Warsaw, November 13, 2007

COMMENT ON THE FINANCIAL REPORT FOR THE THIRD QUARTER OF 2007

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 condensed consolidated financial statements as at and for the nine-month period ended September 30, 2007 include the financial statements of the Company and the following subsidiaries:

UNI-Net Sp. z o.o.
Netia WiMax S.A. (previously operating under the name Netia WiMax II S.A.)
Świat Internet S.A. Group
Netia Mobile Sp. z o.o.
InterNetia Sp. z o.o.
KOM-NET Systemy Komputerowe Sp. z o.o.
Lanet Sp. z o.o. Group
Magma Systemy Komputerowe Schmidt i S-ka Sp. z o.o.

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

The financial statements of the Lanet Sp. z o.o. Group include the financial statements of Lanet Sp. z o.o. and Akron Sp. z o.o.

The Netia Group accounts for the investment in P4 Sp. z o.o. (”P4”) using the equity method.

2. Changes within the Netia Group’s structure

Increase of the Netia Group’s share in UNI-Net Sp. z o.o.

On January 9, 2007, the Company purchased from the minority shareholders 4% of the share capital of the Company’s subsidiary UNI-Net Sp. z o.o. (“UNI-Net”), for a total of PLN 700,000. As a result of these transactions, the Netia Group holds 62.2% of UNI-Net’s share capital and the corresponding number of votes at its General Shareholders' Meeting.

Decrease of the Netia Group’s share in Świat Internet S.A.

On January 20, 2007, the Company sold to its subsidiary Pro Futuro S.A. 100 shares of Świat Internet S.A. („Świat Internet”), representing 0,057% of its share capital, for a total of PLN 100. As a result of this transaction, the Company holds 99.99% of Świat Internet’s share capital and the corresponding number of votes at its General Shareholders' Meeting.

Merger with a subsidiary

On May 31, 2007 the District Court for the Capital City of Warsaw entered in the register of entrepreneurs the merger between Netia and its wholly-owned subsidiary, which operated previously under the name Pro Futuro S.A. (the “Acquired Company”). The Acquired Company was conducting telecommunications activities. The merger was carried out through the transfer of the Acquired Company’s assets by Netia (merger by acquisition) without any increase in Netia’s share capital, without any share exchanges and without amending Netia’s statute. As of May 31, 2007 Netia assumed all the rights and liabilities of the Acquired Company that was dissolved. The merger completed the procedure of internal consolidation of the Acquired Company within the Netia Group.

Due to the merger, the Company’s share in Świat Internet’s capital increased from 99.99% to 100%.

Acquisitions

KOM-Net Systemy Komputerowe Sp. z o.o.

On June 6, 2007, the Company purchased 100 shares of KOM-Net Systemy Komputerowe Sp. z o.o. (“KOM-Net “), constituting jointly 100% of the share capital of KOM-Net with the the total nominal value of PLN 50 thousand, for a total of PLN 9,418 thousand.

Lanet Sp. z o.o.

On June 6, 2007, the Company purchased 100 shares of Lanet Sp. z o.o. (“Lanet “), constituting jointly 100% of the share capital of Lanet with the the total nominal value of PLN 50 thousand, for a total of PLN 10,076 thousand.

Magma Systemy Komputerowe Schmidt i S-ka Sp. z o.o.

On June 25, 2007, the Company purchased 946 shares of Magma Systemy Komputerowe Schmidt i S-ka Sp. z o.o. (“Magma“), constituting jointly 100% of the share capital of Lanet with the the total nominal value of PLN 50 thousand, for a total of PLN 7,941 thousand.

Akron Sp. z o.o.

On September 26, 2007, Lanet, the Company's subsidiary, purchased 1,200 shares of Akron Sp. z o.o. ("Akron "), constituting jointly 99.9% of the share capital of Akron with the the total nominal value of PLN 1.2 million, for a total of PLN 800 thousand. Prior to this transaction, Lanet owned Akron's shares representing 0.1% of Akron's share capital.

Decrease of the Netia Group's share in P4

On January 31, 2007 the Company concluded an investment agreement, which provided for the accession of a new shareholder, Tollerton Investments Limited ("Tollerton") to P4 in exchange for the in-kind contribution of certain companies active in the retailing of mobile telephony products and services. 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 100% shareholding 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., which have been contributed to P4 to pay for the new shares subscribed for by Tollerton. As a result of the above transaction the Netia Group's share in P4's share capital decreased to 23.4%. For further details see "Amendment of the P4 shareholders agreement" in "Other information".

3. Shareholders holding at least 5% of the votes at the General Shareholders' Meeting of Netia as at the date of filing this report

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 November 13, 2007):

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

In the period from the submission of the previous quarterly report Novator Telecom Poland II S.a.r.l. increased its share in the Company's share capital and exceeded the threshold of 29% of the total number of votes at the General Shareholders' Meeting of the Company. Novator Telecom Poland II S.a.r.l. held 113,941,170 shares constituting 29.27% of the Company's share capital and representing 29.27% of the total number of votes at the General Shareholders' Meeting of the Company.

Subsidiaries of SISU Capital Limited

The subsidiaries of SISU Capital Limited held a total of 39,043,006 of the Company's shares constituting 10.03% of its share capital and representing 10.03% 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 SISU Capital Limited has not changed since August 11, 2007.

Third Avenue Management LLC

In the period from the submission of the previous quarterly report Third Avenue Management LLC increased its share in the Company's share capital and exceeded the threshold of 20% of the total number of votes at the General Shareholders' Meeting of the Company. Third Avenue Management LLC held 79,955,192 shares constituting 20.54% of the Company's share capital and representing 20.54% 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.

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 August 11, 2007.

Banca Akros S.p.A.

In the period from the submission of the previous quarterly report Banca Akros S.p.A. increased its share in the Company's share capital and exceeded the threshold of 5% of the total number of votes at the General Shareholders' Meeting of the Company. 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.

4. Changes in shares and share options held by members of the Company's Management Board and Supervisory Board

After adopting the employee share option scheme (the "Plan") on April 10, 2003 to September 30, 2007, the Supervisory Board approved the issuing of a total number of 63,346,220 options to members of the Management Board and to Netia's key employees. Out of the total number of approved options 48,647,730 were outstanding as at September 30, 2007. The options are exercisable until December 20, 2012 (except for 868,857 options issued prior to the date when the Supervisory Board extended the period when options may be exercised. That will expire on December 20, 2007). The strike price of the approved outstanding options, depending on the agreement, ranges between PLN 4.44 and PLN 8.25 per share.

During the third quarter of 2007 the following changes took place in the number of options granted under the Plan:

Three-month period ended September 30, 2007

At the beginning of the period	44,010,149
Granted	6,000,,000
Expired	(1,000,000)
Exercised	(362,419)
At the end of the period	48,647,730

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

Three-month period ended September 30, 2007	Piotr Czapski	Jonathan Eastick	Mirosław Godlewski	Bertrand Le Guern	Tom Ruhan	Piotr Buława	Total
At the beginning of the period	5,543,628	9,543,628	10,000,000	5,000,000	4,000,000	-	34,087,256
Granted	-	-	-	-	-	5,000,000	5,000,000
At the end of the period	5,543,628	9,543,628	10,000,000	5,000,000	4,000,000	5,000,000	39,087,256

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 September 30, 2007.

The number of shares of the Company held by members of the Management Board and Supervisory Board has not changed during the third quarter of 2007 and as at the date of filing this report and is presented below:

Management Board:
- Tom Ruhan held 253,593 shares,

Supervisory Board:
- Tadeusz Radzimiński held 2,000 shares,
- Raimondo Eggink held 20,000 shares,
- Constantine Gonticas held 43,000 shares.

5. Legal proceedings

Jupiter

Jupiter Narodowy Fundusz Inwestycyjny S.A. ("Jupiter") has sued the Company for payment of PLN 2.1 million on account of the improper performance of a Share and Bonds Purchase Agreement dated May 22, 2006 (the "Agreement") relating to the Company's purchase of Pro Futuro S.A. ("Pro Futuro").

Due to the established irregularities the Company applied the price reduction mechanism provided for in the Agreement. Consequently, the Company requested the escrow agent (maintaining the escrow account) to reimburse part of the price paid for the Pro Futuro shares. The escrow agent reimbursed the Company in the amount of PLN 1.9 million on account of the breach of the Agreement. The fact that the Agreement was breached has been 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 includes 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.

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

Millennium

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 11.0 million at the September 30, 2007 exchange rate) increased by the applicable interest is outstanding from Millennium. In December 2000, the Company brought a claim for the repayment of the loan against Millennium in the District Court in Warsaw. On October 16, 2006, the Regional Court granted the Company's claim and ordered Millennium to pay PLN 11.5 million with interest. The Court has also dismissed Millennium's counterclaim. On April 24, 2007 Millennium was declared bankrupt, and 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 matter with respect to counter claim 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 December 23, 2006, the Court dismissed Millennium's claim in its entirety. 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. On October 11, 2006, the Court dismissed Millennium's claim in its entirety. 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.

Minority shareholders

On August 1, 2002, the Company received a copy of a claim filed with the District Court in Warsaw by an individual shareholder demanding the cancellation of sections 10, 11 and 13 of Resolution No. 2 adopted by the Company's General Meeting on April 4, 2002. The individual shareholder claimed that the distribution of the Company's warrants under the financial restructuring was harmful to the minority shareholders and violated good custom. On August 14, 2002, the Company responded requesting the District Court to dismiss the claim as unsubstantiated. In a second similar matter, a minority shareholder's claim was dismissed on merits by the District Court in Warsaw. On March 25, 2005, the minority shareholder filed an appeal. On December 8, 2005 the Regional Court examining the appeal overruled the judgment of the District Court and decided that the case has to be re-examined due to the fact that it should be the Regional Court not the District Court where the case should have been examined in the first resort. The Regional Court combined the suits filed by the minority shareholders for joint review. On September 24, 2007, both claims were dismissed on merits.

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.

6. Warranties and collateral granted

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

On October 31, 2006 the Company concluded a number of agreements partially securing the repayment of the credit facility of EUR 150 million (the "Facility") granted to P4 by China Development Bank, acting as the Mandated Lead Arranger, and BPH SA, as the Facility Agent and Security Agent, under the Facility Agreement dated October 31, 2006. The Facility agreement provides for a ten year amortising term Facility with a three year availability period. The funds will be used by P4 for the purchase of core equipment for its UMTS network from Huawei Polska Sp. z o.o., including the acquisition of transmitter construction sites and related network construction costs. In order to facilitate the conclusion of part of the vendor financing package assumed in P4's original business plans, the Netia Group and Novator provided certain undertakings and separate guarantees in direct proportion to their shareholdings in P4. Accordingly, Netia concluded the following agreements:

Share Retention Agreement. Under the Share Retention Agreement (as amended on May 24, 2007), Netia provided a guarantee to a maximum amount of EUR 21 million. The guarantee covers the repayment of 23.4% of the outstanding amounts under one of the tranches of the Facility (limited to a total of EUR 75 million) to be applied towards the acquisition of transmitter and core network construction sites, and the costs of related civil works investments in P4's UMTS network, increased by interest and costs (with a cap at EUR 90 million). Furthermore, Netia is obliged to ensure that the P4 equity stake currently held by the Netia Group shall not be disposed of before August 23, 2008. Thereafter, the current shareholders of P4 may not reduce their combined holdings below 50% of P4's share capital without the prior consent of China Development Bank.

Equity Contribution Agreement. Under the Equity Contribution Agreement, Netia and Novator One L.P. agreed to ensure that during the scheduled Facility repayment period, P4's share capital will be increased or the shareholders will grant subordinated loans to P4 pro rata to their respective shareholdings in P4 to ensure that P4 can meet its obligations up to a maximum committed amount of EUR 30 million. The total outstanding amount of committed contributions still to be made by Netia will not exceed EUR 12 million as at September 30, 2007.

The Subordination Agreement. Under the Subordination Agreement, Netia agreed to subordinate all of its, and the Netia Group's, financial receivables due from P4, including any subordinated shareholders loans, by giving priority to the receivables due under the Facility granted to P4. The subordination does not affect commercial agreements concluded with P4 and other agreements, once accepted by the creditors on a case-by-case basis. Netia had no such receivables subject to the Subordination Agreement as at September 30, 2007.

The Agreement for Registered and Financial Pledges on Shares and the Agreement on Change of Priority of the Pledges. Under the Agreement for Registered and Financial Pledges on Shares, Netia Mobile (P4's shareholder), established a registered and a financial pledge in favour of the Security Agent on its entire equity stake in P4 to secure P4's obligations under the Facility. At the same time, under a separate Agreement on Change of Priority of the Pledges, Netia Mobile agreed that the registered pledge established in its favour by Telecom Poland S.a.r.l. on P4's shares in connection with the conclusion of P4's Shareholders' Agreement be subordinated to the registered and financial pledges established by Telecom Poland S.a.r.l. on the same date in favour of the Security Agent to secure P4's obligations under the Facility.

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

Risk of changes to the Netia Group's strategy

In May 2003, the Supervisory Board approved the basic aims of the Netia Group's development strategy. The business plan was approved by the Supervisory Board in October 2003 and subsequently, based on boardening our strategic scope, updated in December 2005. On April 18, 2007 the Company announced the main assumptions of its operational strategy and 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. As a result, the Company needs 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, as at the date of filing this report, represented 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 79,955,19 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 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 Supervisory Board members is required to adopt resolutions on key matters affecting the Company's operations. Furthermore, Novator Telecom Poland S.a.r.l, Novator's related entity, holds a controlling stake (currently 54.6%) in the share capital of P4, an affiliate of the Company.

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

Risk connected with the impact of potential future takeovers and acquisitions

Revenues and financial performance of the Netia Group may materially be affected by takeovers of and mergers with other entities. 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 undisclosedliabilities. 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.

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 new set of directives and entered into force on September 3, 2004, with the exception of several provisions, which entered into force on January 1, 2005.

The Management may not, however, assure that Netia will not be considered by the President of the UKE as a significant market power operator in the market for termination in its own network and that regulatory obligations will not be imposed on it with regard to granting reasonable requests for telecommunications access filed by other entrepreneurs, equal treatment obligations, and an obligation to publish information necessary to allow them to use the services provided in this market. In this regard, the President of the UKE has already consulted a draft decision. It was also subject to consolidation procedure and the European Commission has not raised any substantial reservations or a veto.

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. At this stage the Management is unable to deterrmine the date when the respective procedure ends and to assure that UKE affirms the Decision of September 13, 2007.

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 Transport has prepared an amendment to the Telecommunications Law, which includes 123 changes in current law. Currently, there are intergovernmental consultations on the relevant draft. The Management Board would like to point out that the draft imposes on telecommunications operators (including the Netia Group companies) many additional obligations. It is difficult to determine if and when the draft 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.

Dependence of the Company on TP SA due to interconnections

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 on interconnection that thoroughly regulate the cooperation between operators.

With a motion dated September 17, 2007, it 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 not assure that TP SA does 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. Despite the lack of legal obligation to follow the proposal of TP SA, the Board may not assure that UKE will not consider necessary to change the fees for that service in line with the motion of TP SA.

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.

Other regulatory risks

UKE is currently 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 may not assure that with regard to all control 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.

Competition from TP SA

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 and indirectly, through its wholly owned subsidiary on the cellular telephone market. 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 new 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 pattern of the 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 has invested in Poland's newest mobile phone operator, P4. In 2007 P4 began commercial service offering a range of mobile telephony services. Netia expects to benefit from an investment in P4 by being able to offer convergent products, by having an exclusive distribution arrangement for mobile sales to business customers, and by taking advantage of synergies arising from outsourcing services for P4.

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.

Market consolidation

Market consolidation through acquisitions remains an effective way for fixed line operators to strengthentheir market position while by utilizing the effects of scale. Netia has successfully acquired eight telecommunications operators in as many years, making it the market leader for consolidation.

Acquisitions will no doubt remain a key activity of the Company's strategy as it seeks to increase its customer base and improve its scale. Past acquisitions have been important contributors to consolidated revenues of the Netia Group.

Although the Company has been successful in its acquisition strategy to date, there is no assurance that it will be able to do so in the future or that it can achieve the scale of acquisitions necessary for the Company to achieve synergies.

Investment in P4 and strategic importance of P4 to Netia's future development

There is considerable uncertainty as to the recoverable amount of the Netia Group's investment in P4 - the Netia Group's affiliated company which holds a UMTS license. P4 is a start-up phase enterprise and P4's business model is based on its planned limited coverage UMTS network with national GSM coverage provided to its customers via a national roaming agreement with an incumbent GSM operator. The overall level of competition in the market, including market prices for voice and data services, the future take-up of new mobile data services, access to sufficient distribution channels and the impact of possible new infrastructure-based operators on the 1800MHz band and mobile virtual network operators (MVNOs) entering the market, may all impact P4's ability to generate revenues and the future success of P4's business model. Observed delays in building and utilizing its own UMTS network and uncertainties over the market regulator's approach to new entrants relative to market incumbents, the rate of decrease in unit costs of UMTS handsets and market levels of handset subsidies generate uncertainties over achievable profit margins. Allocation of newly available frequencies and decisions about extension or reallocation of frequencies currently controlled by P4's competitors will have long term implications for P4's competitive position. Uncertainties as to the availability of additional sources of financing and the ability to attract the experienced employees necessary to implement P4's plans may also impact significantly on the success of P4's business.

Furthermore, P4 has made losses since its inception and is expected to make further losses in the medium term until it builds sufficient scale to break-even. The Management of P4 is presently engaged in the raising of additional debt financing to fund further developments, the securing of which is likely to require additional commitments from P4's shareholders. P4's accounts have been prepared by P4's Management using the going concern principle on their assumption that such financing will be available on acceptable terms when needed.

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount from Netia's investment in the equity of P4 may differ significantly in the future from Netia's current estimates.

Furthermore, on October 31, 2006 the Company concluded a number of agreements partially securing the repayment of the credit facility of EUR 150 million granted to P4 by China Development Bank. The guarantee provided by the Company (as amended on May 24, 2007 due to the accession of a new shareholder to P4) covers the repayment of 23.4% of the outstanding amounts under one of the tranches of the credit facility (not exeeding a total of EUR 75 million) increased by interest and costs (capped at EUR 90 million) (see “Warranties and collateral granted” for details). The Company’s Management is not aware of any payment default by P4. Should P4 default on its payment obligations in the future, Netia may be required to pay up to EUR 21 million in respect to guarantees and may lose its shares in P4.

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 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 would be likely to have a material financial impact upon the results and cash flows of Netia and also limit Netia's opportunities to grow its own fixed line business.

8. Transactions with related parties

Netia took up the shares in its subsidiary Świat Internet

On January 22, 2007, Netia concluded an agreement with its subsidiary Świat Internet, whereupon Netia made an in-kind contribution of telecommunications network elements in exchange for new shares in its subsidiary.

The conclusion of the above mentioned agreement resulted from the execution of the resolution adopted by the General Shareholders’ Meeting of the Company, regarding the increase of the Company’s share capital by PLN 950.7 million, by way of issuing 95.1 million new, ordinary registered series M shares, PLN 10 par value per share, with a total nominal value of PLN 950.7 million. The increase of the Company’s share capital was executed through the private subscription, that is the taking up by Netia of all new series M shares in exchange for the contribution, valued by a property appraisal expert at the amount of PLN 950.7 million.

Guarantees granted

On November 6, 2006, Netia entered into two one-year financing agreements with Bank Handlowy w Warszawie SA. Netia has secured an overdraft facility in the amount of PLN 40 million and a term loan facility of PLN 160 million. On December 29, 2006 the PLN 160 million loan facility was reduced to PLN 60 million. On February 14, 2007, due to the in-kind contribution of certain non-current assets, Świat Internet guaranteed the above loan facilities up to the amount of PLN 125 million. During the first half of 2007 the facility agreements were terminated. There were no drawdowns under these facilities.

Moreover, on May 15, 2007 the Company’s subsidiaries (Świat Internet, Netia WiMax, Premium Internet S.A, InterNetia Sp. z o.o,) guaranteed repayment of Netia’s credit facility to the maximum amount of PLN 375 million (see also “Credit facility agreement” in “Other information”).

Other transactions

A detailed list of transactions with related parties has been presented in the interim condensed consolidated financial statements of the Netia Group (Note 13) and interim condensed financial statements of Netia (Note 13).

9. Other information

Amendment of the P4 shareholders agreement

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”), 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, 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 100% shareholding 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”), which have been contributed to P4 to pay for the new shares subscribed for by Tollerton.

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

The following entities are parties to the amended Shareholders Agreement: 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 million 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 185.8 million, including Netia's contributions of EUR 52.8 million (out of total committed cash contributions of EUR 79.5 million); Novator's contributions of EUR 123.1 million (out of total committed cash contributions of EUR 185.5 million) and Tollerton's contributions of EUR 9.9 million (out of total committed cash contributions of EUR 35 million); Tollerton additionally contributed EUR 9 million pursuant to the Investment Agreement. Post closing of the transaction further shareholders' committed cash contributions amounted to EUR 114.2 million in the aggregate, including Netia's committed contribution of EUR 26.7 million; Novator's committed contribution of EUR 62.4 million and Tollerton's committed contribution of EUR 25.1 million.

As at September 30, 2007, the total cash contributions made by Netia Mobile in connection with the above agreements amounted to EUR 67.7 million (of which EUR 26.6 million was made in the nine-month period ended September 30, 2007) and the total outstanding amount of committed contributions still to be made by Netia Mobile amounted to EUR 11.6 million.

P4's Supervisory Board (the "Supervisory Board") shall consist of nine members appointed for a five-year term of office. As long as Netia Mobile continues to hold: (i) at least 20% of the Shares – Netia Mobile shall be entitled to appoint, suspend and dismiss two members of the Supervisory Board, and (ii) 10% – 20% of the Shares – Netia Mobile shall be entitled to appoint, suspend and dismiss one Supervisory Board member, and to appoint the Chairman of the Supervisory Board. The remaining members of the Supervisory Board shall be appointed by Novator and Tollerton and/or the shareholders' meeting of P4.

The Management Board of P4 (the "Management Board') shall be composed of up to six members appointed by the Supervisory Board in accordance with specific procedures ensuring that all Shareholders have a transparent and equitable share in the decision-making process. Netia Mobile will retain the right to suspend and dismiss specific Management Board members if their appointment is inconsistent with the above-mentioned procedures.

No P4 shareholder may transfer its Shares before August 23, 2008 without the consent of the other Shareholders, except for certain permitted transfers within their respective capital groups. If a change of control event affects any Shareholder, the other Shareholders will be entitled to purchase the Shares of such affected Shareholder pro rata to their respective shareholdings in P4.

The amended Shareholders Agreement includes standard procedures governing the sale of the Shares by the Shareholders following the lock-up period until August 23, 2008. If the Shareholder affected by the change-of-control event wishes to dispose of its Shares, the other Shareholders will be entitled to require the prospective third-party buyer to purchase their Shares on the same terms and pro-rata to the Shares sold by such Shareholder. Furthermore, should Novator select to sell its entire shareholding in P4, it will be entitled to require the other Shareholders to sell all of their shares on the same terms. The observance of these provisions is secured with contractual penalties of EUR 25,000. The payment of such contractual penalties does not exclude the rights of the parties to the amended Shareholders Agreement to claim damages in an amount exceeding the amount of such penalties. Any transfers of the Shares in breach of the Share transferability restrictions will be ineffective vis-à-vis P4.

The Agreement contains a list of specific matters requiring unanimous approvals from the Shareholders regarding potential alterations to the share capital structure, issuing securities, disposals and acquisitions of assets, certain business, commercial and accounting matters, indebtedness levels and dividend payouts. If, at any time, any P4 Shareholder which is a member of the Novator or Tollerton group transfers any P4 shares to a person who is not a party to the amended Shareholders Agreement, all resolutions of the shareholders' meeting will require the consent of Netia Mobile, and all resolutions of the Supervisory Board will require the consent of all Supervisory Board members appointed by Netia Mobile.

If, after the lapse of the lock-up period until August 23, 2008, certain key issues regarding the management of P4's affairs have not been successfully agreed upon, the amended Shareholders Agreement includes an option for Novator to purchase the Shares held by Netia Mobile and Tollerton at market price plus 10%, and an option for Netia Mobile and Tollerton to sell such Shares to Novator at market price with a 10% discount.

The Shareholders Agreement specifies the key principles of commercial cooperation of Netia and the Distribution Companies based on which the Issuer and P4 have concluded and will conclude commercial contract providing for Netia's access to the Distribution Companies' sales network.

Key implications for the Company relating to the above agreements are as follows:

- the Company will have guaranteed long-term access to the distribution network for products from the fixed-line segment offered by the Company,
- Netia's associate company, P4, gains access to a leading national distribution network of over 225 stores together with the continuing use of the Germanos brand name,
- the P4 joint venture is strengthened by the addition of a second strategic investor with proven know-how in mobile phone retailing, distribution, logistics and procurement.

The amended Shareholders Agreement shall expire following the sale of all Shares by the Shareholders in accordance with its provisions. The amended Shareholders Agreement provides for restrictions on competitive activity, a confidentiality undertaking, and a ban on employee recruitment during an agreed period following the expiration of the Shareholders Agreement. The Shareholders accept an option of P4's conversion into a joint stock company, however, not earlier than after August 23, 2007, and an option to introduce P4's shares to public trading after August 23, 2008.

NETIA S.A.
COMMENT ON THE FINANCIAL REPORT
FOR THE THIRD QUARTER OF 2007

Main assumptions of Netia's strategy and guidance for 2007

On April 18, 2007 the Company announced the main assumptions of its operational strategy and guidance for 2007 adjusted in the comment on the financial report for the second quarter of 2007:

<u>Mission</u>
To be the preferred choice for broadband services.

<u>Vision</u>
To be the fastest-growing communication service provider in Poland by:
- satisfying our customers' needs for fully featured, high quality broadband services;
- creating value through dynamic growth of our customer base;
- providing an inspiring, performance-driven and entrepreneurial work environment.

<u>Main strategic objectives</u>
1. Gain broadband services leadership:
    - reach 1 million broadband customers (*).
2. Leverage PLAY investments by:
    - introducing fixed-mobile convergent services in 2008;
    - achieving cost and infrastructure synergies at the group level.
3. Optimize Netia's strong position in the business market segment by:
    - increasing significantly the number of SOHO & SME clients;
    - increasing profitability of large corporate clients while minimizing capital expenditures.
4. Introduce changes to the organizational culture to support a strategy focused on value growth by:
    - strengthening employees' values such as focusing on clients' needs, reaching objectives, entrepreneurial drive and trust.
5. Invest for profitable growth:
    - achieving an industry-leading revenue compound average growth rate during 2007-2009;
    - maximizing utilization of existing assets;
    - achieving strong EBITDA growth by 2009 and positive free cash flow by 2010 as a result of three years of investment in broadband services of up to PLN 700 million.

<u>Guidance for 2007</u>
1. Number of broadband clients. Netia intends to have more than 200,000 broadband clients by the end of 2007, in comparison to 57,000 clients as at the end of 2006.
2. 2007 revenues are forecasted to reach a level of PLN 830-865 million.
3. Adjusted 2007 EBITDA is forecasted to reach PLN 130 million. The forecast of adjusted 2007 EBITDA allows for start-up losses of up to PLN 80 million connected with the investments in new client access methods made available under the applicable regulatory decisions, i.e., bitstream access, wholesale line rental and local loop unbundling.
4. 2007 investment outlays are expected to reach up to PLN 300 million.

(*) The total number of clients using broadband services through the use of various access methods, e.g. xDSL within Netia's own copper network, WiMax, bitstream (BSA) and through local loop unbundling via TP SA's network.

The adjusted guidance for 2007

Based on results of an analysis of sales revenues, investment expenditure and the number of broadband clients of the Netia Group, the Management has updated its earlier guidance as follows:

1. Number of broadband service clients: More than 210,000.
2. Number of voice service clients (own network and WLR): A range of 415,000 – 420,000.
3. Revenues forecast range is being narrowed to PLN 835.0 million – PLN 850.0 million.
4. EBITDA/Adjusted EBITDA forecast is being increased to PLN 165.0 million. This includes start-up losses of up to PLN 60.0 million for the development of the regulatory access methods (i.e., bitstream access, local loop unbundling, wholesale line rental) and reaching 210,000 broadband subscribers.
5. Investment outlays: Forecast is being decreased to PLN 230.0 million - PLN 240.0 million, following a reduction in the expected investment necessary to maintain Netia's existing network and reduced roll-out of transmission solutions to support P4's partially delayed UMTS roll-out.

Credit facility agreement

On May 15, 2007 the Company entered into a PLN 300 million 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 September 30, 2007 there was one draw down of PLN 5 million under this Facility.

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, UNI-Net, InterNetia Sp. z o.o, Netia WiMax, 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, Netia WiMax, 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 million.