Premium Internet legal entity and its interconnection infrastructure, used both for IVT and for the provision of wholesale line rental voice and indirect access services to Netia's retail customers. The IVT market has been intensely competitive and the decline in Netia's wholesale revenues during 2007 was largely driven by IVT revenues falling to PLN 57,139 in 2007 from PLN 81,957 in 2006.

Agreement to buy an interest in Tele2

On June 29, 2008, the Company concluded an agreement to buy a 100% interest in Tele2 from Tele2 Sverige AB, a company incorporated under the laws of Sweden (the "Seller"). Following negotiations, the Company and the Seller signed a binding agreement in which the Seller agreed to sell to the Company its shares, on the following terms:

(i) a price of EUR 31,385 payable in cash on closing, to be adjusted for the difference between actual net cash and net working capital levels and their respective target levels (amounting to EUR 2,285 with respect to net cash);
(ii) an additional amount payable to the Seller in installments within 12 months from closing in accordance with the formula set forth in the Agreement but not exceeding EUR 4,800;
(iii) a contractual penalty in the maximum amount of EUR 8,000 in the event the Seller violates the prohibition on competition in the territory of Poland within three years from the closing of the transaction. The contractual penalty does not preclude the possibility of suing for damages suffered.

(All amounts in thousands, except as otherwise stated)

The completion of the transaction is dependant, among others, on the satisfaction of the following conditions precedent:

(i) the Company obtains a decision from the President of the UOKiK granting consent for the acquisition of Tele2;
(ii) the take over by the Company of obligations under the guarantee issued by the Seller for the benefit of Polkomtel SA; and
(iii) there is no material adverse change.

Warsaw, August 11, 2008