

Netia signs agreements partially securing the repayment of the vendor financing extended to P4

WARSAW, Poland - October 31, 2006 - Netia SA ("Netia") (WSE: NET), Poland's largest alternative provider of fixed-line telecommunications services, announced that on October 31, 2006, Netia concluded a number of agreements partially securing the repayment of the credit facility of EUR 150 million (the "Facility") granted to P4 Spółka z ograniczoną odpowiedzialnością ("P4"), Netia's related entity, 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, 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, P4's shareholders, Netia 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, Netia provided a guarantee to a maximum amount of EUR 27 million. The guarantee covers the repayment of 30% 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 23 August 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 300 million. The total outstanding amount of committed contributions still to be made by Netia will not exceed EUR 51 million as at the agreement execution date.

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 subordination as at the date of entering into this agreement. The Agreement for the Registered and Financial Pledges on Shares and the Agreement on Change of Priority of the Pledges. Under the Agreement for the Registered and Financial Pledges on Shares, Netia Mobile Sp. z o.o. (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 Sp. z o.o. 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 (see Netia's press releases dated November 25, 2005; October 27, 2005; September 27, 2005 and August 23, 2005) 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.

Netia's liabilities under the agreements referred to above may exceed 10% of the value of Netia's current equity (which is the materiality threshold for agreements). Consequently, the agreements are classified as material agreements.