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Tollerton Investments Limited became a new shareholder of P4

WARSAW, Poland – May 25, 2007 – Netia SA (the “Issuer” or “Netia”) (WSE: NET), Poland’s largest alternative provider of fixed-line telecommunications services, announced that on May 24, 2007, Tollerton Investments Limited, with its seat in Cyprus (“Tollerton”) became a new shareholder of P4 Sp. z o.o. (“P4”), and subscribed for a 22% equity stake in the increased share capital of P4 (the “Shares”) 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. The transaction was entered into pursuant to the investment agreement (the “Investment Agreement”) dated January 31, 2007 (see Netia’s press release dated February 1, 2007).

In result of P4’s share capital increase and after registration of the increase by the court, Netia Mobile Sp. z o.o. (“Netia Mobile”) will hold 11,349 shares constituting 23.4% of the share capital of P4, and Novator Telecom Poland S.a.r.l. (“Novator”) will hold shares constituting a total of 54.6% of the share capital.

The P4’s shareholders have also adopted amendments to the Shareholders Agreement of P4 dated August 23, 2005 (the “Shareholders Agreement”) (see Netia’s press release dated August 23, 2005).

The following entities are parties to the amended Shareholders Agreement: the Issuer, Netia Mobile, Novator One L.P., Novator, Novator Poland Pledge Sp. z o.o, Olympia Development S.A., Tollerton (Novator, Netia Mobile and Tollerton to be hereinafter jointly referred to as the “Shareholders”), and P4. Novator is a wholly-owned subsidiary of Novator One L.P., and 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 300 million euro 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, shall amount 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 shall additionally contribute EUR 9 million pursuant to the Investment Agreement. Further shareholders’ cash contributions shall amount 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.

P4’s Supervisory Board (the “Supervisory Board”) shall consist of nine (9) 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 (2) members of the Supervisory Board, and (ii) 10% – 20% of the Shares – Netia Mobile shall be entitled to appoint, suspend and dismiss one (1) 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 (6) members appointed by the Supervisory Board in accordance with specific procedures ensuring that both 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 million. 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.

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.

The Issuer considers the Shareholders Agreement to be a significant agreement, as its value exceeds 10% of the Issuer's equity.

Key implications for the Issuer

The Issuer will have guaranteed long-term access to the distribution network for products from the fixed-line segment offered by the Issuer.

Netia's associate company, P4, gains access to 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.