



**MANAGEMENT REPORT
ON THE OPERATIONS OF
NFI MIDAS S.A. CAPITAL GROUP
IN 2011**

Warsaw, 20 March 2012

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1 Organisation of NFI Midas S.A. Capital Group

1.1 Structure of the Midas Capital Group

The parent of NFI Midas S.A. Capital Group ("Midas Group") is Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna ("Fund" or "Issuer"), established on 15 December 1994 pursuant to the Act of 30 April 1993 on National Investment Funds and their Privatisation (Journal of Laws No. 44, item. 202, as amended) ("Act on NFI") and validly existing under provisions of that Act and the Code of Commercial Companies ("CCC"). The Fund is registered in the District Court in Warsaw, 12th Commercial Department of the National Court Register, Entry No. KRS 000002570. The registered office of the Fund is in the city of Warsaw.

As at 31 December 2011, the Midas Capital Group consisted of the Fund and the following subsidiaries:

- CenterNet Spółka Akcyjna with its registered office in Warsaw ("CenterNet"),
- Mobyland Spółka z o.o. with its registered office in Warsaw ("Mobyland"),
- Conpidon Limited with its registered office in Nicosia, Cyprus ("Conpidon"),
- Aero2 Spółka z o.o. with its registered office in Warsaw ("Aero2"),
- Daycon Trading Limited with its registered office in Nicosia, Cyprus ("Daycon"),
- Nova Capital Spółka z o.o. with its registered office in Warsaw ("Nova").

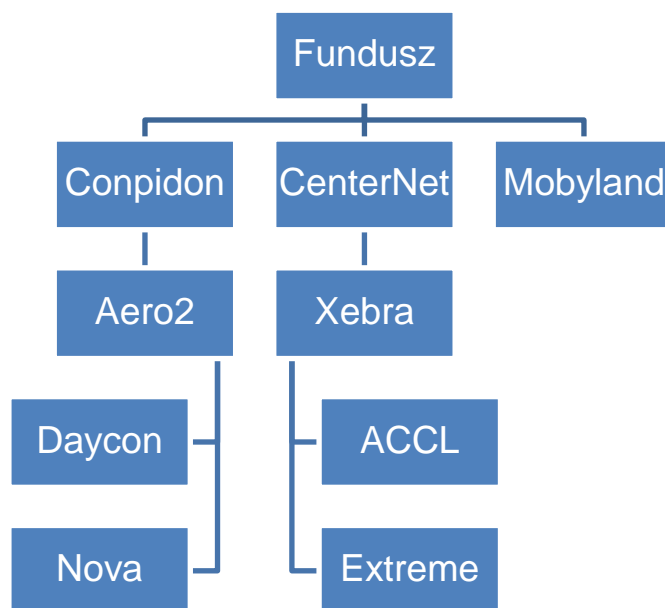
In addition, CenterNet is the intermediate parent company of the subsidiary Xebra Limited (in liquidation) with its registered office in Preston, United Kingdom ("Xebra"), holding an 80% stake in the share capital and in the total number of votes in Xebra.

Xebra is the parent company to:

- Advantage Cellular Communications Limited (in liquidation), with its registered office in Preston, United Kingdom ("ACCL"), holding a 61.25% stake in the share capital and in the total number of votes in ACCL, and
- Extreme Mobile Limited (in liquidation) with its registered office in Preston, United Kingdom ("Extreme"), holding a 100% stake in the share capital and in the total number of votes in Extreme.

As in 2009 CenterNet lost control over Xebra Group following the liquidation procedures opened against entities from Xebra Capital Group ("Xebra Group"), the group is not subject to consolidation.

The following diagram shows the structure of the Midas Group and CenterNet subsidiaries in liquidation which are outside the Midas Group as at 31 December 2011 and as at the date of this report.



1.1.1 Changes in the structure of the Midas Group

In 2011 the structure of the Midas Group was significantly extended.

On 7 January 2011 after signing the annex referred to in the current report 1/2011 of 8 January 2011 Midas Group was enlarged and included Mobyland in which the Fund holds, since 6 June 2011, following the acquisition from Daycon, 100% of the share capital and 100% of the votes at the shareholders' meeting of Mobyland.

On 9 December 2011 Midas Group was enlarged and included Conpidon. The Fund, as stipulated in the agreement for the purchase of Conpidon shares from Litenite, became the owner of 100% of shares and votes in Conpidon. In turn, Conpidon has a 100% stake in the share capital and votes of Aero2. Nova and Daycon are subsidiaries of Aero2. Aero2 holds 100% of the share capital and votes in Daycon as well as 62,207 shares in the share capital of Nova, representing 42.63% in such capital and entitling to 62,207 votes on the Shareholders Meeting of Nova, representing 50.03% of the votes at such meeting (including 21,599 treasury shares held by Nova).

1.1.2 Entities subject to consolidation

The entities of the Midas Capital Group subject to full consolidation for the needs of preparing the consolidated financial statements of the Midas Capital Group are: the Fund, CenterNet, Mobyland, Conpidon, Aero2, Daycon and Nova.

1.2 Branches of the Fund

The Fund has no branches or establishments.

1.3 Changes in the Midas Group management principles

In 2011 following updates to the Fund's strategy adopted by the Management Board, there was a change in the rules of management over the Midas Group. Under the hitherto existing strategy the Fund sought development opportunities based on cooperation with an entity owning the telecommunications infrastructure. Currently, in accordance with the updated strategy, the Fund takes up the challenge of

building its own state-of-the-art telecommunications network. Midas Group will be pursuing its objectives through the following activities:

- 1) Acquisitions of telecommunications assets holding frequencies or new concessions for frequencies necessary to pursue the strategy.
- 2) Construction of a nationwide telecommunications network based on HSPA + and LTE technologies.
- 3) Wholesale sale of high quality Internet access services to retail operators with their own large customer bases.
- 4) Implementation of a cost-effective business model through:
 - a) Outsourcing services to the best providers of services in terms of price-to-quality ratio.
 - b) Maintenance agreements with infrastructure suppliers generating the lowest costs.
 - c) Leveraging synergies within the capital group.
 - d) Building a flat and flexible goal-oriented organisational structure.

Completed in 2011, the acquisitions of Mobyland and Conpidon, being a 100% owner of Aero2, permitted to reach objectives specified in point 1 above. In the opinion of the Issuer's Management Board, after the acquisition Midas Group holds all the frequencies necessary to pursue the strategy described under all the remaining points. However, future purchases of new frequencies cannot be ruled out if such purchases would result in a more efficient implementation of the Midas Group's strategy and would be economically reasonable.

1.4 Organizational or capital relations

The Fund is a part of the capital group as defined in IAS 27 "Consolidated and Separate Financial Statements" in which the Fund is the parent and its subsidiaries (as defined in IAS 27) include CenterNet, Mobyland, Conpidon, Aero2, Daycon and Nova.

The Fund is also a part of the capital group ("ZSZ Group") as defined in the Act on Public Offering in which the parent (person controlling the Fund) is the Chairman of the Supervisory Board, Mr. Zygmunt Solorz – Żak. Mr. Zygmunt Solorz – Żak controls the Fund indirectly through the following entities: Karswell Limited with its registered office in Nicosia, Cyprus ("Karswell"), Ortholuck Limited with its registered office in Nicosia, Cyprus (a subsidiary of Karswell, "Ortholuck"), Litenite Limited with its registered office in Nicosia, Cyprus (a subsidiary of Ortholuck, "Litenite"). To the best knowledge of the Fund as at the date of this report:

- 1) Mr. Zygmunt Solorz-Żak holds shares in Karswell but the Fund is not aware of what is the stake of Mr. Zygmunt Solorz-Zak in the capital of Karswell,
- 2) Ortholuck holds 51% stake in Litenite,
- 3) Mr. Zygmunt Solorz-Żak, Karswell and Ortholuck do not directly hold any shares of the Fund (information is based on the notification made pursuant to Art. 69 of the Act on Public Offering received by the Fund from Mr. Zygmunt Solorz-Żak).

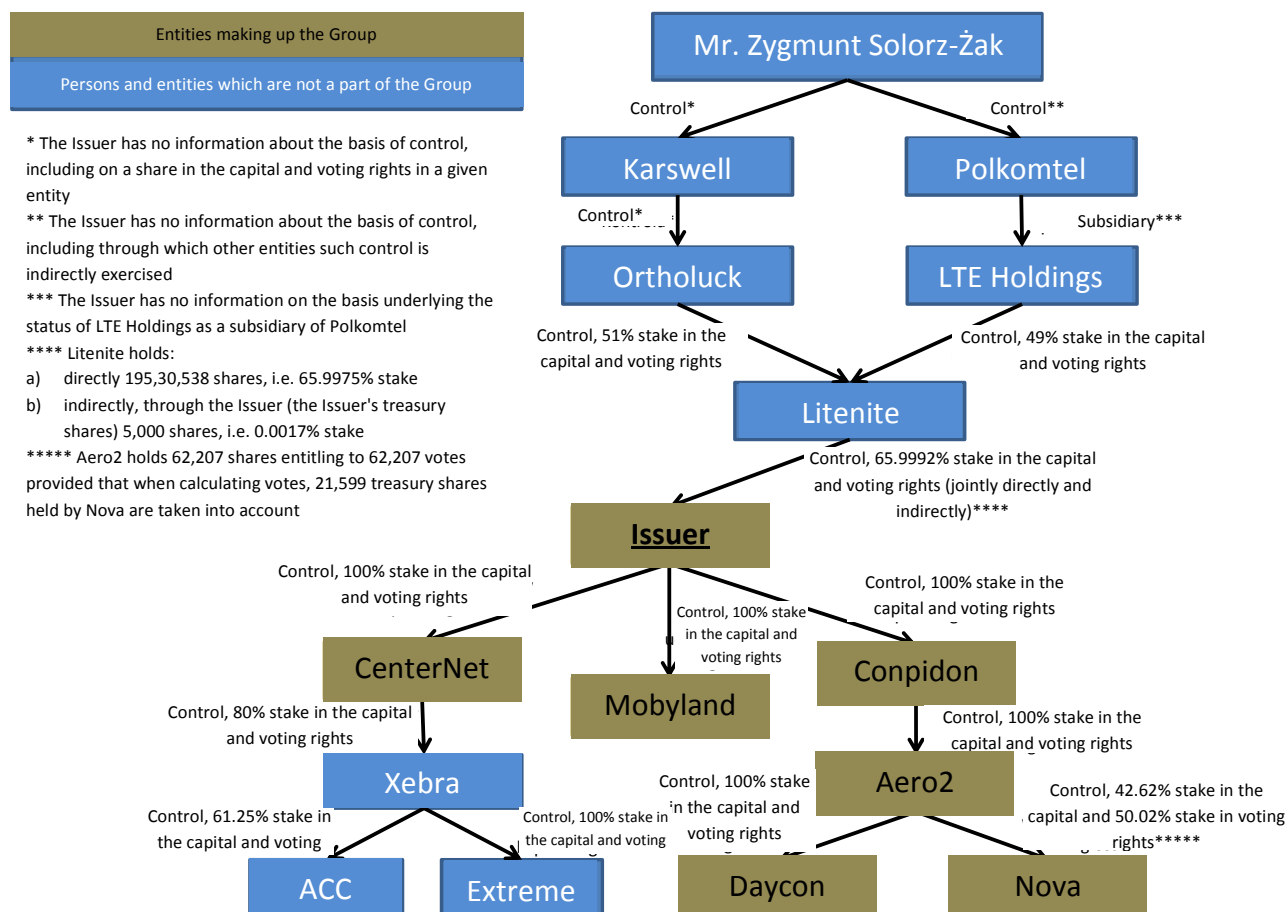
The Fund does not have any other information on how Mr. Zygmunt Solorz-Żak exercises control over Karswell, Ortholuck and Litenite.

ZSZ Group also includes subsidiaries of the Fund – CenterNet, Mobyland, Aero2, Daycon, Nova.

In addition, 49% of Litenite shares are held by LTE Holdings Limited with its registered office in Nicosia, Cyprus ("LTE Holdings"), a subsidiary of Polkomtel Spółka Akcyjna with its registered office in Warsaw ("Polkomtel"), but the Fund is not aware of the basis underlying the status of LTE Holdings as a subsidiary of Polkomtel.

Polkomtel is an entity controlled by Mr. Zygmunt Solorz-Żak.

The diagram below shows information available to the Fund on entities which are parents to the Fund, other entities through which Mr. Zygmunt Solorz-Żak holds shares in the parents of the Fund as well as information about Midas Group and subsidiaries of CenterNet not being a part of Midas Group.



1.5 Deposits and capital investments made within the Midas Group

Carried out in 2011, investments were a key element of the Midas Group's business development in the telecommunications sector. During this period the Midas Group finalised acquisitions of two telecommunications operators, i.e. Mobyland and indirectly Aero2 which constitute long-term capital investments of Midas Group.

Acquisition of Mobyland

On 6 June 2011 the Fund entered with Daycon into the agreement for sale of shares in Mobyland, as described in section 2.4.1 of this report, under which the Fund acquired on 6 June 2011 204,200 shares in Mobyland, with a nominal value of PLN 500 each, representing 100% of the share capital of Mobyland, and entitling to 100% of votes on the general meeting of shareholders of Mobyland, for the price of PLN 177,000,000. The acquisition of Mobyland was of vital importance for the Group because it opened

possibilities to pursue the development strategy of the Group as described in section 2.6 of this report. The acquisition of Mobyland was funded by proceeds from the issue of C class shares of the Fund.

Indirect acquisition of Aero2

On 19 September 2011 the Fund entered into the preliminary conditional agreement for purchase of shares in Conpidon Limited, with its registered office in Nicosia, Cyprus, as described in section 2.4.1 of this report. On 9 December 2011 the Fund entered into the final agreement under which it acquired 100% of shares in Conpidon which as at the date of such agreement held 100% of shares in Aero2, the agreement being described in section 2.4.1 of this report. In accordance with provisions of the agreement the Issuer undertakes to pay PLN 548,000,000 for the acquired shares. Proceeds from the issue of D class shares of the Fund are expected to finance the acquisition of the a/m shares. On 19 March 2012 the Management Board of the Issuer allotted to investors D class shares in the Fund (respective information is included in section 5.2 of this report). The acquisition of Aero2 is of vital importance for the Group because it opens possibilities to pursue the development strategy of the Group as described in section 2.6 of this report.

Capital expenditures

In addition, in the period from 1 January 2011 to 31 December 2011 the Midas Group carried out capital expenditures on property, plant and equipment and intangible assets which amounted to approximately PLN 95.5 m and consisted primarily of expenditures associated with the further development of the telecommunications infrastructure by Aero2, as described in detail below.

Construction and further development of selected elements of the telecommunications infrastructure by IT Polpager S.A.

Based on orders submitted under the framework agreement Aero2 undertook to purchase from IT Polpager S.A. the system to provide services to HSPA +/LTE subscribers (together with the relevant carrying and support structures as well as telecommunication and transmission equipment necessary to connect the a/m system to Aero2 infrastructure) and 227 telecommunications network base stations built by IT Polpager S.A. As at 31 December 2011 119 of those base stations are used by Aero2 on a test and evaluation basis. The investment is scheduled to be completed by 31 December 2012 but its earlier completion is also possible. Total estimated capital expenditures under this project amount to ca. PLN 162.5 m net. As intended by the Midas Group, the expenditures were financed mainly using proceeds from the issue of debt papers, referred to in section 2.4.1 of this report, and any balance outstanding as at the date of this report will be financed with proceeds from the issue of D class shares of the Fund.

Construction of telecommunications fibre optic networks by ATM S.A.

Based on orders placed by Aero2 under the agreement signed in 2010, ATM S.A. ("ATM") will build 61 sections of the telecommunications fibre optic network with a value of about PLN 7 m. By 31 December 2011 r. 38 sections developed by ATM were accepted by Aero2 for the total value of ca. PLN 4.1 m. Expenditures in that area were financed mainly from the Group's own resources. In addition, funding for the project partly originated from proceeds from the issue of debt papers, referred to in section 2.4.1 of this report. Other expenditures remaining to be paid as at the date of this report, will be financed from the Group's own resources or using proceeds from the issue of D class shares.

Delivery of individual elements of the telecommunications infrastructure and software by Huawei Polska in association with the commencement of cooperation with Polkomtel for the further development of the infrastructure

Based on the order submitted by Aero2 under the framework agreement, Huawei Polska Sp. z o.o. is obliged to deliver individual elements of the telecommunications infrastructure and software, together with their installation and commissioning, with a total value of ca. USD 363,000 . Expenditures in that area were financed mainly from the Group's own resources. In addition, funding for the project partly originated from proceeds from the issue of debt papers, referred to in section 2.4.1 of this report. Other expenditures remaining to be paid as at the date of this report, will be financed from the Group's own resources or using proceeds from the issue of D class shares.

2 Operations of the Midas Group

Business activities carried out by the Midas Group are treated by the Management Board of the Fund as one consistent operating segment including telecommunications activities specified in detail below. Those activities are conducted on the territory of Poland.

2.1 Principal products, goods and services

The Midas Group's core business is the provision of wholesale wireless data transmission services by Aero2, CenterNet and Mobyland and voice services for individual clients by CenterNet. The services are delivered based on: (i) frequency bands reserved for Aero2, CenterNet and Mobyland, and (ii) telecommunications infrastructure held by Aero2.

Wholesale wireless data transmission

In September 2010 CenterNet in cooperation with Mobyland launched the first commercial LTE 1800 network in Poland on a 1800 MHz band with a channel width of 19.8 MHz. CenterNet and Mobyland, each individually, holds a reservation for 9.8 MHz. Between their reserved bands there is a 0.2 MHz wide interval. Together this gives a continuous duplex bandwidth of 19.8 MHz which consists of two reservation bands and an "interval" band the use of which is authorised by the Office of Electronic Communications (UKE) under individual radio licences. LTE 1800 technology is significantly faster comparing to other data transmission technologies currently operating in Poland (such as among others UMTS, HSPA and HSPA +), enabling fast transfer of large portions of data in an efficient and economically effective way with the optimal use of the frequency.

The telecommunications infrastructure for LTE 1800 network is supplied by Aero2 and was launched at all locations which previously supported CenterNet GSM 1800 and Mobyland GSM 1800 networks. As at January 2012 the LTE technology based network of the Midas Group in the 1800 MHz band operates on approximately 615 base stations (out of approximately 640 used by the Midas Group). For the a/m base stations of the Midas Group, in the case of some of them components of the telecommunications infrastructure are recognised under non-current assets of the Midas Group (as its own tangible assets or leasehold improvements), while the other stations operate based on the model in which the Midas Group uses them (not being their owner) under respective agreements authorising such use. For localisation of the base stations, the standard solution is their use based on rent or lease agreements, including as a sub-tenant or sub-lessee.

In addition, based on its own frequency in the 900 MHz band and its own infrastructure, Aero2 generates Evolved HSPA (HSPA +) technology capacity for this band. A part of the capacity of the network is used to provide free Internet access, in accordance with the obligations arising from the decision on reservation of the frequency in the 2600 MHz band for Aero2. As at January 2012, Aero2 network based on HSPA + technology in the 900 MHz band operates on approximately 1,070 base stations, including about 640 ones used by the Midas Group and about 430 ones integrated in the Midas Group's telecommunications network in cooperation with Polkomtel. For the a/m about 640 base stations used by the Midas Group, in the case of some of them components of the telecommunications infrastructure are recognised under

non-current assets of the Midas Group (as its own tangible assets or leasehold improvements), while the other stations operate based on the model in which the Midas Group uses them (not being their owner) under respective agreements authorising such use. For location of the base stations, the standard solution is their use based on rent or lease agreements, including as a sub-tenant or sub-lessee.

Under the agreement signed in 2010 Mobyland buys from Aero2 capacities generated within the HSPA + 900 network. The solution applied (HSPA +) provides mobile high-speed Internet access allowing to download data at speeds up to 21 Mbps and upload data at speeds up to 28.8 Mbps. For this purpose a state-of-the-art MIMO (Multiple Input, Multiple Output) technology was implemented in order to provide users with an even higher level of services and a better quality of transfer. MIMO Technology based on the application of multiple transmission and reception antennas in the base station and the terminal, permits a simultaneous transmission of several different streams ensuring a higher throughput of up to 28.8 Mbps, better transmission quality and an optimised use of the frequencies.

In 2011 Aero2 was developing TD-LTE 2600 network based on: the frequency reservation held by Aero2 in the 2600 MHz band, 2570-2620 MHz range, intended for the delivery of telecommunications services in wireless broadband networks as well as the infrastructure owned by Aero2. From 10 May 2011 the network is running in 5 locations. A part of the capacity of the network is used for providing free Internet access, in accordance with the obligations arising from the decision on reservation of the frequency for Aero2, information concerning this undertaking being presented in this section below (under the heading "Free Internet access"). TD-LTE 2600 network is implemented within the channel with a maximum 3GPP standard width of 20 MHz using the entire reserved 50 MHz bandwidth. The latest TD-LTE 2600 technology, applied by Aero2, allows for a flexible allocation of radio resources between the link to and from the Subscriber (so-called frame allocation). This means that transmission and reception are carried out on the same radio channel, and in only one direction at a time. Such transmission with a duplex time division guarantees the lack of interference between reception and transmission signals and significant power savings. TD-LTE 2600 provides a quick mobile Internet access, currently allowing to download data at 134 Mbps, with the reception at 124.8 Mbps, and transmission at 5.5 Mbps. It is planned to expand TD-LTE 2600 network in accordance with the requirements of the reservation decision so that to reach by the end of 2012 the coverage of 25% of the Polish population, while at the same time setting up at least one base station in each of at least 200 rural or urban-rural communes.

The offering of the Midas Group for wholesale data transmission using LTE 1800, HSPA + 900 and TD-LTE 2600 networks is addressed to retail operators, i.e. entities with large subscribers' bases expressing interest in providing the subscribers with mobile broadband Internet access services. The Midas Group, based on its frequencies, intends to generate capacity and sell it to the a/m retail operators. From the perspective of the Midas Group such model seems to be very attractive because the Midas Group thus avoids costly expenses associated with finding retail customers (advertising, subsidising receivers, etc.). In addition, a well defined portfolio of customers in the segment of large and stable retail operators allows to apply wholesale terms and conditions of sales, i.e. long-term orders for large volumes.

Free Internet access

Due to the obligation imposed by the decision of the President of UKE on reservation of the frequency in the 2600 MHz band for Aero2, Aero2 provides free Internet access on the terms and conditions specified in the a/m decision and in its operating rules, as authorised by the President of UKE. Basically, the obligation of Aero2 is to dedicate for purposes of free Internet access up to 20% of the capacity of the networks operating on the reserved 900 MHz and 2570-2620 MHz range frequencies provided that a single session under such free access should not be longer than 60 minutes, and the free Internet downlink speed per user should range from 128 kbps to 256 kbps within the first 12 months of access and from 256

kbps to 512 kbps during the subsequent 24 months. The catalogue of persons authorised to use such free Internet access is not limited. However it is necessary to apply for and obtain a SIM card from Aero2 and then to make a deposit for the SIM card in the amount of PLN 20. As at 31 December 2011 SIM cards are distributed in such a way that it is possible to collect them in the Customer Service Centre of Aero2, to have it dispatched directly to the user or to collect it in one of the distribution outlets of Sferia Spółka Akcyjna with its registered office in Warsaw, Poland (Aero2 distributor).

Offering for individual clients

As a mobile operator, CenterNet offers to individual clients such telecommunications services as national voice traffic, international roaming and SMS. At the end of the 2011 CenterNet provided services to more than 164,000 users in aggregate of which a significant majority on a prepaid basis. To deliver the services CenterNet uses its own telecommunications network and shared networks owned by Mobyland and Aero2. In addition, CenterNet uses domestic roaming services offered by Polska Telefonia Cyfrowa S.A. ("PTC"), domestic roaming services through Mobyland provided by PTK Centertel Sp. z o.o. and international roaming services delivered by iBasis Global Inc.

wRodzinie (in the Family) Project

The offering based on wRodzinie brand is targeted on the groups of older people and people with close relatives with whom they are in contact on a current basis. As a part of its offering the Midas Group provides prepaid mobile telephony provides including voice services, SMS messaging and international calls. The range of services also includes the distribution of mobile phones, including ergonomic models with large buttons, simple and legible displays, dedicated for the elderly. Sales of phones, starters and top-ups are carried out through the call centre as well as through the chain of Żabka grocery shops located in the entire country and through five thousands of outlets of Poczta Polska. Account top-ups are possible by purchasing scratch cards or electronically by a bank transfer to CenterNet account.

2.2 Key sales and supply markets

Midas Group operates on the market of telecommunications services in Poland. Thanks to frequency reservations obtained in 2007 by CenterNet and Mobyland, and in 2008 and 2009 by Aero2, Midas Group has the ability to provide mobile nationwide telecommunications services, and in particular wholesale model-based wireless data transmission services.

In 2011 the Midas Group's key customer for the wholesale wireless data transmission was Cyfrowy Polsat S.A. In addition, under the letter of intent referred to in section 2.4.1 of this report, Mobyland delivered wholesale wireless data transmission services to Polkomtel too. In March 2012 (subsequent event) Mobyland entered with Polkomtel into the agreement for wholesale telecommunications services, as described in detail in section 5.2 of this report.

2.3 Important events, achievements and failures of the Midas Group affecting its business operations

In February 2011 the Supreme Administrative Court ("SAC") issued a judgment dismissing cassation appeals filed by the President of the Office of Electronic Communications ("UKE"), Mobyland and the National Chamber of Commerce for Electronics and Telecommunications against the judgment of the Voivodship Administrative Court in Warsaw of 21 July 2009, repealing the decisions of the President of UKE in which the President of UKE refused to nullify the tender for reservation of radio frequencies ultimately granted to CenterNet and Mobyland.

Also in February 2011 the Voivodship Administrative Court in Warsaw ("WSA") issued a judgment repealing the decisions of the President of UKE of 30 November 2007 by which the President of UKE reserved frequencies for CenterNet and Mobyland and refused reservations to PTC Sp. z o.o. and Polkomtel S.A. The current status of both the foregoing proceedings is described in detail in section 5.1 of this report. Moreover, in June 2011 the President of UKE issued a decision on nullification - to the extent applicable to evaluation of the tender offer from Polska Telefonia Cyfrowa Sp. z o.o. - of the tender for two frequency reservations whose results were announced by the President of UKE on 2 October 2007. Information on the above tender is included in section 5.1 of this report.

In May 2011 the Fund successfully completed the public issue of its C class shares. Proceeds from the issue allowed to pursue the NFI Midas issue objectives, including financing the acquisition of Mobyland Sp. z o.o., reducing indebtedness under issued corporate papers and replenishing the working capital of the Company.

In June 2011 the Fund acquired a 100% stake in Mobyland.

In September 2011 the Fund updated the strategy of Midas Group, as referred to in section 2.6.1 of this report. Also in September the Fund began the process of acquisition of Aero2, resulting in the preliminary conditional agreement for the purchase of shares in Conpidon, as described in section 2.4.1 of this report.

In October 2011 the Fund signed with Huawei Poland Sp. z o.o. ("Huawei"), a letter of intent, as described in section 2.4.1 of this report.

In November 2011 Mobyland signed with Polkomtel S.A. ("Polkomtel") the letter of intent the terms and conditions of which are described in section 2.4.1 of this report.

In December 2011 the Fund indirectly acquired a 100% stake in Aero2.

2.4 Information on agreements entered into by the Midas Group entities

This section lists agreements entered into in the normal course of business of the Fund and other Midas Group entities.

For agreements which are significant for the operations of the Midas Group entities entered into with third parties a full description of their respective terms and conditions or references to current reports dedicated thereto are provided.

At the same time the Fund informs that other agreements, including the ones signed in 2011 by entities currently belonging to the Midas Group, between entities from such Group which from the perspective of the consolidated financial statements are subject to consolidation exclusions, were described in the prospectus authorised on 8 February 2012 by the Polish Financial Supervision Authority and prepared in association with the offering for D class shares, available on the Fund's website at: http://www.midasnfi.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny.

2.4.1 Agreements which are significant for the operations of the Midas Group

Agreements entered into by the Fund

Agreement (together with annexes) with Alior Bank

On 18 May 2011 the Fund entered with Alior Bank S.A. ("Alior Bank") into Agreement on contracts for sale of registered papers referenced respectively as MID0611.1, MID0611.2, MID0611.3 issued by the Fund ("Agreement"). The Agreement was executed as Alior Bank intended to enter into contracts for sale of registered papers referenced as MID0611.1, MID0611.2, MID0611.3 ("Papers") to holders of Papers

(the Issuer will not be a party to those Contracts). Terms and conditions of the Agreement were described in detail in the current report 25/2011 of 20 May 2011 (available on the Fund's website - www.midasnfi.pl).

The agreement entered into force on the date of signing the above contracts for sale of registered papers referenced as MID0611.1, MID0611.2, MID0611.3, though Alior Bank notified the Fund on the execution of such contracts on 20 May 2011.

On 19 May 2011 Alior Bank and the Fund entered into an annex to the Agreement which came into force on the effective date of the Agreement. Terms and conditions of the annex were described in detail in the current report 25/2011 of 20 May 2011 (available on the Fund's website - www.midasnfi.pl).

On 10 June 2011 the Bank and the Fund entered into an annex ("Annex 2") to the Agreement. Terms and conditions of Annex 2 were described in detail in the current report 35/2011 of 10 June 2011 (available on the Fund's website - www.midasnfi.pl).

On 29 June 2011 the Fund and Alior Bank entered into an annex ("Annex 3") to the Agreement. Terms and conditions of Annex 3 were described in detail in the current report 41/2011 of 30 June 2011 (available on the Fund's website - www.midasnfi.pl).

Under the Agreement the Fund will issue debt papers in 2011. The issues were further described later in this report.

Early redemption of debt papers

On 10 June 2011 the Fund made an early redemption of papers referenced as MID0611.1, MID0611.2, MID0611.3 ("Papers") issued on 21 April 2010. As at the date of early redemption Alior Bank was the holder of the Papers. The Papers were redeemed for the total amount of PLN 104,639,446.66 which included PLN 104,424,189.78 of the nominal value of the Papers, and PLN 215,256.88 of interest due for the period from 1 June 2011 to 10 June 2011.

Agreements with Inwestycje Polskie

On 20 May 2011 the Fund entered into the Security Agreement with Inwestycje Polskie ("Agreement"). Under the Agreement the Fund ordered Inwestycje Polskie to establish security collaterals on Inwestycje Polskie's assets which would cover claims of Alior Bank against the Fund from registered papers issued by the Fund and referenced as respectively MID0611.1, MID0611.2, MID0611.3 ("Papers"), and Inwestycje Polskie agreed to establish such security collaterals.

According to the Agreement the a/m claims were secured ("Security Collateral") as follows:

- a) first-rank contractual mortgage up to PLN 130,000,000 established in favour of Alior Bank on Inwestycje Polskie's right of perpetual usufruct of the Real Estate and title to buildings erected thereon, constituting an ownership title separate from the real estate
- b) sureties, as defined in provisions of the Civil Code, under which Inwestycje Polskie undertakes in relation to Alior Bank to perform obligations of the Fund under the Papers in the event when the Fund fails to perform such obligations,
- c) Inwestycje Polskie's statement on submission to enforcement, substantially in the form required by Alior Bank, up to PLN 156,636,000 as a part of enforcement proceedings carried out by Alior Bank,

- d) assignment of monetary claims under all-risk insurance of the Real Estate to Alior Bank.

Any expenses incurred by Inwestycje Polskie for establishing the Security Collateral were to be reimbursed by the Fund. The Fund agreed to pay fees to Inwestycje Polskie for establishing the Security Collateral in the amount of PLN 650,000 net per annum, payable monthly, based on invoices, pro rata to the period of validity of the Security Collateral in the given month.

In addition, the Fund committed to:

- a) reimburse Inwestycje Polskie against any amounts paid to Alior Bank in performance of the security collaterals established under the Agreement;
- b) to cover any losses incurred by Inwestycje Polskie in relation to Alior Bank drawing on the Security Collateral;
- c) establish in favour of Inwestycje Polskie, in order to secure possible claims of Inwestycje Polskie against the Fund under the Agreement following Alior Bank drawing on the Security Collateral, a registered pledge over CenterNet shares held by the Fund provided that such registered pledge will be established immediately after deletion of registered pledges established on CenterNet shares and existing as at the date of the Agreement.

The Agreement was effective from the date of its conclusion until the expiration of the Security Collateral and settlement by the Client of all the liabilities under the Papers and the Agreement, i.e. until 30 June 2011.

On 15 July 2011 the Fund entered into the Security Agreement with Inwestycje Polskie ("Agreement 2"), as amended by the annex of 8 December 2011. Under the Agreement 2 the Issuer ordered Inwestycje Polskie to establish security collaterals on Inwestycje Polskie's assets which would cover claims of Alior Bank against the Fund from registered papers issued by the Fund, under a single transaction or in tranches, for the total nominal value not exceeding PLN 104,424,000, with a maturity falling on 30 June 2012 at the latest and bearing interest not lower than the sum of WIBOR 1M and a 2.5 pp margin per annum ("Papers"), and Inwestycje Polskie agreed to establish such security collaterals.

According to Agreement 2 the a/m claims should be secured ("Security Collateral 2") as follows:

- a) first-rank contractual mortgage up to PLN 130,000,000 established in favour of Alior Bank on Inwestycje Polskie's right of perpetual usufruct of the Real Estate and title to buildings erected thereon, constituting an ownership title separate from the real estate,
- b) sureties, as defined in provisions of the Civil Code, under which Inwestycje Polskie undertakes in relation to Alior Bank to perform obligations of the Fund under the Papers in the event when the Fund fails to perform such obligations,
- c) Inwestycje Polskie's statement on submission to enforcement, substantially in the form required by Alior Bank, up to PLN 156,636,000 as a part of enforcement proceedings carried out by Alior Bank,
- d) assignment of monetary claims to Alior Bank under all-risk insurance of the Real Estate from an insurer accepted by Alior Bank.

In the event when the issue of the Papers is organised in tranches, Inwestycje Polskie is required to establish security collaterals up to amounts corresponding to the equivalent of the Papers issued in each

tranche. With each subsequent issue of the Papers Inwestycje Polskie is required to increase the amounts of the Security Collaterals.

Any expenses incurred by Inwestycje Polskie for establishing the Security Collateral should be reimbursed by the Fund. The Fund agreed to pay fees to Inwestycje Polskie for establishing the Security Collateral in the amount of PLN 650,000 net per annum, payable monthly and accrued pro rata to the duration of risk from granting such Security Collateral and pro rata to the annual amount of the a/m fees. The fees are payable from the date when Inwestycje Polskie submit all required statements on establishing the Security Collateral.

In addition, the Fund undertakes:

- a) to reimburse Inwestycje Polskie against any amounts paid by Inwestycje Polskie to Alior Bank in performance of the security collaterals established under the Agreement;
- b) to cover any losses incurred by Inwestycje Polskie in relation to Alior Bank drawing on the Security Collateral;
- c) to establish in favour of Inwestycje Polskie, in order to secure possible claims of Inwestycje Polskie against the Fund under Agreement 2 following Alior Bank drawing on the Security Collateral, a pledge and a registered pledge over CenterNet shares held by the Fund,
- d) not to proceed, without the consent of Inwestycje Polskie, with any changes in the share capital of CenterNet, including not to issue securities and any other rights to CenterNet shares.

The Agreement is effective from the date of its conclusion until the expiration of the Security Collateral and settlement by the Client of all the liabilities under the Papers and the Agreement.

On 8 December 2011 the Fund entered with Inwestycje Polskie into the agreement for a regular and registered pledge on shares of a 100% subsidiary - CenterNet ("Pledge Agreement"). Under the Pledge Agreement the Fund established a pledge in favour of Inwestycje Polskie on 4,264,860 CenterNet shares with a nominal value of PLN 17.30 each and PLN 73,782,078 in aggregate, representing 100% of the share capital and voting rights in that entity ("CenterNet Shares"), disclosed in the books of account of the Fund at PLN 238,989,000 and constituting a long-term capital investment of the Fund. Terms and conditions of the Pledge Agreement were described in detail in the current report 87/2011 of 9 December 2011 (available on the Fund's website - www.midasnfi.pl). On 28 December 2011 the District Court for the City of Warsaw in Warsaw, XI Commercial Division - Pledge Register, issued a decision to enter a pledge on CenterNet shares in favour of Inwestycje Polskie in the pledge register.

Issue of debt papers

On 18 July 2011 the Fund issued 21,500 series MID0612.1 debt papers with a nominal value of PLN 1,000 each ("Papers"), with a total nominal value of PLN 21,500,000. The Papers were subscribed for on 19 July 2011 by Alior Bank at a price equal to their nominal value as a result of the acceptance by Alior Bank, on 18 July 2011, of the proposal to subscribe for the Papers of 15 July 2011 ("Proposal") and as a result of the payment of the a/m issue price on 19 July 2011. Under the terms of the issue of the Papers stipulated in the Proposal, the Papers mature on 30 June 2012, however the Fund has the right for an early redemption of the Papers. In addition, the Papers entitle to interest, accrued and paid on a monthly basis, at WIBOR 1M from the second working day preceding the beginning of the given interest period, increased by 2.5 percentage points, per annum. Terms and conditions for the issue of the Papers were described in detail in the current report 51/2011 of 19 July 2011.

Following the subscription, on 9 December 2011, by Alior Bank for 30,000 series MID0612.2 debt papers with a nominal value of PLN 1,000 each ("Papers"), with a total nominal value of PLN 30,000,000 for the issue price equal to their nominal value as a result of the acceptance by Alior Bank of the proposal to subscribe for the Papers ("Proposal") and as a result of the payment of the a/m issue price by Alior Bank, the issue of the Papers was successful. Under the terms of the issue of the Papers stipulated in the Proposal and accepted by Alior Bank, the Papers mature on 30 June 2012, however the Fund has the right for an early redemption of the Papers. In addition, the Papers entitle to interest, accrued and paid on a monthly basis, at WIBOR 1M from the second working day preceding the beginning of the given interest period, increased by 2.5 percentage points, per annum. Terms and conditions for the issue of the Papers were described in detail in the current report 87/2011 of 9 December 2011.

Agreement on debt papers with CenterNet and Mobyland

On 30 June 2011 the Fund signed with Mobyland an agreement ("Agreement") amending terms and conditions for the issue of series MID0611B registered papers ("Papers") held by Mobyland. The Agreement incorporated amendments of terms and conditions for the issue of the Papers in relation to (i) the date of redemption of the Papers by the Fund and (ii) interest periods applicable to the Papers. Under the agreement the Fund and Mobyland amended terms and conditions for the issue of the Papers so that the redemption date for the Papers fall on 31 December 2013. In addition the Agreement modified interest calculation and payment methods. Instead of monthly interest payments, interest will be paid on the redemption date, i.e. on 31 December 2013. All the other terms and conditions for the issue of the Papers remained unchanged.

On 30 June 2011 the Fund signed with CenterNet an agreement ("Agreement 2") amending terms and conditions for the issue of series MID0611C registered papers ("Papers 2") held by CenterNet. The Agreement incorporated amendments of terms and conditions for the issue of the Papers 2 in relation to (i) the date of redemption of the Papers 2 by the Fund and (ii) interest periods applicable to the Papers 2. Under the Agreement 2 the Fund and CenterNet amended terms and conditions for the issue of the Papers 2 so that the redemption date for the Papers 2 fall on 31 December 2013. In addition the Agreement 2 modified interest calculation and payment methods. Instead of monthly interest payments, interest will be paid on the redemption date, i.e. on 31 December 2013. All the other terms and conditions for the issue of the Papers 2 remained unchanged. On 13 December 2011 the Fund made a partial redemption of the papers issued by the Fund and held by CenterNet for the amount of PLN 6,500,000.

Letter of Intent with Huawei

On 26 October 2011 the Fund signed with Huawei Polska Sp. z o.o. with its registered office in Warsaw ("Huawei") a letter of intent (English "Memorandum of Understanding", hereinafter referred to as the "Letter of Intent") for the construction of a nationwide telecommunications network based on HSPA+ (900 MHz frequency), LTE FDD (1800 MHz frequency) and LTE TDD (2600 MHz frequency) technologies and for searching for financing ("Project").

In the Letter of Intent the Fund and Huawei undertook to negotiate in good faith agreements which would contain specific terms and conditions of cooperation between the Fund, as the buyer, and Huawei, as the exclusive - to the extent to which it would participate in the Project - supplier of hardware and software and services for purposes the Project. The Letter of Intent does not exclude the participation of the Group entities in the Project. In addition, as the Fund is interested in obtaining financing in the form of a trade credit (the so called "vendor financing") to build a nationwide telecommunications network based on HSPA+/LTE technologies Huawei agreed to help in arranging such financing. The parties to the Letter of Intent initially estimated the value of the Project for EUR 235-300 m, and the duration of their cooperation for implementation of the Project for three years but because of an early stage of talks

the Fund noted that these parameters might change. The parties to the Letter of Intent initially estimated that the vendor financing could cover approximately 85% of the value of the Project.

The Letter of Intent will be effective from the date of its signing until the date of signing the agreements referred to above.

Annexes to the preliminary agreement for sale of shares in Mobyland

On 7 January 2011 the Fund signed with Daycon ("Seller") an annex to the preliminary agreement for sale of shares in Mobyland ("Preliminary Agreement") concluded on 16 December 2010, amending and adding provisions to the Preliminary Agreement under which the Fund is entitled to change the composition of the management board of Mobyland on terms and conditions specified unilaterally by the Fund any time indicated by the Fund.

On 30 March 2011 the Fund signed with the Seller an annex to the Preliminary Agreement amending and among others adding provisions to the Preliminary Agreement under which in the event when circumstances specified in the Preliminary Agreement and constituting grounds for the Fund to withdraw from the Preliminary Agreement appear after execution of the Final Agreement or before execution of the Final Agreement but become known for the Parties only after execution of the Final Agreement, then the Fund would be authorised to request the Seller to repurchase the shares for the price of PLN 177,000,000 ("Put Option"). The Fund may exercise its rights under the Put Option in writing with a notarised signature within the periods applicable to the right to withdraw from the Preliminary Agreement with respect to any of the circumstances justifying the exercise of such rights by the Fund. The Fund's ability to exercise rights under the Put Option expires on 31 December 2014 at the latest. In order to secure the Fund's claims under the Put Option, together with the execution of the Final Agreement the Seller was required to provide the Fund with an irrevocable offer, valid until 31 December 2014, to acquire 100% of shares in Mobyland for PLN 177,000,000.

Final Agreement for sale of shares in Mobyland

On 6 June 2011 the Fund ("Buyer") entered with Daycon ("Seller") into the Agreement for sale of shares in Mobyland ("Final Agreement") under which the Fund acquired, on 6 June 2011, assets of a significant value. The agreement was concluded in performance of the Preliminary agreement for sale of shares in Mobyland Sp. z o.o. ("Preliminary Agreement") dated 16 December 2010.

Under the Final Agreement, the Seller sold to the Fund and the Fund purchased from the Seller assets of a significant value in the form of 204,200 shares in Mobyland, with a nominal value of PLN 500 each, representing 100% of the share capital of Mobyland and entitling to 100% of votes at the shareholders meeting of Mobyland for the price of PLN 177,000,000. Terms and conditions of the Final Agreement were described in detail in the current report 33/2011 of 7 June 2011.

Preliminary conditional agreement to purchase shares in Conpidon

On 19 September 2011 the Fund signed with Litenite ("Seller") a preliminary conditional agreement ("Agreement") to purchase shares in Conpidon which as at the date of such Agreement was the majority shareholder of Aero 2.

The subject of the Agreement was the obligation to enter into another agreement ("Final Agreement") under which the Seller sells and transfers to the Fund 100% of shares ("Conpidon Shares") in the share capital of Conpidon ("Transaction"). Under the Agreement, for the Conpidon Shares the Fund agreed to pay to the Seller a price equal to PLN 548,000,000. The price was determined based on the assumption that net debts of Aero2 are not higher than PLN 70,000,000. In the event when Aero2 net debts are

higher, the price for the shares will be reduced by the amount of such excess. The price for Conpidon shares was not reduced after the calculation of Aero2 net debts. Terms and conditions of the Agreement were described in detail in the current report 61/2011 of 19 September 2011.

Final Agreement for purchase of shares in Conpidon

On 9 December 2011 the Fund entered with Litenite Limited ("Seller") into an agreement for the purchase of shares in Conpidon ("Agreement") following which the Fund became an indirect owner of 100% of shares in Aero 2 Sp. z o.o. The agreement was executed in performance of the preliminary agreement for the purchase of shares in Conpidon ("Preliminary Agreement") referred to in section 2.4.1 of this report.

Under the Agreement, the Seller sold to the Fund and the Fund purchased from the Seller assets of a significant value in the form of 221,000 shares in Conpidon, with a nominal value of EUR 1 each, representing 100% of the share capital of Conpidon and entitling to 100% of votes at the shareholders meeting of Conpidon for the price of PLN 548,000,000 ("Price for Conpidon Shares"). As a result of the Agreement the Fund indirectly acquired 221,000 shares in Aero2, with a nominal value of PLN 50 each, representing 100% of the share capital of Aero2 and entitling to 100% of the votes at the shareholders meeting of Aero2. The Parties jointly agreed that the transfer of the title to the shares had been effected when entering into the Agreement. Terms and conditions of the Agreement were described in detail in the current report 88/2011 of 9 December 2011.

Agreements entered into by Aero2 with entities from outside the Midas Group

Agreement with IT Polpager

On 1 July 2011 Aero2 signed the agreement with IT Polpager S.A. with its registered office in Warsaw ("IT Polpager") for granting access to telecommunications infrastructure components, including in particular base stations in 119 locations across the country. Such access is necessary for Aero2 to carry out tests of the infrastructure components aimed at a subsequent purchase thereof from IT Polpager. The parties to the agreement decided to include a consideration for the access in the purchase price. The agreement provides for a possible extension of the scope of such access to the infrastructure by further components thereof.

Master cooperation agreement with IT Polpager

Entered into on 1 July 2011 by and between Aero2 and IT Polpager, the Master Cooperation Agreement defines terms and conditions of orders for the delivery of services and products by IT Polpager to Aero2 and other indicated entities (Mobyland, CenterNet) in the following areas: concept works, telecommunications and telecommunication IT consulting, management over telecommunications and IT devices and systems, R & D consulting, drafting reports related to inquiries and requests of the regulatory authorities for the telecommunications market, construction of telecommunications infrastructure components, planning and optimising telecommunications networks. The agreement contains provisions on IT Polpager obligations in terms of assignment of author's property rights to works created when carrying out the orders to Aero2 or other indicated entities. A respective consideration for individual orders is determined in each case when awarding such orders. The agreement provides for liquidated damages in the amount of 0.2% of the net value of the order in question payable by IT Polpager in the event of a delay against a deadline fixed for the completion of such order provided that the liquidated damages may not exceed 15% of the net value of the order. The agreement was concluded for an indefinite period but may be terminated with six months' notice and with immediate effect under circumstances specified therein, in particular following a breach of material terms and conditions of the

agreement and a further 7-day period indicated for remedying such breaches, restoring the status from before the breaches or presenting a plan of actions aimed at restoring such status if the defaulting party fails to do any of the foregoing. In the event of termination of the agreement new orders will not be processed, and the status of the hitherto existing orders will be determined by a separate agreement.

The agreement is being executed. Aero2 submitted 4 orders under which: (i) Aero2 agreed to acquire 227 base telecommunications stations and the system for handling HSPA+ /LTE subscribers built by IT Polpager (together with the purchase of appropriate carrying structures and supports as well as telecommunications and transmission equipment necessary to connect the above system to Aero2 infrastructure), (ii) Aero2 contracted IT Polpager to start up and then further develop transmission (backbone and regional) networks along with any related works (including the development of the concept for the transmission network, other preparatory works, selection of suppliers, network optimisation and measurement processes) as well as to carry out the migration of GSM1800 systems to LTE1800 or additional installations of systems/devices required to run LTE1800 and to add MIMO to HSPA+ on base stations. The total value of these orders is approximately PLN 162.5 m net.

IT Polpager made an assignment of its receivables from Aero2 under the order made in accordance with the above agreement for the benefit of INVEST-BANK S.A. with its registered office in Warsaw.

Agreement with IT Polpager for the maintenance of the telecommunications network

The agreement for the maintenance of the telecommunications network entered into on 1 July 2011 by and between Aero2 and IT Polpager applies to the provision of services by IT Polpager to Aero2 in the following areas: network maintenance, services, specific control of invoices, purchase and storage of spare parts, monitoring the network continuity. The agreement provides for the limitation of IT Polpager's liability to actual losses excluding Aero2 lost benefits however to no more than 2/3 of IT Polpager's margin or to the total amount of liquidated damages accrued by IT Polpager against its subcontractors provided that such limitation does not apply to liability arising from mandatory provisions of law, and in particular the liability for losses caused deliberately. The agreement stipulates a guaranteed rate of timely responses to errors in the operation of Aero2 network and a related mechanism to reduce IT Polpager's margin for subsequent hours of delay in repairing such error as against the established standard. The agreement was signed for the period until 31 December 2020. The Agreement may be terminated with immediate effect for cause as specifically referred to therein (breach, payment delays, liquidation of the business). The agreement is being executed. A flat monthly fee for the services amounts to PLN 782,731 per month. Considerations for third parties are passed through to Aero2 by IT Polpager together with its 5% margin.

Agreement on terms and conditions for the mutual use of the telecommunications infrastructure or telecommunications network components

On 30 November 2011 Aero2 and Sferia concluded the agreement on terms and conditions for the mutual use of the telecommunications infrastructure or telecommunications network components ("Agreement"). The agreement sets out the rights and obligations of the parties for their shared and mutual use of the Products and Services (i.e.: the set of Products (i.e.: base stations, antennas for GSM, CDMA, WCDMA /HSPA+, LTE systems, antenna circuits, auxiliary systems, radio and fibre optic links, transmission nodes, distribution points, voice CORE, data transmission CORE, HLR, VAS) and Services (i.e.: services related to the use of voice CORE, data transmission CORE, HLR, VAS, locations, leased lines, telecommunications transmission management system , radio modules as well as maintenance services, including 900 and 1800 network optimization), available to each party and needed in connection with the provision of telecommunications services by the given party for the efficient use of frequency resources held, and constitutes the entire understanding between the parties in that respect, superseding

any and all all prior written and oral agreements made between the parties relating to such rights and obligations of the parties. In addition, in the Agreement Sferia and Aero2 confirmed their previous settlements of the right for the mutual use of the telecommunications infrastructure as well as operating costs of such telecommunications infrastructure.

Pursuant to this Agreement in the case of Products or Services that are completed and the title to which was transferred by one party to the other, subject to the transferor retaining the right to continue using the Product or Services, the Agreement may not expire earlier than together with the expiration of the period for which the right to use the Product or Service is granted to the transferor but no longer than the period resulting from the administrative authority's decision under which the using party carries out telecommunications activities within the allocated frequency band. Accordingly, each of the parties will exercise best efforts appropriate for the professional nature of the services delivered so that the right to use the following components of Sferia base stations in 120 locations: facility together with equipment (container, cabling, ladders), support structure, power room and air conditioning as well as facility adaptation works, granted to Aero2 and corresponding components of Aero2 base stations in 229 locations granted to Sferia expire after at least the period of lease of respective locations. In the event when the right referred to above expires earlier than within 10 years, Sferia and Aero 2 agree to undertake any and all efforts in order to extend the period of lease of the given location for the period at least equal to 10 years. In the event when by fault of either Party, its negligence or lack of supervision, the lease for a particular location expires or is terminated by the lessor for such location, the party which loses the right to the location agrees to pay the other party liquidated damages equal to the value of the fees for the use of such location. The preceding sentence does not apply in the event when the Party which loses the right to the location provides at its own expenses an equivalent location permitting to deliver telecommunications services for the same area.

The Agreement stipulates also that either party is entitled to request liquidated damages from the other Party in the amount of PLN 10,000 in the even when such other Party commits a breach of confidentiality obligations specified therein.

Agreement and the letter of intent with Polkomtel

On 12 October 2011 Aero2 concluded a master cooperation agreement with Polkomtel for the provision of services using the telecommunications infrastructure ("Agreement"). This Agreement defines terms and conditions of cooperation between Polkomtel and Aero2 including the use by Aero2, to the extent set out therein, of the telecommunications infrastructure of Polkomtel and the delivery of services by Polkomtel to Aero2, based on the telecommunications infrastructure of Polkomtel, for purposes of Aero2 telecommunications activities (provision of wholesale and retail telecommunications services) using Aero2 frequencies (in the 900 MHz and 2600 MHz bands) and for purposes of Aero2 providing services to CenterNet and Mobyland for the construction and sharing of the telecommunications networks in order to use within such networks radio frequencies available to those entities.

Under the Agreement Polkomtel committed itself to the following services carried out for the benefit of Aero2:

- 1) leasing out to Aero2 the area on the base station of Polkomtel (SITE type service) to allow Aero2 to install its own radio signal transceivers together with devices for coupling radio signals for the use of the existing antenna track (i.e. waveguide or fibre cable connecting outputs of the a/m transceivers with transmitting antennas of the base station) or together with an additional antenna track or, optionally: antenna or radio line antenna track, transmission devices or fibre cable,

- 2) services giving Aero2 the possibility to deliver wholesale and retail telecommunications services using frequencies held by Aero2 (RAN type services) including:
 - a) creating and maintaining technical conditions for broadcasting radio signals from Aero2, CenterNet and Mobyland networks (jointly: "Group Networks") using multiradio type devices owned by Polkomtel,
 - b) transmission of Aero2 data through the Polkomtel's transmission network between Polkomtel devices and points of connection of the Group Networks with the Polkomtel network,
 - c) creating and maintaining technical conditions for the management over operation of the devices to the extent of their use for purposes of transmitting the Group Networks' radio signals and for Aero2 directing the traffic from a device controlling the operation of transceivers on the given base station.

provided that individual services are to be delivered by Polkomtel based on orders submitted by Aero2 and accepted by Polkomtel. Orders of Aero2, when accepted by Polkomtel, become an integral part of the Agreement.

In the event when Polkomtel intends to use the corresponding services such as the above using Aero 2 telecommunications infrastructure, then terms and conditions for the delivery of services of such kind by Aero2 will be not worse than the terms and conditions on which Polkomtel provides the foregoing services.

Fees (rent) due to Polkomtel will depend on the number of locations where services are provided and on the nature of such services, including the type and number of systems (technologies) used by Aero2 and also on investments, if any, of Polkomtel in the given location in association with the provision of services to Aero2. The Agreement also specifies fees payable to Polkomtel for its availability to deliver the services ordered. The fees are settled on a monthly basis.

The Agreement stipulates that following each breach of the confidentiality obligation, the defaulting party will pay, at the request of the other party, liquidated damages in the amount of PLN 100,000.

The Agreement was entered into for the period of 5 years and if at least a year before the expiration of its term none of the parties serves a notice on termination of the cooperation, then the Agreement is renewed for the subsequent period of 5 years. In the event when at least a year before the expiration of the a/m subsequent period of 5 years none of the parties serves a notice on termination of the cooperation, then the Agreement automatically transforms into the agreement concluded for an indefinite time, and after such transformation it may be terminated by either party with 12-month notice.

In the event when either party serves a notice on termination of the cooperation or termination of the Agreement, as stipulated above, then the parties, despite such expiration or termination of the Agreement, are committed to provide services and use the same until the expiration of final terms as specified in Aero2 orders accepted by Polkomtel. That does not apply to the expiration or termination of the Agreement under circumstances regulated below.

In the event when as a result of a final administrative decision or an unchallengeable court judgment Aero2 loses its frequency reservation which prevents a further cooperation between the parties for RAN type services, the Agreement may be terminated with immediate effect by either party. On termination of the Agreement, as provided for above, Polkomtel will cease to deliver all the services carried out under Aero2 orders. In such case Aero2 will be required to redress a loss incurred by Polkomtel following Aero2 failure to perform its obligation to ensure its continued use of Polkomtel services in such a way that Aero2

will pay to Polkomtel, at its request, an amount representing the sum of all the fees (rents) which would be payable under the Agreement and all the orders submitted thereunder by Aero2 and accepted thereunder by Polkomtel if the Agreement was valid until the end of the period which the parties agreed for the provision of services by Polkomtel under the Agreement and the a/m orders unless Aero2 demonstrates that the a/m circumstances that led to the termination of the Agreement are not caused by a culpable act or omission of Aero2. In the latter case Aero2 will be required to pay to Polkomtel the amount representing the difference between the value of expenditures and costs incurred by Aero2 for preparation and implementation of the Agreement in respect of all orders outstanding as at the date of termination, and the sum of all expenditures and costs covered by Aero2 in the fees (rents) paid to that date by Aero2 for services carried out under such orders.

In the event when as a result of a final administrative decision or an unchallengeable court judgment Aero2 loses its radio license or licences necessary for the use of RAN type services in different locations, the Agreement may be terminated, to the extent applicable to the locations for which such radio license or licenses was or were required, with immediate effect by either party. On such partial termination of the Agreement, as provided for above, Polkomtel will cease to deliver RAN type services carried out in the locations covered by the lost radio license or licences. In such case Aero2 will be required to redress a loss incurred by Polkomtel following Aero2 failure to perform its obligation to ensure its continued use of Polkomtel services in such a way that Aero2 will pay to Polkomtel, at its request, an amount representing the sum of all the fees (rents) which would be payable under the Agreement and Aero2 orders for which the Agreement is partially terminated unless Aero2 demonstrates that the a/m circumstances that led to the partial termination of the Agreement are not caused by a culpable act or omission of Aero2. In the latter case Aero2 will be required to pay to Polkomtel the amount representing the difference between the value of expenditures and costs incurred by Aero2 for preparation and implementation of the Agreement in respect of those orders for which the Agreement is partially terminated, and the sum of all expenditures and costs covered by Aero2 in the fees (rents) paid to that date by Aero2 for services carried out under such orders.

In the event when as a result of a final administrative decision or an unchallengeable court judgment Aero2 or CenterNet or Mobyland loses its radio license or licences necessary for the use of SITE type services in different locations, the Agreement may be terminated, to the extent applicable to the locations for which such radio license or licenses was or were required, with immediate effect by either party. On such partial termination of the Agreement, as provided for above, Polkomtel will cease to deliver SITE type services carried out in the locations covered by the lost radio license or licences.

Polkomtel is entitled to terminate the Agreement with immediate effect in the event when Aero2 for a period longer than 3 months defaults with the payment of any amounts due to Polkomtel if such overdue amounts equal or exceed PLN 2.5 m net, and Aero2 fails to pay the same despite being separately requested to do so within 7 days of the date of such call for payment. Such right of Aero2 may be exercised in relation to the whole or a part of the Agreement (in regard to certain locations). In such case Aero2 will be obliged to redress a loss incurred by Polkomtel and arising from such early termination of the Agreement (in the whole or in a part thereof) by paying to Polkomtel the amount constituting the sum of all the fees (rents) which would be due to Polkomtel if the Agreement was effective until the end of the period agreed by the parties for purposes of the provision of given services by Polkomtel.

Polkomtel is authorised to terminate the Agreement with two-month notice to the extent applicable to a single location or some locations in the event when due to reasons beyond control of Polkomtel to carry out the hitherto existing activities on such location(s) is no longer possible or entails obstacles difficult to overcome or becomes obviously economically impracticable. Prior to the partial termination of the Agreement under the circumstances referred to in the preceding sentence Polkomtel, as far as possible,

will propose to Aero2 to continue services to Aero2 in a new, comparable location where Polkomtel would continue the activities using its own frequencies. In such case the parties will determine whether these services will continue on the hitherto existing or new terms and conditions, as agreed by the parties. Aero2 will be entitled to terminate the Agreement with two-month notice, to the extent of a single location or some locations, in the event when due to reasons beyond control of Aero2 to carry out the hitherto existing activities on such location(s) is no longer possible or entails obstacles difficult to overcome or becomes obviously economically impracticable for Aero2 provided however that Aero2 in agreement with Polkomtel simultaneously with a notice on termination of the Agreement to the extent specified submits an order for services in locations comparable to the ones covered by such termination. Exercising such right by Aero2 may not lead to termination of the Agreement to the extent applicable to more than 2% of locations covered by the order in question. In the case of the termination of the Agreement under the circumstances referred to in the preceding paragraph Aero2 will be required to reimburse Polkomtel against the difference between the value of expenditures and costs incurred by Aero2 for the preparation and implementation of the Agreement to the extent of the orders covered by such partial termination and the sum of all the expenditures and costs covered by Aero2 in the fees (rents) paid to that date by Aero2 for services carried out under such orders.

On 12 October 2011 Aero2 submitted the first order under the Agreement for RAN type services for 456 locations. The aggregate monthly price for the service in all 456 locations, as specified in the a/m order, is PLN 2,553,600, payable in relation to individual locations starting from the date of Polkomtel's notice on its availability to deliver the services in the given location. The service is supposed to be provided for the given location for the period of 5 years from the date of Polkomtel's notice on its availability to deliver the services in such location. A deadline for Polkomtel's acceptance of such order was determined for 8 March 2012.

On 29 November 2011, in connection with the Agreement, Aero2 and Polkomtel signed the letter of intent in which they agreed that their mutual intention was to enter by 9 May 2012 into the comprehensive agreement for services for the use by Aero2 of the telecommunications infrastructure held by Polkomtel ("Agreement 2"), covering also the issues regulated by the Agreement. Moreover, in the letter of intent it was stipulated that with effect from 29 November 2011 Polkomtel would commence tests of RAN type services on the base stations referred to in Order 1 to the Agreement. The letter of intent was signed for the period no longer than by 9 May 2012 provided that it will be terminated upon execution of the Agreement 2 (the Agreement will be then automatically terminated too). The parties agreed that in respect of the services provided by Polkomtel during the term of the letter of intent (from the a/m date of its execution) the fees will be settled after entering into the Agreement 2.

At the beginning of January 2012 RAN type services were being delivered under the letter of intent in ca. 430 locations.

Roaming agreement with Polkomtel

The Agreement for wholesale telecommunications services signed on 1 December 2011 between Aero2 and Polkomtel permitting Aero2 to carry out activities voice and data transmission services in the area covered by Aero2 network to its end users. The Agreement is for the delivery of designated services by Polkomtel to Aero2 in the public mobile telecommunications network owned by Polkomtel under the GSM and UMTS standards. Detailed technical terms and conditions of cooperation are regulated in additional technical documents and annexes to the Agreement. The Agreement envisages the possibility for Aero2 to share the services delivered by Polkomtel with third parties under the MVNO/Service Provider model for purposes of such parties delivering their own telecommunications services to their own users provided that such sharing requires Polkomtel's consent. A further resale of the Polkomtel's

services following such sharing with third parties is not possible. As at the date of the Agreement Polkomtel expressed consent for Aero2 sharing the services with third parties designated in the Agreement, including in particular Mobyland, CenteNet, Polsat Cyfrowy, Sferia, IT Polpajer. Aero2, on the terms and conditions laid down in the Agreement, is liable for acts and omissions of the entities with which the Polkomtel's services are shared, constituting a non-performance or improper performance of the obligations in terms of defense, state security and public order and safety which are the responsibilities laid down in the annex to the Agreement. The Agreement provides for the Polkomtel's obligation to treat Aero2 end users not worse than its own users in terms of quality, failure detection, support and improvements to technical and operational quality of services. Aero2 represented in the Agreement that the actual share of Aero2 voice traffic in the Polkomtel's network routed under the Agreement in relation to the entire Aero2 voice traffic would be no less than 51% of the actual entire voice traffic of Aero2. This obligation is valid starting from the 7th month of the commercial launch of the Polkomtel's services under the Agreement.

In the Agreement the parties delimited the principal liability of the parties for redressing a loss except lost benefits in the event of non-performance or improper performance of the obligation specified in the Agreement unless such default is due to circumstances the party in question is not liable for. In addition, the Polkomtel's liability is limited up to the amount of the Polkomtel's fees for 12 months in the case of a loss during the first 12 months of the launch of the services, and during subsequent months, up to the fees for 12 months preceding a respective event constituting grounds for liability.

In the event when the Polkomtel's services are shared with a third party without the Polkomtel's consent, Aero2 will be required to pay liquidated damages in the amount of PLN 30,000 for each day of such sharing, and in the event of a further sharing of the Polkomtel's services by such third party, the amount of liquidated damages will be PLN 10,000 per day from the first day after the expiration of 4 months from receipt by Aero2 of the Polkomtel's request to refrain from such violations, PLN 20,000 per day from the first day after the expiration of 5 months from receipt by Aero2 of the Polkomtel's request to refrain from such violations, PLN 30,000 per day from the first day after the expiration of 6 months from receipt by Aero2 of the Polkomtel's request to refrain from such violations.

The Agreement also defines an algorithm for the calculation of liquidated damages payable by Polkomtel in the event when the Polkomtel's service are not available for Aero2 end users in the period when corresponding services are at the same time delivered to Polkomtel's users. This algorithm depends on the duration of such failure, the amount of the fees due to Polkomtel for the service in question and the volume of traffic on such service.

The Agreement is effective until terminated. The Agreement may be terminated with 6-month notice effective from the end of the billing period (calendar month) provided that during the period of 36 months of the date of the commercial launch of the service such termination is not possible. The parties envisaged the possibility to terminate the Agreement: (i) by mutual agreement of the parties, (ii) with immediate effect by Polkomtel: (a) in the event when Aero2 defaults by providing the actual level of voice traffic below the indicator set in the Agreement (51%), (b) in the case of payment delays, (c) in the event when a respective security collateral is not replenished up to its predetermined value, (iii) with 6-month notice by Polkomtel following an amendment to the terms and conditions for the provision of services for which Aero2 fails to express consent during negotiations preceding such amendment, (iv) with immediate effect by Aero2 in the event when minimum technical conditions for delivery of the service indicated in the Agreement are not provided.

Aero2 undertook to submit a security collateral in the form of a bank guarantee with the parameters agreed by the parties in an annex to the Agreement. The value of the security collateral may not in any

case be less than four times the highest monthly amounts due to Polkomtel for the last 4 billing periods (calendar months).

The commercial launch of the Polkomtel's services covered by the Agreement took place on 29 February 2012 (subsequent event).

Agreements entered into by CenterNet with entities from outside the Midas Group

Agreement with Polska Telefonia Cyfrowa

Following renegotiations of the Agreement on domestic roaming ("Roaming Agreement") concluded on 6 May 2009 with PTC, on 18 August 2011 CenterNet entered with PTC into another agreement ("Agreement") under which CenterNet and PTC determined that the the notice on withdrawal from the Roaming Agreement submitted by CenterNet in 2010 was declared void and ineffective. In addition, under the Agreement CenterNet and PTC introduced amendments to the Roaming Agreement, including in particular:

- 1) defining a new date for the entry into force of the new terms and conditions of the Roaming Agreement,
- 2) amending terms and conditions of exclusivity applicable to the parties to the Roaming Agreement (applicable to initiating cooperation with entities carrying out activities which are competitive in relation to the other party to the Roaming Agreement),
- 3) amending limitations of CenterNet's liability to PTC which was determined at the maximum level of the total liability for any and all losses incurred during the given calendar year in association with the Roaming Agreement regardless of legal grounds for such liability, up to PLN 10 m unless mandatory provisions of law stipulate otherwise,
- 4) removal of the provisions on liquidated damages from the Roaming Agreement,
- 5) amending the term of the Roaming Agreement so that from then on the term is indefinite and the period of notice which was set at 6 months.

In addition, the Agreement and relevant annexes introduced amendments to such other issues as terms and conditions for re-negotiating the Roaming Agreement, the rules of settlements under the Roaming Agreement as well as terms and conditions for securing claims under the Roaming Agreement by a respective bank guarantee. All the other material provisions of the Roaming Agreement remained unchanged. In the Agreement CenterNet and PTC also stated that under the Roaming Agreement they would continue their cooperation for PTC providing CenterNet with the possibility to carry out the obligations associated with transferability of CenterNet's users' numbers ("MNP") and to perform the tasks and responsibilities for defense, state security and public order and safety ("Lawful Interception"), hereinafter referred to as "MNP/LI Services".

Under the Agreement it was stipulated that the Agreement would enter into force under the following conditions:

- 1) CenterNet repays its current debts to PTC in the total amount of PLN 1,404,000,
- 2) CenterNet provides PTC with a new bank guarantee securing, on terms and conditions laid down by CenterNet and PTC, annual revenues of PTC for the further delivery of services in connection with the implementation of the Roaming Agreement and the a/m MNP/LI Services.

In addition, CenterNet and PTC established that the new terms and conditions of the Roaming Agreement and MNP/LI Services would enter into force on the first day of the month following the month in which both the above described conditions were satisfied. The estimated value of the Roaming Agreement in the period of 5 years is PLN 10,600,000 net. In performance of the Agreement on 23 August 2011 CenterNet paid to PTC PLN 1,404,000 and on 31 August 2011 it provided the new bank guarantee securing, on the terms and conditions laid down by CenterNet and PTC, annual revenues of PTC for the further delivery of services in connection with the implementation of the Roaming Agreement and MNP/LI Services. Thus, both the conditions for the Agreement becoming effective were satisfied.

Agreement with Comarch

On 25 January 2011 CenterNet and Comarch S.A. ("Comarch") concluded the agreement on changes to the hitherto existing cooperation and on settlement of mutual claims ("Agreement") of the parties to the Agreement on implementation and maintenance of the system for customer service and for settlements with the partners of 15 December 2008 ("Implementation and Maintenance Agreement"). The Implementation and Maintenance Agreement refers to the cooperation for the implementation of IT systems, and then delivery by Comarch of access and maintenance services for the a/m systems for CenterNet. The Implementation and Maintenance Agreement was signed for the period of 5 years. Under the Agreement CenterNet acknowledged Comarch's cash claims in the amount of PLN 4,176,098.06 gross including statutory interest and agreed to repay the amount of PLN 2,684,000 gross in four instalments by 30 September 2011. On the date of repayment of the last instalment Comarch will grant to CenterNet a rebate for any outstanding amount (i.e. PLN 1,492,098.06 gross), waive any accruals and calls for payment of interest and grant to CenterNet a license for Comarch Billing System, Comarch Billing Mediation, Comarch Service Provisioning, Comarch Customer Relationship Management, Comarch BPM, Comarch CDN XL, Comarch InterPartner Billing software for PLN 200,000 net. Before the team of CenterNet administrators takes over the current handling of the system for customer service and settlements of subscribers and partners Comarch will provide technical assistance services in exchange for separate monthly fees. Comarch is also obliged to perform works referred to in the exit proposal constituting the annex to the Agreement including holding training for CenterNet's employees. When the works indicated in the previous sentence are completed and the fees specified in the Agreement or in the Implementation and Maintenance Agreement are paid (whichever is later) the Implementation and Maintenance Agreement will be terminated. At the same time the parties agreed to take all steps required for the conclusion of a new agreement by 1 April 2011. The new agreement is supposed to regulate terms and conditions for Comarch providing maintenance to CenterNet for IT systems delivered by Comarch. By the above date the parties failed to enter into such agreement, but at the end of 2011 negotiations in this regard were in progress.

Agreement with mLife

On 19 January 2011 mLife Sp. z o.o. ("mLife") and CenterNet concluded the agreement under which it was stipulated among others that mLife and CenterNet intended to determine the scope and financial terms and conditions of a new agreement for implementation of the IT system "mLife Intelligent Network Platforms" (replacing the agreement for implementation of the IT system "mLife Intelligent Network platforms" concluded on 14 May 2009 and terminated by CenterNet in 2010). Such new agreement was entered into on 2 September 2011, the estimated value thereof is PLN 216,000 net per year and the agreement was signed for an indefinite period. In addition, under the first of the aforementioned agreements CenterNet promised to repay claims of mLife under contracts concluded with mLife, totalling PLN 1,600,000 in accordance with the schedule set out in the first of the above agreements, i.e. by 30 September 2011 in equal monthly instalments, and CenterNet actually made the repayment. In the case of

the repayment of the claim by CenterNet, mLife agreed not to accrue and not to demand interest on its claims. After the repayment of the last amount under the schedule mLife transferred on a non-exclusive basis, irrevocably and definitively to CenterNet copyrights to and title to source codes of the software used by CenterNet for purposes of the application "mLife Intelligent Network Platforms". Until then, CenterNet had the right to test the solutions to such extent using the foregoing codes. CenterNet is authorised to develop, duplicate, change and modify products based on such source codes, itself or through third parties, for purposes of the development of telecommunications services of CenterNet. Regardless of the services for the implementation of the IT system "mLife Intelligent Network Platforms", CenterNet undertook to contract mLife for the implementation, against payment, of other services in the period of subsequent 12 months for a total value of not less than PLN 200,000 net. In the event when CenterNet was late with the payments scheduled, mLife was entitled to terminate the agreement with immediate effect provided that a prior written notice is served on CenterNet and the additional period of no more than 7 days was indicated to settle the late amount. In the event of termination by mLife, CenterNet would be required to make a single payment of the entire outstanding amount of the claim.

Agreement with Huawei

On 9 June 2011 CenterNet entered with Huawei Poland Sp. z o.o. ("Huawei") into the agreement ("Agreement") to the Framework Agreement concluded on 25 June 2009. In the Agreement CenterNet undertook to pay to Huawei PLN 9,453,624.46 net to discharge all Huawei's claims existing as at the date of the Agreement and arising from the Framework Agreement and from delivery orders submitted on the basis thereof. The payment of the amount referred to in the previous sentence should be made in two instalments ("Instalments"), whereby: (a) the first instalment, amounting to PLN 2,500,000 net was to be paid by 30 June 2011; (b) the second instalment, equal to PLN 6,953,624.46 net should be paid by 15 December 2011. In the event when within 7 days of the date of the Agreement a respective order for migration of the network infrastructure is not signed or CenterNet fails to timely pay any of the Instalments, the Agreement was supposed to be declared void and non-existent. The Agreement does not exclude CenterNet's rights to submit subsequent orders on the terms and conditions laid down in the Framework Agreement. The Agreement does not incorporate any provisions on liquidated damages. By the dates specified in the Agreement CenterNet paid both Instalments to Huawei and submitted the relevant order for the migration of the network infrastructure.

Agreements with Fujitsu and Oracle

On 31 May 2011 CenterNet and Fujitsu Technology Solutions Sp. z o.o. ("Fujitsu") concluded the Agreement for the implementation of Intelligent Network/Online Charging System Solution ("Agreement"). The Agreement is for delivery of equipment based on a respective order submitted by CenterNet and for implementation of the a/m system by Fujitsu in stages specified in detail therein. Under the Agreement Fujitsu provides the installation of test and production environments, configuration of the hardware and software infrastructure in accordance with approved functional requirements, supply of the as-built documentation and training sessions against fees separately agreed. Individual stages of the project (preparation (I), implementation (II), acceptance tests (III), stability period (IV)) will be acknowledged in delivery reports signed by the parties to the Agreement. The parties agreed that a production use of the system (implementation, handling and processing of real data) might take place after the stage III. For performance of the Agreement CenterNet will be obliged to pay the fees in the amount of PLN 451,000 in parts corresponding to the individual stages. As a part of the fees for individual stages Fujitsu will grant to CenterNet a non-transferable license unlimited in terms of time and location to use Fujitsu's own documentation and software. The liability of Fujitsu under the Agreement was limited to actual losses incurred by CenterNet without considering any lost benefits. The total liability of Fujitsu for

liability in contract or in tort is limited to 80% of the fees per single event occurring during performance of the Agreement and for any losses incurred during performance of the Agreement to 80% of the fees under the Agreement. In the event of any delay in performance of the Agreement attributable to Fujitsu, as the parties to the Agreement determined, Fujitsu would be obliged to pay liquidated damages in the amount of 0.5% of the fees for each stage for each day of delay provided that the liquidated damages are capped to 10% of the fees under the Agreement. Under the Agreement CenterNet submitted the order for delivery of the hardware platform, OCNCC software and database for the total value of PLN 1,048,527 net.

In connection with the orders, on 31 May 2011 CenterNet signed with Oracle Polska Sp. z o.o. ("Oracle") instalment payment agreements providing for instalment-based repayment of the designated value of the order (by 30 May 2011, 1 August 2011, 20 October 2011, 20 January 2012) and the license and Oracle service agreement PL_OLSA_V051111.

The license and Oracle service agreement PL_OLSA_V051111 was concluded by CenterNet on 31 May 2011 with Oracle. The agreement is for a Full Use type perpetual Oracle license as a part of the sublicense held by Fujitsu including the following software: Oracle Database Enterprise Edition, Oracle Partitioning Option, Oracle Database Standard Edition One, Oracle Communications Prepaid Charging for Prepaid Voices, Oracle Communications Prepaid Charging for SMS, Oracle Communications Prepaid Charging for Data, Oracle Communications USSD Self Care, Oracle Communications SMS Self Care, Oracle Communications Data Control Agent for Diameter, Oracle Communications Control Plan Editor for Prepaid Charging, Oracle Communications Recharge and Voucher Management, Oracle Communications Voice Control Agent for INAP/CAP, Oracle Communications Messaging Control Agent for Map, Oracle Communications Messaging Control Agent for SMPP, Oracle Communications Subscriber Profile Management). The agreement stipulates standard terms and conditions for granting licenses and services by Oracle in connection with the a/m software.

Agreements entered into by Mobyland with entities from outside the Midas Group

Letter of intent with Polkomtel

On 29 November 2011 Mobyland signed a letter of intent ("Letter of Intent") with Polkomtel. The purpose of the letter of intent is to define terms and conditions of cooperation between the parties in determining details concerning the provision of wholesale wireless data transmission services in the network used by Mobyland, in the 900 MHz band and HSPA + technology and in the 1800 MHz band and LTE technology ("Data Transmission Services").

After signing the Letter of Intent, for the period of its term, working teams of Mobyland and Polkomtel will make arrangements for temporary and target technical and operating details of the cooperation between the parties. In accordance with the provisions of the Letter of Intent Mobyland is obliged to provide Polkomtel, with effect from the date of the Letter of Intent, with the Data Transmission Services.

The Letter of Intent was signed for the period until 9 March 2012. To this date, the parties to the Letter of Intent undertook to negotiate, in good faith, in order to establish a target model and target terms and conditions of cooperation for Mobyland providing Polkomtel with access to the network used by Mobyland, and to make every effort to conclude an agreement for wholesale purchase by Polkomtel of the Data Transmission Services delivered by Mobyland ("Agreement"). In addition, before signing the Agreement, an independent auditor's opinion will be obtained as to its fairness and market terms (the so-called fairness opinion). In the event when Mobyland and Polkomtel enter into the Agreement, the Letter of Intent will expire on the date of such Agreement.

The parties also agreed that the financial terms and conditions of cooperation for implementation of the Letter of Intent would be included in the Agreement. Settlements for the use of the Data Transmission Services, during the term of the Letter of Intent, will be made after the conclusion of the Agreement on terms and conditions laid down therein. The Letter of Intent includes provisions on liquidated damages applicable to each of the parties in any case of violation of the obligation of confidentiality following which the confidential information, as defined in the provisions of the Letter of Intent, is revealed to any unauthorised persons. The defaulting party will be obliged, at the request of the other party, to pay liquidated damages to the other party in the amount of PLN 100,000 provided that such other party retains the right to claim damages from the defaulting party in the amount exceeding the contractual liquidated damages.

The Letter of Intent may be terminated: (i) by mutual agreement of the parties, or (ii) by a unilateral declaration of will in the case when a final decision of the President of UKE repealing decisions on reservation of frequencies in the 1800 MHz or 900 MHz band or amending any of the reservations of frequencies separately or both in a manner that prevents or limits Mobyland in performance of the Letter of Intent, or (iii) by either party in the event of a material breach of the terms and conditions of the Letter of Intent with at least 30-day notice in writing.

On 9 March 2012 (subsequent event), in performance of the provisions of the Letter of Intent, Mobyland signed with Polkomtel the agreement for the provision of wholesale telecommunications services. A description of the provisions of the agreement, referred to in the preceding sentence, was included in section 5.2 of this report.

2.4.2 Essential transactions with related parties contracted not on an arm's length basis

Midas Group did not enter into any essential transactions with related parties contracted not on an arm's length basis.

2.4.3 Contracted and terminated credit and loan agreements

Agreements entered into by the Fund

Loan agreements with Nova

In 2011 the Fund entered into three loan agreements with Nova with a total value of PLN 4,950,000. The agreements referred to in the preceding sentence were signed when Nova was out of the Midas Group. The loans bear interest at 5% per annum. The a/m loans mature on 31 December 2012. The loans are secured by blank promissory notes. The agreements do not provide for any liquidated damages. Other terms and conditions of the agreements do not differ from those commonly used in agreements of such type.

Loan agreement with Aero2

In 2011 the Fund entered into a loan agreement with Aero2 for PLN 175,000. The loan bore interest at 5% per annum. The a/m loan matured on 31 December 2011. The loan was secured by blank promissory notes. The agreements did not provide for any liquidated damages. Other terms and conditions of the agreements did not differ from those commonly used in agreements of such type. The loan was repaid by the Fund prior to the a/m maturity date.

Agreements entered into by CenterNet

Loan agreement with Alior Bank

On 19 April 2011 CenterNet signed with Alior Bank the revolving loan agreement ("Agreement"). The loan amount is PLN 17,500,000 and in accordance with the Agreement the loan was intended to finance current activities of CenterNet. The loan term was the period until 18 July 2011 but that the Agreement stipulated the option to extend the term by subsequent three months at the written request of CenterNet provided that a respective commission is paid on the amount of such extended loan. A variable interest rate on the loan was equal, per annum, to WIBOR 1M plus the bank's margin equal to 4.5 percentage points. The loan was secured through the block of Cyfrowy Polsat shares recorded on the securities account, established by Polaris Finance B.V. In performance of the Agreement CenterNet, under its request to draw from the loan, used the entire amount of the loan, i.e. PLN 17,500,000 provided that in accordance with the Agreement in the event of the repayment of the whole or a part of the loan before the end of the term of the loan, the amount of the loan could be renewed and could be repeatedly used. The loan was repaid by CenterNet in its entirety by the a/m date.

Loan agreements with Aero2

In January 2011 CenterNet signed with Aero2 two loan agreements totalling PLN 2,300,000. The loan bears interest at 5% per annum. The a/m loans mature on 31 December 2012. The loans are secured by blank promissory notes. The Agreement does not provide for any liquidated damages. Other terms and conditions of the agreements do not differ from those commonly used in agreements of such type.

2.4.4 Loans and sureties granted and sureties and guarantees received

Loan agreement with CenterNet

On 18 July 2011 the Fund, on the basis of a respective agreement, granted a loan to CenterNet in the amount of PLN 21,500,000. The loan bears interest at WIBOR 1M + 3 percentage points per annum. The maturity date, as specified in the agreement, falls on 30 June 2012. As the Fund incurred expenses in association with the issue of series MID0612.1 registered papers (referred to in section 2.4.1 of this report), CenterNet undertook in the Agreement to reimburse the Fund against a part of such expenses, in the amount of PLN 107,500 within 1 month of the date of payment of the above loan amount. The loan was secured by a blank promissory note. The Agreement does not provide for any liquidated damages. Other terms and conditions of the Agreement do not differ from those commonly used in agreements of such type.

Loan agreement with Aero2

In December 2011 the Fund, on the basis of a respective agreement, granted a loan to Aero2 in the total amount of PLN 19,000,000. The loan bears interest at WIBOR 1M + 3% per annum. The a/m loans mature on 29 June 2012. The loan was secured by a blank promissory note. The Agreement does not provide for any liquidated damages. Other terms and conditions of the Agreement do not differ from those commonly used in agreements of such type.

2.5 Employment data

The following table shows the number of employees (FTE) employed in the Midas Group under employment contracts and those cooperating with the Midas Group based on civil law contracts by employees of individual entities from the Midas Group as at 31 December 2011 and 31 December 2010

Employer entity from the Midas Group	31 December 2011	31 December 2010
NFI Midas	3.58	2
CenterNet	17.7	11.1
Mobyland	1.4	-
Aero2	23.2	-
Nova	0.25	-
Daycon	0	-
Total	46.13	13.1

2.6 Development of the Midas Group

2.6.1 Description of its development direction policy

The main business purpose of the Fund, as stated in its strategy updated on 19 September 2011, is to be the most modern broadband Internet access operator in Poland based on LTE/HSPA+ technologies, with its own technical telecommunications infrastructure which in combination with a unique market position held by Midas Group among others thanks to an effective combination of 1800 MHz frequencies, will contribute to real opportunities in terms of further development and strengthening of the Midas Group's market position, and thus will create value for the shareholders of the Fund.

After Aero2 acquisition in December 2011, Midas Group has different assets: unique resources including 900 MHz, 1800 MHz and 2600 MHz frequencies together with telecommunications infrastructure allowing to provide services based on HSPA + and LTE technologies. In the Issuer's opinion within the next 2-3 years Midas Group will have a significant competitive advantage over other operators active on the Polish market of broadband Internet based on LTE/HSPA + technologies. Individual competitive operators, according to the issuer, do not currently have sufficient resources and adequate technical infrastructure to provide broadband Internet services based on LTE technology with quality comparable to the one offered by Midas Group.

The Issuer expects that within 2-3 years, at the earliest, operators on the Polish market may be able to build necessary infrastructure and to acquire or get necessary frequency resources allowing for the provision of services based on LTE technology. Based on press releases, the Issuer estimates that competitive market operators, PTC and PTK Centertel, which began sharing the telecommunications network, expect that a common network will be fully operational in 2014.

Following the implementation of the strategy, Midas Group as the first operator in Poland provides telecommunication services based on LTE/HSPA + technologies which today (due to restrictions associated with subscriber terminals currently available) allows for radio data transmission at maximum download speeds of up to 100 Mb/s and maximum upload speeds of up to 50 Mb/s. Trends in the area of further development of Internet services, perceivable on other markets, constitute a confirmation of justifiability of investments in the development of advanced technologies.

The strategy adopted by the Fund is implemented through:

- 1) Acquisitions of telecommunications assets holding frequencies or new concessions for frequencies necessary to pursue the strategy.

- 2) Construction of a nationwide telecommunications network based on HSPA + and LTE technologies. Ultimately, the Midas Group plans to use circa 4,800 LTE-technology base stations of which circa 4,600 will support HSPA + technology too.
- 3) Wholesale sale of high quality telecommunications services, in particular Internet access, to retail operators with their own large customer bases.
- 4) Implementation of a cost-effective business model through:
 - a. outsourcing services to be the best providers of services in terms of price-to-quality ratio,
 - b. maintenance agreements with infrastructure suppliers generating the lowest costs,
 - c. use of synergies within the Midas Group,
 - d. building a flat and flexible goal-oriented organisational structure.

One of the steps required when implementing the strategy, in terms of acquisitions of telecommunications assets, is the acquisition of the hitherto existing business partner and trusted counterpart – Aero2. As a part of the strategy, the Fund entered into the agreement, as referred to in section 2.4.1 of this report, under which it acquired 100% of shares in Conpidon, holding 100% of shares in Aero2.

A business rationale for the above investment lies in the possibility to produce synergies within the Midas Group resulting from a unique nature of assets held by Aero2. This entity is the owner of 900 MHz and 2600 MHz frequencies allowing to offer broadband mobile Internet services based on HSPA + and LTE technologies. In addition, Aero2 has a modern telecommunications network including among others: (i) approximately 640 base stations used by Midas Group and operating based on HSPA + technology of which circa 615 support LTE too, and (ii) approximately 430 base stations operating based on HSPA + technology in the frequency band owned by Aero2, incorporated into the telecommunications network used by Midas Group in cooperation with Polkomtel under the letter of intent referred to in section 2.4.1 of this report. Thanks to such cooperation with Polkomtel for a joint use of the telecommunications infrastructure, there is a possibility for a further expansion of the telecommunications network carried out at lower costs of such expansion compared to an independent development of this network as well as relatively faster than when pursuing such independent development activities. Ultimately, within up to 3 years, Midas Group intends to reach the number of base stations providing a coverage of above 90% of the population based on HSPA + technology, and about 70% of the population based on LTE technology.

The telecommunications network of the Midas Group will further developed as a part of two projects - Project 700 and Project 4100. Project 700 relates to the further development of the telecommunications network of the Midas Group so that, together with the hitherto existing ca. 640 base stations other than the ones connected to the network of the Midas Group on the basis of cooperation with Polkomtel, to reach about 700 base stations (i.e. to commission ca. 60 new base stations). As a part of those investments: (i) new base stations will be commissioned in selected locations all over Poland and used to provide the signal to mobile Internet end users as well as (ii) Aero2 will acquire the telecommunications infrastructure components making up base stations already existing but not being owned by Aero2.

A separate project for the further development of the Midas Group's telecommunications network is Project 4100 for connecting to the telecommunications network used by Midas Group in aggregate about 4,100 base stations operating eventually under LTE technology (provided that 3,900 will also support HSPA + technology) based on the cooperation with Polkomtel under the letter of intent and the agreements referred to in section 2.4.1 of this report. Those stations will be commissioned on the basis of

existing Polkomtel's base stations through their appropriate modifications permitting their operation under LTE and HSPA + technologies in the range of frequencies held by the Midas Group. Thus the telecommunications network of the Group was already expanded by ca. 430 base stations operating under HSPA + technology.

Any costs associated with the implementation of the projects 700 and 4100 will be financed by proceeds from the issue of D class shares and by other sources of financing, such as bank loans, issues of bonds or debt papers or it is also considered to use vendor financing which would be arranged by the supplier of respective devices making up the telecommunications network under construction, for example Huawei Polska (the letter of intent for such vendor financing, as referred to above, was described in section 2.4.1 of this report), and partly based on its own operating cash flows. A final amount and structure of capital required to be raised will depend on talks currently conducted by the Issuer with potential partners with whom it could jointly build the network and potential suppliers of capital and on the value of funding obtained through the issue of D class shares. The Issuer estimates that over the next 12 months its capital needs related to the further development of infrastructure under projects 700 and 4100 may range in aggregate from ca. PLN 300,000,000 net to ca. PLN 400,000,000 net (depending on whether the Midas Group will carry out development works on its own or whether it uses electronic infrastructure belonging to Polkomtel – transmission, multiradio type base stations, etc.) of which from the issue of D class shares ca. PLN 254,988,000 is intended to be appropriated for that purpose provided that PLN 50,000,000 was already temporarily sourced from the issue of debt papers subscribed for by Alior Bank (the issue completed in December 2011, as described in section 2.4.1 of this report and the issue completed in February 2012, as described in section 5.2 of this report) and then the Fund will repay such debt papers using proceeds from the issue of D class shares.

The Issuer estimates that the total funding necessary for the implementation of Midas Group's development strategy can reach ca. PLN 1.85 bn net of which PLN 548,000,000 will cover the price for the acquisition of Aero2. Any remaining balance will be expended to cover costs associated with pursuing the projects 700 and 4100.

Besides reasons enumerated above, the Fund seeks the following further benefits for Midas Group brought by the implementation of its updated strategy:

- 1) the above-mentioned time and technology advantage over the rest of the LTE operators,
- 2) cost synergies,
- 3) no need to invest in additional frequencies,
- 4) economies of scale in business negotiations,
- 5) acquiring its own telecommunications network,
- 6) creating a comprehensive offer for wholesale data transmission sales.

Mr. Zygmunt Solorz-Żak exercising control over the Issuer notified the latter that it intended to consider in the future a combination of Midas Group's and Polkomtel's operating activities if it is consistent with the obligations of Polkomtel or Midas Group under loans, debt instruments or other agreements. Polkomtel or Midas Group is then a party to as well as taking into account then prevailing internal or external economic, business and commercial conditions. The Issuer cannot assure whether, when, on what terms and conditions and in what form such a combination of activities will actually take place.

2.6.2 Midas Group's development prospects

According to the Management Board of the Issuer, by the end of 2012 the following events may have a significant impact on the development prospects of the Midas Group:

- 1) Mobyland entering with Polkomtel in the agreement for wireless data transmission services under LTE and HSPA+ technologies in connection with the letter of intent referred to in section 2.4.1 of this report which the agreement sets out, in particular, terms and conditions for settlements of the a/m services delivered by Mobyland to Polkomtel during the term of the letter of intent as well as during the period of commercial provision of the services by Mobyland to Polkomtel,
- 2) Aero2 entering with Polkomtel, in connection with the letter of intent referred to in section 2.4.1 of this report, into the agreement under which Aero2 will be able to use the Polkomtel's telecommunications infrastructure components or locations of such components which will permit Aero2 to further develop the telecommunications network and Polkomtel to accept orders placed by Aero2,
- 3) completion of detailed planning activities for HSPA +/LTE network on Polkomtel's infrastructure and thus determination to what extent Midas Group will be developing the network on its own, and to what extent it will use Polkomtel's electronic infrastructure (transmission, multiradio type base stations, etc. as well as to what extent such infrastructure is going to be used) which will affect demand Midas Group's needs for capital related to the extension of the infrastructure under projects 700 and 4100,
- 4) Midas Group obtaining financing for the implementation of the strategy, including for payment of the price for the acquired shares in Conpidon and for the expansion of the telecommunications network of Midas Group, in particular through the issue of D class shares and under debt financing, for example under vendor financing, if any, which may be arranged following the letter of intent signed by the Issuer with Huawei Polska, as described in section 2.4.1 of this report,

The Issuer also draws attention to the risk of loss of frequency reservations described in section 2.8.1 of this report.

Trends and projections for the telecommunications market, indicated by UKE in the document titled "Report on the condition of the telecommunications market in Poland in 2010" dated June 2011 should also be taken into account:

- 1) a quick development of the data transmission market, in particular mobile transmission services
- 2) a higher penetration of Internet access (as the segment of the telecommunications market), especially with the use of 3G modems.

These tendencies may have a direct impact on the activities of entities providing services in the retail segment of the telecommunications market and, eventually, indirectly on the prospects for the Midas Group, in particular in the longer term.

2.7 Evaluation of feasibility of investment plans

According to its strategy, the Midas Group intends to invest in telecommunications and IT projects, therefore significant negative cash flows could be expected in the years 2012-2014 for the projects being implemented by the Midas Group. Detailed information in this respect is presented in section 2.6.1 of this report. As at the date of this report, the Management Board does not see any threats to the feasibility of

its investment plans. However, the Management Board draw attention to the risk factors described in section 2.8 of this report.

2.8 Risks and threats

2.8.1 Risks related to the Midas Group's activities

Risk associated with the Midas Group's strategy

Midas Group pursues its operating strategy in the telecommunications industry. Given the high level of competition in that industry and the high degree of innovation among technologies offered, there is a risk that it may prove necessary to amend that strategy. For this reason, the Midas Group cannot guarantee that its strategic initiatives, and in particular the one concerning further development of the telecommunications infrastructure by Aero2, will bring positive results, or that, if they do not, there will be no negative impact on the operations of the Group or its financial position or results achieved.

Financing risk

Due to its strategy tightly connected with the telecommunications industry, Midas Group already incurs and will need to incur in the future significant investment expenditures relating to the continuation of its operations in that industry, in particular for further development of the telecommunications infrastructure by Aero2. In view of the above, the Midas Group must obtain additional funding from financial institutions, shareholders, business partners (e.g. through vendor financing solutions arranged under the letter of intent referred to in section 2.4.1 of this report) or other entities. The Midas Group cannot guarantee that such financing will be available under acceptable market conditions, or that it will be made available at all. In the case where it is not possible to find such financing, the Midas Group would have to significantly modify its plans for financing its strategy, and already started projects in particular. But even when such financing is actually obtained there is a risk of failure of the strategy and projects in progress, as described above. In the event when obtaining financing in required amounts is not possible, it will not be either practicable to pursue Midas Group's investment model for purposes of the further development of its telecommunications network, as described in section 2.6.1 of this report.

Competition risk

In the telecommunications services segment, the Midas Capital Group's main competitors are operators of mobile and landline telephony networks. Those operators may compete against the services currently offered by the Midas Capital Group or planned for the future, by means of pricing, scope and quality of services, as well as additional services. Nor can it be ruled out that new operators of mobile and landline telephony networks may appear which will also compete against the Midas Capital Group.

The competitors of the Midas Group, PTC and PTK Centertel Sp. z o.o., might work together on the optimisation and upgrading of the telecommunications infrastructure which could result in the allocation of a part of frequencies for mobile broadband Internet services and commencement of the construction of an adequate network. The Issuer believes that these entities need about 2-3 years to produce effects of such cooperation. However it is possible that such effects will materialise earlier. There is the risk that reaching the assumed effects of cooperation by such entities will allow them to compete with the Midas Group or customers of the Midas Group also in terms of the provision of the telecommunications services using LTE and HSPA + technologies which will adversely affect the competitive position of the Midas Group customers.

Such circumstances may have a significant negative impact on the operations and financial results of the Midas Capital Group.

Technological risk

The telecommunications sector is an area of rapid technological changes. In designing and building its networks and IT systems, the Midas Capital Group employs the latest technological solutions, including HSPA+ and LTE technologies. However, it cannot be predicted what effect technological changes in the field of mobile telephony, wireless transmission, internet voice communication protocol or telephony using cable television may have on the operations of the Midas Capital Group. Even if the Midas Capital Group manages to adapt its operations to such technological changes, there is no guarantee that new market players will not appear which, using such technological changes, may be more competitive than the Midas Group, or that current market players will not make better use of the opportunities new technological solutions bring.

In addition, the following also exist: the risk of delays in constructing the radio (transmission-reception) network, in particular in connection with the risk of delays in the licensing process (obtaining radio licenses), the risk of a lack of continuity of service in the networks Aero2, CenterNet and Mobyland use in providing services (disruptions in network operation caused, for example, by equipment malfunctions or human error).

Such circumstances may have a significant negative impact on the operations and financial results of the Midas Capital Group.

Risk of departure of key management personnel and the difficulty in recruiting new qualified supervisory personnel

The operations of the Midas Capital Group are dependent on the quality of the work of its employees and management. The Management Board of the Issuer cannot guarantee that the possible departure of some managers or the possible inability to find personnel having appropriate knowledge and experience in managing and operations will not have a negative impact on the operations, financial position and results of the Midas Group. Such circumstances may arise, in particular, as a result of a departure caused by a conflict of interests.

Changes in the composition of managerial staff may disrupt the operations of the Midas Capital Group or have a significant negative impact on the operations and financial results of the Midas Capital Group.

Risk of large suppliers

The Midas Group's operations are based on collaboration with suppliers of infrastructure and goods, including for the further development and maintenance of the telecommunications networks: LTE network in the 1800 MHz band, HSPA+ network in the 900 MHz band and TD-LTE network in the 2600 MHz band. A termination of the cooperation with significant suppliers, non-performance or improper performance of the suppliers' obligations to the Midas Group as well as the lack of possibility to sign agreements with the suppliers to the extent necessary in order to pursue the Midas Group's strategy, including a resulting lack of adequate infrastructure and, ultimately, the lack of the network capacity (including adequate network capacity in the given location), might result in the inability or limited ability of Aero2, CenterNet or Mobyland to provide telecommunications operator's services and the non-compliance with the requirements associated with the frequency reservations, and as a consequence might have a significant adverse effect on the Midas Group's operating activities and financial results.

Customer risk

The Midas Capital Group provides wholesale services of selling broadband mobile Internet access. The risk exists that the Midas Capital Group will not obtain enough customers to guarantee the purchase of its

network capacity, while at the same time the Midas Capital Group incurs fixed costs in connection with maintaining the possibility of providing such services, and this may have a significant negative impact on the operations and financial results of the Midas Capital Group.

There is also the risk of the Midas Group losing existing customers who, in particular, may: terminate agreements under which the Midas Group provides or will provide services to them, in particular by giving notice, or not enter into any subsequent agreements or not place any further orders under master agreements.

Such loss of customers could have a material adverse effect on the operations and financial results of the Midas Group.

There is also the risk that key customers will aim at leveraging their position (of key customers) in relation to the Midas Group and will negotiate in the future a reduction in prices for purchased capacities or amendments to terms and conditions of settlements against expectations of the Midas Group. In the event when the Midas Group is not able to sell capacities on the market to other customers, the outcome of such negotiations could largely adversely affect operations and financial performance of the Midas Group.

Risk of loss of frequency reservations

CenterNet and Mobyland, each individually, holds frequency reservations, 9.8 MHz each, whereas Aero2 holds frequency reservations in the 2570 MHz - 2620 MHz and 5 MHz ranges in the 900 MHz band. Aero2, CenterNet or Mobyland losing their frequency reservations will result in the inability by respectively Aero2, CenterNet or Mobyland to provide the telecommunications operator's services, including in particular the inability to deliver LTE technology-based services requiring the use of both frequencies owned by CenterNet and Mobyland or the inability to deliver TD-LTE or HSPA+ technology-based services requiring the use of frequencies owned by Aero2, and ultimately will materially adversely affect the operations and financial performance of the Midas Group.

The loss of frequency reservations by CenterNet or Mobyland may be caused in particular by: (i) the judgment of the Voivodship Administrative Court in Warsaw of 11 February 2011 repealing in the whole the decision of the President of UKE on frequency reservation for CenterNet and Mobyland becoming final (ii) repealing or modification of the a/m decision following a reopening of the administrative proceedings for granting frequency reservations ended by the Reservation Decision 1 being issued following the invalidation of the tender for frequencies reserved to CenterNet and Mobyland. Information on pending court and administrative proceedings related to the decisions on frequency reservations for CenterNet and Mobyland (by way of the Reservation Decision 1 and Reservation Decision 2) and related to the a/m invalidation of the tender, its subsequent outcome and CenterNet and Mobyland's application for frequency reservations is included in section 5.1 of this report.

The loss of frequency reservations by Aero2 may result in particular from: (i) court and administrative proceedings related to the decision under which the frequencies were reserved to Aero2 or tenders for the given frequency, as referred to in section 5.1 to this report, or (ii) Aero2's default under the obligations specified in such decisions and committed by Aero2 as a part of the tenders for such frequencies.

In the event when following the loss by CenterNet and Mobyland or by Aero2 of the frequency reservations a new decision is issued in relation to such frequency reservations there is the risk that one or both such frequencies are reserved to an entity or entities other than the Group's entity or entities which previously held the given frequency reservation.

In the case of the loss of the frequency reservations, there is also the risk that the entities from the Midas Capital Group will not obtain compensation (reimbursement of expenses incurred and lost benefits) from the State Treasury. Moreover, any compensation eventually obtained from the State Treasury may not fully cover the expenses incurred or benefits lost. A possible action against the State Treasury may be a long-term and complex one.

Risk of no subsidy from PARP (Polish Agency for Enterprise Development)

Aero2, under the agreement entered into in 2009 obtained the right to be subsidised from the funds of PARP, for up to PLN 39,998,000 for the project of development of the telecommunications network in the Subcarpathian Voivodship. To obtain such subsidy requires satisfying a number of conditions specified in the a/m agreement, including in particular the eligibility of Aero2 expenses to the extent of which subsidies might be granted as well as Aero2 obligations related to applying for such subsidies. A failure to comply with one or more such conditions may lead to being subsidised up to an amount lower than the a/m maximum limit or to losing the right thereto and the need to reimburse a part or the whole subsidy received. Such circumstances will have a material adverse effect on financial results of the Midas Group.

Risk associated with the agreement between Aero2 and PTK Centertel

Aero2 holds talks with PTK Centertel for the reduction of additional charges in the amount of ca. PLN 2,594,000 net due to PTK Centertel under the agreement signed in 2009 related to the use, to the extent much reduced than previously expected, of locations made available by PTK Centertel. Aero2 received an invoice issued by PTK Centertel for the full a/m amount. A renegotiation failure will have a material adverse effect on financial results of the Midas Group.

In addition, there is the risk of termination of the a/m agreement by PTK Centertel. As at the end of 2011 under such agreement Aero2 was leasing from PTK Centertel 130 locations for the base stations. A termination of the cooperation with PTK Centertel to that extent and the loss of the possibility to use such locations in connection with a resulting lack of adequate infrastructure and, ultimately, the lack of the network capacity (including adequate network capacity in the given location), might result in the inability or limited ability of Aero2, CenterNet or Mobyland to provide telecommunications operator's services and the non-compliance with the requirements associated with the frequency reservations, and as a consequence might have a significant adverse effect on the Midas Group's operating activities and financial results.

In the event of the termination of such agreement there is also the risk of a dispute between Aero2 and PTK Centertel as regards the fees due to PTK Centertel for its delivery to Aero2 of the services referred to in that agreement or concerning damages, if any, owed to PTK Centertel in connection with such agreement, in particular in connection with its non-performance or improper performance by Aero2. That might have a material adverse effect on financial results of the Midas Group.

Risk of reduced performance of the telecommunications network in the border zone along the Eastern border of Poland

The Midas Group's telecommunications network is built nationwide based on Aero2 infrastructure. It is the result of the needs for optimal coverage by the Midas Group's services of the most potential end users for services of entities using wholesale telecommunications services delivered by the Midas Group as well as of the obligation as to the so called territorial or population coverage for the 900 MHz and 2600 MHz frequencies held by Aero2 and for the 1800 MHz frequency held by CenterNet and Mobyland.

During the further development of the telecommunications infrastructure by Aero2 in the Easter border strip of Poland Aero2 discovered that for about 25 base stations of the Group for 900 MHz frequencies used by Aero2 there is an interference of the radio signal transmitted by devices in Aero2 base stations with radio signals of foreign operators from Ukraine and Belarus. Such phenomenon leads to a substantive deterioration in those Aero2 base stations of performance parameters of the services delivered in individual sectors of the given base stations.

UKE was notified about the situation because the issue of cross-border interferences requires arrangements and decisions from regulatory authorities of the countries involved. Unfortunately until the date of this report the issue indicated above was not resolved by the regulatory authorities.

According to the Issuer, the lack of UKE's action aimed at resolving the above issues, results in the Group's exposure to the risk for the 900 MHz frequency range 900 MHz that at the date of the prospectus about 25 base stations, and in the future an unknown number, dependent on the scale of the further development of the telecommunications infrastructure of the Midas Group in this region of Poland, of base stations in the a/m border zone, will be subject to problems in the effective delivery of the telecommunications services for the populations physically located within the coverage of those base stations.

It will have an adverse impact on the quality of services provided by the Midas Group to its customers in the area, and thus may have a negative effect on the financial results of the Midas Group too.

Risk concerning technical issues related to building the Group's network based on a unified structure with the Polkomtel's network

In the Issuer's opinion the target model of operating cooperation under the agreement which may be signed by the Issuer's subsidiary - Aero2 with Polkomtel in performance of the Letter of Intent of 29 November 2011 r for the mutual use of the telecommunications infrastructure of Polkomtel and Aero2 will require carrying out actions following which the telecommunications networks used and build by both operators will be optimised in terms of their location all over Poland.

In view of the above, the Issuer believes that there may be a situation in which a part of the infrastructure belonging to the Group will be replaced by the Polkomtel's infrastructure because of its better technical parameters and a better territorial and population coverage which can be achieved with single base stations of Polkomtel operating in the 900 MHz, 1800 MHz and 2600 MHz frequencies being at the disposal of the Midas Group compared to the individual base stations of Midas Group.

The Issuer is not aware of how many base stations of the Midas Group exactly may be affected. That would require from the Midas Group and Polkomtel analyses of the telecommunications infrastructure grids and estimates of costs for the optimisation of the network following such analyses. According to the Issuer the analysis process will take the Midas Group and Polkomtel at least a few months, and final conclusions as to optimisation of the grids of both the telecommunications networks are likely to be started to be implemented in the second half of 2012 at the earliest.

The aforementioned circumstances may have an adverse effect on the operations and financial results of the Midas Group.

Risks associated with the cooperation with Polkomtel for the further development of the Group's telecommunications network

The Midas Group's intention is to use, when further developing its telecommunications network, the cooperation with Polkomtel in order to reduce the cost of such development works and shorten the

period required for their completion. In order to enable such cooperation Aero2 and Polkomtel concluded the agreement and the letter of intent described in section 2.4.1 of this report. In addition, it is planned that those companies sign by 9 May 2012 at the latest the subsequent agreement in this regard which is supposed to ultimately regulate terms and conditions of such cooperation. Such agreement, in accordance with the above letter of intent, should define fees due to Polkomtel for the cooperation based on the a/m letter of intent.

There is the risk that the a/m target agreement will not be concluded. There is also the risk that, in the event of a failure to enter into such agreement, Polkomtel does not accept the Order 1 placed under the the agreement of 12 October 2011 or any subsequent orders placed on its basis by Aero2. Furthermore, even in the case of the cooperation between the parties under the agreement of 12 October 2011, under circumstances specified therein Polkomtel may terminate the agreement, in whole or in part. The Polkomtel's right to terminate the agreement will probably also be incorporated in the a/m planned target agreement between the parties. Under the circumstances described above the existing cooperation between the Midas Group and Polkomtel for the development of the telecommunications network will be terminated.

Following the termination of such cooperation, the further development of the Midas Group's telecommunications network, if it is carried out at all to the extent currently planned, may experience significant delays and involve much higher costs incurred by the Midas Group. In addition, in such case the telecommunications network of the Midas Group will be deprived of the Midas Group's base stations commissioned in cooperation with Polkomtel. That will have a significant adverse impact on the operations and financial results of the Group.

Even in the case when the cooperation between Polkomtel and Aero2 for the further development of the network is not terminated, there is no guarantee that the depth of such cooperation will be sufficient to achieve the objectives of the Midas Group in this regard. Also in such case the further development of the Midas Group's telecommunications network, if it is carried out at all to the extent currently planned, may experience significant delays and involve much higher costs incurred by the Midas Group. That may have a significant adverse impact on the operations and financial results of the Midas Group.

The parties' failure to reach agreement as to the fees due to Polkomtel in connection with the existing cooperation for the further development of the Midas Group's network, for services provided in this area, may give rise to the dispute in this respect, and in the long term may result in costs higher than previously assumed being incurred by Aero2 for such services. That would have a material adverse effect on financial results of the Group.

2.8.2 Risks related to the Midas Group's environment

Risks associated with the macroeconomic situation

Midas Group's financial position is dependent on the economic situation in Poland and in the world. Financial results generated by Midas Group are influenced by GDP growth rate, inflation, interest rates, unemployment, fiscal and monetary policies and capital expenditures of companies. Those factors significantly affect the output of companies and demand for services. There is a risk that an economic slowdown in Poland or abroad or introduction of the state economic policy instruments might have a negative impact on the market position of the Issuer and its financial results.

Risks associated with a changing legal environment (including tax)

Some risk to the Midas Group's operations may come from changes in laws or in its different interpretations. Possible changes, in particular in provisions relating among others to business activities,

telecommunications, environment protection, intellectual property, labour law, social security law and commercial law, may follow the directions which could bring negative effects on the Midas Group's operations. New regulations may entail interpretation issues, inconsistent courts' decisions, adverse interpretations adopted by the public authorities, the lack of cohesion between judicial decisions of the Polish courts and EU laws, etc. In particular, there is a risk in the area of tax laws, due to the large impact regulations and how they are interpreted have on Midas Group's financial position.

For example, a possible withdrawal of the exemption of dividends and other income from the share in profits of legal entities established on the territory of the Republic of Poland as well as income from the sale of shares or holdings in companies based on the territory of the Republic of Poland from corporate income tax which is currently available to the Fund (Art. 17 (1) section 20 of the Corporate Income Tax Act) could lead to increased tax liabilities of the Fund.

A similarly important source of risk are possible changes in telecommunications laws due to activities of Aero2, CenterNet and Mobyland in this industry. For example, there may be changes making wireless data transmission based on technologies used by Midas Group less attractive in relation to other data transmission technologies or resulting in limitations in terms of availability of multimedia contents (including such contents shared in violation of intellectual property rights) in the Internet which may bring a decrease in demand for data transmission and a drop in sales of Midas Group's services. It should be also noted that Midas Group's position may be indirectly affected by such changes to telecommunications laws which directly impact on the position of other entities operating on the telecommunications market, primarily those which for Midas Group's entities are suppliers or recipients of their services, in particular in the area of wholesale wireless data transmission.

In the Ministry of Administration and Digitisation works are in progress on draft amendments to the Telecommunications Law. According to the Issuer it is not possible to give an exhaustive assessment of the risks arising from such projected changes at the present stage of their drafting. However, it seems that, subject to the following changes to frequency reservation extension policies, those proposed changes in provisions regulating activities of the telecommunications operators have no significant importance for the Midas Group entities. The Issuer believes that they will mostly affect other operators providing retail services. It is planned, among others, to impose new, additional responsibilities on the operators, for example in terms of protection mechanisms to prevent infringement of privacy and relevant sensitive data of end users or in the area of the operators' disclosure obligations in relation to end-users.

In addition, as a part of the aforementioned draft amendments to the Telecommunications Law it is envisaged to introduce regulations under which the entity holding a frequency reservation and extending it for a subsequent period, would be obliged to pay the difference equal to the growth in the value of reserved frequencies in relation to the value at which such frequencies were acquired. As proposed by the draft amendments, the amount of such fees would be determined by the President of UKE (Office of Electronic Communications) based on the market value of frequencies with the view to ensure equivalent and effective competition. Moreover, the a/m project includes a proposal to introduce regulations under which the President of UKE would be authorised, in agreement with the President of the Consumer and Competition Protection Office, to refuse the reservation of frequencies for the next period if it would be required in order to ensure equivalent and effective competition or in order to significantly increase effective use of frequencies. The above regulations can apply to Midas Group entities when renewing frequency reservations held, causing a risk of additional costs or reservation losses.

Such circumstances may have a significant negative impact on the operations and financial results of the Midas Capital Group.

Risk associated with changes in foreign exchange rates

Midas Group incurs expenses also in foreign currencies, however in 2011 their share in the entirety of Midas Group's expenses was not significant. But a rising share of expenses expressed in foreign currencies in the total expenses incurred by Midas Group could be expected in subsequent periods because expenses associated with the further development of Midas Group's telecommunications infrastructure may be denominated in EUR or possibly in any other foreign currency. So far there are no clear indications in this regard. Even in the event when the a/m expenses associated with the development of the infrastructure are determined in PLN, for purchases of telecommunications equipment they would depend indirectly on exchange rates of foreign currencies as manufacturers of telecommunications equipment are foreign entities. It should be also mentioned that financing which may be arranged by suppliers (vendor financing) as well as financing in the form of bank loans, may be denominated in EUR, but also in this respect there are no indications and agreements.

Therefore Midas Group is exposed to exchange risk which may generate increases in expenses for purchases of external services and goods or increases in financing expenses due to the balance sheet valuation of liabilities denominated in EUR caused by adverse changes in foreign currency exchange rates. Such circumstances may have a significant negative impact on the operations and financial results of the Midas Group.

Risk of adverse findings as to the impact of the wireless communication technology on human health

There are studies indicating the alleged adverse impact on human health of electromagnetic waves emitted by the devices used in the wireless communication technology that is applied among others by the Midas Group. The Issuer is unable to predict what determinations as to such alleged relations will be made in the future. Nonetheless there is the risk that findings acknowledging such risk may cause at least a reduction in the intensity of the use of the services of the Midas Group or of the Midas Group's clients, difficulties in business activities carried out by the Midas Group or increased expenses of such activities. The above-mentioned circumstances may have a significant negative impact on the operations and financial results of the Midas Capital Group.

Risk associated with frequency resources used in wireless communication

Frequency resources used in wireless communication under the technologies applied by entities from the Midas Group and their current or future competitors are scarce goods. Therefore obtaining reservations of such frequencies by competitors of the Midas Group may cause the competitive position of the Midas Group to weaken and catching up the lost position can be at least difficult which as a result may have a significant adverse impact on the operations and financial results of the Midas Group. In that area it will be important in what time frames reservations are obtained, what the scope of frequencies involved is and whether the frequencies are concentrated in the hands of one entity or they are jointly used by cooperating entities. It should also be noted that in 2013 the analogous TV signal is expected to be discontinued in Poland which will release frequencies currently used for that purpose and suitable for carrying out the telecommunications activities (the so-called digital dividend), and in addition, works are in progress in order to allow a commercial use of the 800 MHz band frequencies today reserved for defence purposes. In addition, it should also be stressed that, as announced on 4 January 2012 by the President of UKE, the authority decided to collect preliminary opinions as to the methods for distributing the 1800 MHz frequency band and presented along with the announcement two draft sets of tender documents. He also pointed out that it was concluded that it was in the interest of the society to distribute any released resources from the 1800 MHz band as soon as possible without waiting for the frequencies below 1 GHz to be released.

3 Financial position and assets of the Midas Group

3.1 Principles for the preparation of annual consolidated financial statements

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS as adopted by the EU. As on the date of approval of these statements for publication, taking into account the EU process of implementing the IFRS standards and the business conducted by the Group, in the context of the accounting principles applied by the Group, there are no differences between the enacted IFRS and the IFRS approved by the EU.

The IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Some of the Group's entities keep their books of account in line with accounting policies (principles) stated in the Accounting Act of 29 September 1994 („Act”) as amended and secondary regulations issued on its basis („Polish accounting standards”). The consolidated financial statements include adjustments not included in books of account of the Group's entities introduced in order to reconcile financial statements of such entities with IFRS.

These consolidated financial statements were prepared on a historical cost basis, except for financial assets available for sale and financial assets and liabilities measured at fair value with corresponding items in the statement of comprehensive income.

3.2 Description of key economic and financial figures

Values presented in this section 3.2 are stated in PLN' 000 .

Statement of financial position

As at 31 December 2011 the value of the investment portfolio was PLN 0 and was the same as in 2010.

The outstanding balance of receivables as at the end of 2011 was PLN 29,716 compared to PLN 9,420 at the end of the previous year. The change is mainly due to the increase in trade receivables, VAT receivables and methods for the settlement of subsidies.

As at the end of 2011 cash amounted to PLN 37,623 as against PLN 5,178 at the end of 2010.

As at the balance sheet date the equity amounted to PLN 199,761 and compared with the end of 2010 increased by PLN 257,963 of which PLN 292,331 constituted an increase resulting from the issue of its own shares, PLN 54,342 - net loss for 2011 (key factors affecting the net result were described below) and PLN 19,974 referred to non-controlling interests, i.e. the Fund's share in Nova.

The liabilities amounted to PLN 930,517 as at 31 December 2011 and increased by PLN 730,926 comparing to the end of 2010. The increase is mainly due to the liabilities to Litenite Limited for the acquisition of the subsidiary Conpidon Limited in December 2011 and the increase of deferred income in connection with the agreement for the sale of wholesale data transmission services and the agreement for joint use of the telecommunications network.

Statement of comprehensive income

In 2011 the Midas Group reported sales of PLN 30,806 compared with PLN 14,196 in the previous year. This increase results exclusively from the agreement for sale of the wholesale data transmission services.

In 2011 financial income totalled PLN 1,974 compared with PLN 2,099 in 2010.

2011 operating expenses amounted to PLN 82,502 compared with PLN 86,436 a year before. The most significant items under operating expenses in 2011 were: PLN 18,818 amortisation and depreciation, PLN 38,528 external services, PLN 15,116 taxes and fees, PLN 2,419 salaries.

The total loss for 2011 equalled PLN 54,342 as compared with the loss of PLN 74,015 in the previous year. The main factor contributing to the difference in the loss level in 2011 compared to 2010 was higher revenues on sales of services and lower operating expenses in connection with their optimisation.

Statement of cash flows

In 2011 net cash flows from operating activities amounted to PLN -23,643 as against PLN -24,165 in the previous year.

In 2011 net cash flows from investing activities amounted to PLN -177,173 as against PLN 4,788 in the previous year. The main factor affecting the amount of cash flows in 2011 was the acquisition of the subsidiary Mobyland Sp. z o.o.

In 2011 net cash flows from financing activities amounted to PLN 233,261 as against PLN 19,706 in the previous year. The main factor affecting the amount of cash flows from financing activities in 2011 was the issue of the Fund's shares and the repayment of commercial papers and the issue of new commercial papers.

3.3 Description of the structure of assets and liabilities in the consolidated balance sheet

Compared to 2010, the balance sheet total increased by PLN 988,891,000 (increase by 800%) in 2011. The assets consist of the property, plant and equipment with the value of PLN 295,502,000 (represent 26.14% of assets), intangible value with the value of PLN 692,278,000 (represent 61.25% of assets). The growth in the value of the property, plant and equipment and intangible assets in relation to the previous year reached respectively PLN 275,751,000 (1496%) and PLN 585,562,000 PLN (649%) due to the acquisition of Conpidon and Mobyland.

The Midas Group's current assets increased by PLN 54,853,000 (468%) compared to 2010. Current assets constitute 6.17% of the total assets.

The balance of receivables at the end of 2011 was PLN 29,716,000 compared with PLN 9,420,000 (increase by 315%) in the previous year. The change is mainly due to the increase in trade receivables, VAT receivables and methods for the settlement of subsidies. Receivables represent 2.63% of the total assets.

At the end of 2011 cash amounted to PLN 37,623,000 as against PLN 5,178,000 (increase by 727%) in relation to 2010 as a result of the acquisition of Conpidon and Mobyland. Cash represents 3.33% of the total assets.

The equity at the balance sheet date amounted to PLN 199,763,000 and in comparison with 2010 increased by PLN 257,965 of which PLN 292,331 represented the increase resulting from the issue of shares, and PLN 54,342 - net loss for 2011. The equity equalled 17.67% of the total equity and liabilities.

The liabilities amounted to PLN 930,517 as at 31 December 2011 and increased by PLN 730,926 comparing to the end of 2010 (growth by 466%). The increase is mainly due to the liabilities to Litenite for the acquisition of the subsidiary Conpidon in December 2011 and the increase of deferred income in connection with the agreement for the sale of wholesale data transmission services and the agreement for

joint use of the telecommunications network. The liabilities represented 82.33% of the total equity and liabilities.

3.4 Significant off-balance sheet items

As at 31 December 2011 the only significant off-balance sheet item was contingent debts of the Midas Group in the aggregate amount of PLN 4,310,000 . A detailed description of the contingent debts of the Midas Group was included in Note 28 to the consolidated financial statements of NFI Midas S.A. Capital Group

3.5 Changes in the the Issuer's investment portfolio

Changes in the investment portfolio of the Fund are described in section 1.1.1 of this report.

3.6 Differences between actual financial results disclosed in the annual report and any previously published forecasts of results for the given year

The Management Board of the Fund did not publish any forecasts for 2011.

3.7 Use of proceeds from the issue of C class shares

Following the issue of C class shares in 2011 the Fund raised PLN 293,566,000. To the date of this report, the Fund used the proceeds from the issue of C class shares as follows:

- 1) PLN 177,000,000 was appropriated for payment of the price for 204,200 shares in Mobyland (acquired under the agreement as described in section 2.4.1 of this report),
- 2) PLN 104,639,000 was used to repay a part of the Fund's indebtedness through an early redemption of commercial papers issued by the Fund and referenced as MID0611.1, MID0611.2, MID0611.3. The a/m papers were redeemed for the total amount of PLN 104,639,000 which included PLN 104,424,000 of the nominal value of the papers, and PLN 215,000 of interest due for the period from 1 June 2011 to 10 June 2011.
- 3) PLN 11,927,000 was transferred to replenish the Fund's working capital.

3.8 Financial Instruments

3.8.1 Employed financial instruments

Key financial instruments used by the Midas Group include loans, papers, cash and short-term deposits. Such financial instruments are aimed at sourcing funding for the Midas Group's operations.

The Midas Group also uses other financial instruments such as vendor credit. In its business activities the Midas Group does not use financial derivatives.

3.8.2 Financial risk management objectives and methods

The financial risk is associated with unexpected changes in cash flows arising, among others, from operating activities of Midas Group. Key risks of the Company's financial instruments include interest rate risk, price risk, liquidity risk, currency risk and credit risk. Policies for managing each of the above risks are presented in Note 32 to 2011 consolidated financial statements of the Midas Group

3.9 Current and forecasted financial position

The Management Board of the Fund perceives as good the the Midas Group's financial position. In addition, following the successful completion on 19 March 2012 of the issue of D class shares, the Management Board of the Fund believes that its financial position will not significantly deteriorate in the future.

3.10 Events and factors largely affecting operating and financial results

3.10.1 Important events during the financial year

In 2011 events with a significant impact on the the Midas Group's performance were:

- acquisition of shares in Mobyland and indirectly Aero2, as described in detail in section 1.1.1 of this report,
- completion of the order under the the agreement dated 15 December 2010 entered into by and between Mobyland and Cyfrowy Polsat S.A. (wholesale data transmission under HSPA + / LTE technologies),
- issue of C class shares of the Fund (a description of the use of proceeds from the issue of C class shares is included in section 3.8 of this report).
- CenterNet signing of the agreements with PTC, Comarch, mLife and Huawei, as described in section 2.4.1 of this report,
- Mobyland signing of the letter of intent with Polkomtel, as described in section 2.4.1 of this report
- construction and further development of the telecommunications infrastructure of the Midas Group, as described in section 1.5 of this report

3.10.2 Extraordinary factors and events

According to the Management Board of the Fund, in 2011 there were no extraordinary factor or events.

3.10.3 Evaluation of events and factors affecting the results

In the opinion of the Management Board of the Fund, the above-described factors and events contributed to the implementation of the Midas Group's strategy. In particular, the Fund's acquisition of shares in Mobyland and indirectly Aero2 enabled a more effective delivery by Midas Group of telecommunications services in the area of wholesale wireless data transmission. Thanks to the agreements negotiated and concluded in 2011 (in particular concerning the operations of CenterNet) it was possible to largely reduce and repay CenterNet's liabilities.

3.11 Evaluation of the management of financial resources

In 2011 the Midas Group had sufficient funds to guarantee that all the current and scheduled expenses related to the activities of the Group are timely serviced. The balance of available cash made it possible to flexibly settle its ongoing liabilities. The Midas Group's liquidity management was focused on a detailed analysis of the turnover of receivables, the ageing analysis of the Group's liabilities and a constant monitoring of bank accounts.

3.12 Entity authorised to audit financial statements

The entity authorised to audit and review financial statements of the Fund and of Midas Group, in accordance with the resolution of the Supervisory Board of the Fund, is Ernst & Young Audit Sp. z o.o. with its registered office in Warsaw ("E&Y"). E&Y is entered in the list of entities authorised to audit financial statements, kept by the National Board of Statutory Auditors under the number 130

The financial statements of the Fund and the consolidated financial statements of Midas Group for 2011 were audited by E&Y under the agreement entered into on 1 August 2011 for review/audit together with the auditor's opinion and report.

Detailed information on the fees for the entity authorised to audit financial statements in 2011 (as well as in 2010) is presented in Note 31 to the consolidated financial statements of the Midas Group.

4 Statement of compliance with corporate governance principles in 2011

4.1 Description of corporate governance principles applicable to the Issuer

In 2011 the Fund was subject to the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies" attached to Resolution No. 17/1249/2010 of the WSE Supervisory Board of 19 May 2010. This document contains the rules of corporate governance the Fund voluntarily agreed to apply.

The Best Practices of WSE Listed Companies is available on the website dedicated to corporate governance at- www.corp-gov.gpw.pl.

4.2 Description of the scope of the Issuer's departures from applicable corporate governance principles

In 2011 the Fund applied the principles of corporate governance contained in the "Best Practices of WSE Listed Companies" with the following exceptions:

Section I "Recommendations for Best Practice for Listed Companies":

- principle 1 third indent "- enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website."

Pursuant to its Statute the Fund may provide the opportunity to participate in the General Meeting by electronic communication measures on terms and conditions laid down in the Rules of Procedure of the General Meeting. On 17 October 2011 the General Meeting adopted a resolution amending the Rules of Procedure of the General Meeting under which the Rules of Procedure were supplemented by a provision stating that the Fund can provide the opportunity to participate in the general meeting by electronic communication measures including: 1) real-time broadcasts of proceedings of the General Meeting, 2) bilateral real-time communication allowing shareholders to express themselves in the course of the General Meeting while physically being in another place, 3) exercising voting rights in person or by proxy in the course of the General Meeting. Pursuant to the aforementioned resolution, the amendment enters into force on the day following the date of the General Meeting of the Fund (which adopted the resolution). In view of the above, after the respective amendment to the Rules of Procedure of the Fund's General Meeting enters into force, the Fund will consider a possible application of this principle.

- principle 5) "A company should have a remuneration policy and rules of defining the policy. (...)". On 15 November 2011 the Ordinary General Meeting of the Fund took a resolution on the suspension of the validity and enforcement of Resolution No. 11/2006 of the General Meeting of the Fund of 8 November 2006. Accordingly, members of the Supervisory Board of the Fund are not remunerated in the period from taking the above-mentioned resolution until the date of the next Ordinary General Meeting. Considering the above, the Fund does not warrant application of this principle at least until the next Ordinary General Meeting of the Fund is held.

- principle 9) "The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.". Appointments and dismissals of members of the Supervisory Board, and indirectly also members of the Management Board

are in the sole discretion of the General Meeting of the Fund. The Management Board of the Fund does not have control over what candidatures to the Supervisory Board are submitted by shareholders of the Fund entitled to participate in the General Meeting or what candidatures to the Management Board are proposed by members of the Supervisory Board.

- principle 12) "A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- 1) real-life broadcast of General Meetings;
- 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting;
- 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary."

Pursuant to its Statute the Fund may provide the opportunity to participate in the General Meeting by electronic communication measures on terms and conditions laid down in the Rules of Procedure of the General Meeting. On 17 October 2011 the General Meeting adopted a resolution amending the Rules of Procedure of the General Meeting under which the Rules of Procedure were supplemented by a provision stating that the Fund can provide the opportunity to participate in the general meeting by electronic communication measures including: 1) real-time broadcasts of proceedings of the General Meeting, 2) bilateral real-time communication allowing shareholders to express themselves in the course of the General Meeting while physically being in another place, 3) exercising voting rights in person or by proxy in the course of the General Meeting. Pursuant to the aforementioned resolution, the amendment enters into force on the day following the date of the General Meeting of the Fund (which adopted the resolution). In view of the above after the respective amendment to the Rules of Procedure of the General Meeting of the Fund enters into, the Fund will consider possible application of such principle, taking into account any technical and legal aspects associated with providing shareholders with such options to participate in the General Meeting.

Section II "Best Practice for Management Boards of Listed Companies":

Principle 1. A company should operate a corporate website and publish on it, in addition to information required by legal regulations:

- principle 1.5) "(...) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution." Application of this rule is subject to the willingness of shareholders entitled to participate in the General Meeting to voluntarily assume the obligation to provide the Fund with information on their intentions to nominate candidates for the composition of the Supervisory Board prior to the meeting.

- principle 1.7) "(...) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions." This principle is not and will not be applied. There are no detailed records kept in the Fund as to the course of the General Meeting, including all statements and questions. Participants of the General Meeting, pursuant to provisions of the Code of Commercial Companies, have the right to make statements in writing which are attached to minutes.

- principle 3) "Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. (...)." Pursuant to the Statute, in addition to the matters specified in the Act, in other provisions of the Statute or in

resolutions of the General Meeting, powers and duties of the Supervisory Board include, but are not limited to:

1) expressing consent for the Fund entering into any significant agreement with a related party (the above does not apply to standard transactions contracted on an arm's length basis in the ordinary course of business carried out by the Fund with a subsidiary in which the Fund holds a majority stake) or with the parent; a related party being as defined in the Regulation of the Minister of Finance issued pursuant to Art. 60, sec. 2 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws No. 184, item 1539, as amended); in addition, it is assumed that granting loans or any other debt financing within those entities belongs to the category of the ordinary course of business of the Fund;

2) expressing consent for the Fund contracting an obligation provided that the value of a single or a series of related transactions in the given financial year with a single entity exceeds 20% of the Fund's net assets, as determined based on the last standalone financial statements published in the periodical report.

The Management Board of the Fund represents to apply such principle to the extent resulting from the a/m provisions of the Statute.

Section III "Best Practice for Supervisory Board Members":

- principle 6) "At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company (...)". The members of the Supervisory Board meeting the independence criteria set out in the "Best Practice of WSE Listed Companies" are: Mirosław Mikołajczyk and Jerzy Żurek. On 17 October 2011 the General Meeting of the Issuer passed a resolution to amend the Statute in order to remove among others the provisions on independent members of the Supervisory Board. The a/m amendment to the Statute was filed in the Register of Entrepreneurs of the National Court Register, and thus entered into force on 29 December 2011. Deleting the provisions of the Statute on the independent members of the Supervisory Board was motivated by the intention to liquidate duality between the provisions contained in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and the hitherto existing provisions of the Statute.

- principle 8) "Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors ... should apply to the tasks and the operation of the committees of the Supervisory Board(...)". On the meeting of the Supervisory Board held on 25 March 2011 the Management Board presented a proposal to establish an audit committee and a remuneration committee. On 12 July 2011 the Supervisory Board appointed Krzysztof Majkowski, Andrzej Chajec and Jerzy Żurek to the remuneration committee. In 2011 the composition of the Audit Committee was not established so the Fund did not apply that principle in this regard in 2011. On 5 January 2012 (subsequent event) the Supervisory Board established the Audit Committee composed of Andrzej Abramczuk, Mirosław Mikołajczyk and Jerzy Żurek. In the Issuer's opinion Mirosław Mikołajczyk and Jerzy Żurek meet the criteria set out in Art. 86 sec. 4 of the Act of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and public supervision (Journal of Laws No. 77, item. 649, as amended), i.e. they satisfy independence conditions specified in the Act, and are qualified in the field of accounting as corporations where they acted or act as members of the management board, prepared financial statements, and pursuant to the Accounting Act the obligations of such individuals as members of the management board included assuring preparation of such statements and approving the same. The composition of the Audit Committee is also, in the opinion of the Fund, consistent with the provisions of Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive directors

(...), referred to in Best Practice for WSE Listed Companies. Consequently, from 5 January 2012 there is the Audit Committee within the Supervisory Board.

- principle 9) "Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.". Pursuant to the Statute, in addition to the matters specified in the Act, in the other provisions of the Statute or in resolutions of the General Meeting, powers and duties of the Supervisory Board include, but are not limited to:

1) expressing consent for the Fund entering into any significant agreement with a related party (the above does not apply to standard transactions contracted on an arm's length basis in the ordinary course of business carried out by the Fund with a subsidiary in which the Fund holds a majority stake) or with the parent; a related party being as defined in the Regulation of the Minister of Finance issued pursuant to Art. 60, sec. 2 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws No. 184, item 1539, as amended); in addition, it is assumed that granting loans or any other debt financing within those entities belongs to the category of the ordinary course of business of the Fund;

2) expressing consent for the Fund contracting an obligation provided that the value of a single or a series of related transactions in the given financial year with a single entity exceeds 20% of the Fund's net assets, as determined based on the last standalone financial statements published in the periodical report.

The Management Board of the Fund represents to apply such principle to the extent resulting from the a/m provisions of the Statute.

4.3 Description of the principal characteristics of internal audit and risk management systems in place in the Midas Group in reference to the process of the preparation of financial statements

The Management Board of the Fund is responsible for the system of internal control and supervision over the preparation of financial statements in the parent, while in the subsidiaries the management boards of the same are responsible therefor. Periodic reports are prepared and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the law of a non-member state (Journal of Laws of 28 February 2009, No. 33 item. 259). Also the Supervisory Board of the Fund and supervisory boards of its subsidiaries assess financial statements of respectively the Fund and the subsidiaries in respect of their compliance with the accounting books and documents, as well as with the facts. Results of such assessment of the Fund's financial statements are included by the Supervisory Board of the Fund in its annual report.

Principal systems of internal control in relation to the preparation of financial statements of the Midas Group are:

- 1) internal division of responsibilities in the preparation of financial statements;
- 2) on-going internal supervision over accounting duties;
- 3) preparation and internal distribution (the Management Board, the Supervisory Board) of periodic financial reports containing balance sheets, profit and loss accounts, cash flow statements of the Fund's subsidiaries and consolidated accounts for the entire capital group of the Fund;

- 4) internal procedures and regulations relating among others to contracting significant transactions and obligations (in accordance with the Statute and rules of procedure of the Fund's management and supervisory bodies);
- 5) internal review and approval of financial statements prior to their publication;
- 6) periodic review and audit of financial statements by an auditor

Reviews are carried out by the auditor for semi-annual financial statements whereas annual standalone and consolidated reports are subject to audits.

In addition, since 5 January 2012 within the Fund' Supervisory Board there is the Audit Committee composed of: Andrzej Abramczuk, Mirosław Mikołajczyk and Jerzy Żurek. In the Issuer's opinion Mirosław Mikołajczyk and Jerzy Żurek meet the criteria set out in Art. 86 sec. 4 of the Act of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and public supervision (Journal of Laws No. 77, item. 649, as amended), i.e. they satisfy independence conditions specified in the Act, and are qualified in the field of accounting as corporations where they acted or act as members of the management board, prepared financial statements, and pursuant to the Accounting Act the obligations of such individuals as members of the management board included assuring preparation of such statements and approving the same. The composition of the Audit Committee is also, in the opinion of the Issuer, consistent with the provisions of Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive directors (...), referred to in Best Practice for WSE Listed Companies. Specific tasks of the Audit Committee are described in section 4.2.2 of this report.

4.4 Share capital

4.4.1 Structure of the share capital

As at 31 December 2011 and as at the date of this report the Fund's share capital amounts to PLN 29,593,335.00 and is divided into 295,933,350 ordinary bearer shares with a nominal value of PLN 0.10 each, including:

- 1) 11,837,334 A class shares,
- 2) 47,349,336 B class shares,
- 3) 236,746,680 C class shares.

Each ordinary share gives right to one vote at the General Meeting of Shareholders. All shares issued were paid in full and registered with the National Court Register.

4.4.2 Large shareholders

The table below presents the shareholding structure of the Fund as at 31 December 2011. The table was compiled based on notifications received by the Fund from the shareholders pursuant to Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies ("Act on Public Offering").

Name of the shareholder of the Fund	Number of shares	%	Number of votes	%
Zygmunt Solorz-Żak (*) (**)	195,313,538	65.9992	195,313,538	65.9992
Other shareholders	100,619,812	34.0008	100,619,812	34.0008

TOTAL	295,933,350	100.00	295,933,350	100.00
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(*)Mr. Zygmunt Solorz-Żak controls the Fund through: (i) Karswell, (ii) Ortholuck and (iii) Litenite for 195,308,538 shares of the Fund held by Litenite, and through (iv) the Fund for 5,000 treasury shares held by the Fund.

(**) The number of shares and votes takes account of 5,000 treasury shares of the Fund held indirectly by Litenite, where, in accordance with Art. 364 of the Code of Commercial Companies, the Fund does not exercise voting rights from its own treasury shares.

Notifications received pursuant to Art. 69 after the balance sheet date

On 16 February 2012 the Company received from Allianz Platinum FIZ ("Allianz Fund") a notification about crossing the threshold of 5% of the total number of votes in the Company as a result of changes in the number of shares held in the Company. Following the purchase of the Company's shares by Allianz Fund on 7 February 2012 the number of shares held by Allianz Fund, together with Allianz FIO, is 15,117,234 shares which represent 5.1082% of the Company's share capital and entitle to 15,117,234 votes representing 5.1082% of the total number of votes.

On 15 March 2012 the Company received a notification from Allianz Fund on reduction of their holdings in the Company's shares below the threshold of 5% of the total number of votes in the Company. Following the disposals of the Company's shares on 8 March 2012 by Allianz FIO and Allianz Absolute Return FIZ the number of shares held by Allianz Fund together with Allianz FIO and Allianz Absolute Return FIZ funds dropped to 14,766,338 shares which represent 4.9898% of the Company's share capital and entitle to 14,766,338 votes which represent 4.9898% of the total number of votes.

4.4.3 Shareholders of the Fund with special control rights, restrictions to voting rights and to transferability of the Fund's shares

There is no preference as to the voting rights attached to shares of the Fund or shareholders of the Fund. The only restriction in exercising voting rights applies to the Fund which pursuant to Art. 364 of the Code of Commercial Companies does not exercise voting rights from its own treasury shares.

For transferability restrictions applicable to titles to securities of the Fund, as of the date of this report, the security collateral for claims of Alchemia SA from series X02.09.A papers issued by the Fund on 18 November 2009 has the form of a block on 5,000 shares of the Fund valid until all performances associated with series X02.09.A papers are satisfied.

4.4.4 Direct shareholding and rights thereto held by persons managing and supervising the Issuer's business

The following table summarises direct shareholding in the Fund by managing and supervising persons as at the end of the reporting period, i.e. as at 31 December 2011 and as at the date of this report, i.e. as at 20 March 2012.

Name and surname	Position	Shares in the Fund held as at 31.12.2011	Change	Shares in the Fund held as at 20.03.2012
Zygmunt Solorz-Żak (*)	Chairman of the Supervisory Board	none	-	none
Krzysztof Majkowski	Vice Chairman of the Supervisory Board	237,000	-	237,000
Andrzej Abramczuk	Secretary of the	none	-	none

	Supervisory Board			
Andrzej Chajec (**)	Member of the Supervisory Board	none	-	none
Mirosław Mikołajczyk	Member of the Supervisory Board	none	-	none
Jerzy Żurek	Member of the Supervisory Board	none	-	none
Wojciech Pytel	President of the Management Board	none	-	none
Krzysztof Adaszewski	Member of the Management Board	N/A	-	none
Maciej Kotlicki	Member of the Management Board	none	-	none

(*) Zygmunt Solorz-Zak holds indirectly, through entities directly or indirectly controlled, 195,313,538 shares in the Fund. This information is contained in section 3.1 of this report.

(**) A person closely-related to Mr Andrzej Chajec, as defined in the Act on trading in financial instruments holds 50 shares in the Fund.

4.4.5 Agreements which may affect proportions of shares held by the hitherto existing shareholders and bondholders

Determinations which in the future may result in changes in the way control is exercised over the Company.

On 06 December 2012 under the agreement entered into by and between Ortholuck Limited with its registered office in Nicosia, Cyprus ("Ortholuck"), holding 100% of shares in Litenite, and LTE Holdings, a subsidiary of Polkomtel S.A. with its registered office in Warsaw ("Polkomtel"), LTE Holdings acquired from Ortholuck 49% of shares in Litenite. The remaining 51% stake in Litenite still held by Ortholuck was encumbered by a pledge in favour of Polkomtel and that the laws of Cyprus govern and apply to such pledge ("Polkomtel Pledge"). In the case when certain events take place, including for example violations of the obligations between Ortholuck and LTE Holdings under the respective agreement between such entities in relation to which the Company has no further information or a possible bankruptcy of Litenite or its subsidiaries, then Polkomtel under the Polkomtel Pledge will be entitled among others to exercise corporate and property rights on pledged shares in Litenite, including voting rights as well as will obtain the right to sell such shares. In addition, under the Polkomtel Pledge, Ortholuck will be obliged not to dispose of or encumber the pledged shares in Litenite, except encumbering them with another pledge, on certain terms and conditions, as a security collateral for financing obtained by Litenite or its subsidiary. Such other pledge with take precedence over the Polkomtel Pledge. In addition, LTE Holdings was contractually reserved an option to purchase from Ortholuck, at the market price, the remaining 51% stake in Litenite ("Call Option").

In the event when there are circumstances permitting Polkomtel to exercise its rights under the Polkomtel Pledge, as referred to above, and Polkomtel actually exercises the same, then it will take over control of the Company. However, in the event when there are circumstances permitting to exercise Call Option and LTE Holdings actually exercises the same, then Polkomtel will also take over control of the Company. But as long as control over Polkomtel is exercised by Zygmunt Solorz-Żak, there will be no changes in the control of the Company. However in the event when Zygmunt Solorz-Żak loses control of Polkomtel (when Polkomtel exercises control of the Company), for example following violations of the obligations

related to the financing of the acquisition of Polkomtel, thus he will lose control of the Company. The Company has no knowledge about the a/m obligations related to financing the acquisition of Polkomtel.

Moreover Ortholuck was contractually reserved a return option to purchase from LTE Holdings the 49% stake in Litenite, previously sold by Ortholuck ("Return Option"). The Return option will be exercisable under circumstances stipulated in the respective agreement and involving a debt ratio provided that at the same time there are no grounds to exercise the Call Option. The Return Option will expire and will not be exercisable in the event when LTE Holdings exercises the Call Option or Polkomtel exercises its a/m rights under the Polkomtel Pledge. In the event when there are circumstances entitling to exercise the Return Option and Ortholuck actually exercises the same, then it will have, jointly with the shares currently held, 100% of shares in Litenite and the control of the Company will not change.

To the best knowledge of the Fund, there are no other arrangements under which the control of the Fund might potentially change in the future.

4.4.6 Employee stock plan

The Fund does not operate any employee stock plan.

4.4.7 Acquisition of its own shares

The Fund did not acquire its own shares in 2011.

As at 31 December 2011 the Fund held 5,000 treasury shares encumbered as a security collateral for claims of Alchemia SA (as described in section 4.4.3 of this report). Until the date of this report the balance of treasury shares has not changed.

4.5 Description of amendments to the Fund's Statute

Pursuant to the Code of Commercial Companies Code, the Fund's Statute is amended by a resolution of the General Meeting of Shareholders and an entry to the National Court Register. Pursuant to applicable provisions of the Fund's Statute, resolutions of the General Meeting on amendments to the Fund Statute (including on the issue of new shares) are taken by a majority of 3/4 (three quarters) of votes. In addition, resolutions on amendments to the Fund's Statute increasing benefits for shareholders or reducing rights granted personally to individual shareholders require the consent of all the shareholders affected.

4.6 Procedures applicable to general meetings and their principal competences and description of shareholders' rights and methods for their exercise

Pursuant to Art. 399 of the Code of Commercial Companies the General Meeting is convened by the Management Board. The Supervisory Board has the right to convene the Ordinary General Meeting if the Management Board fails to do so within the period specified in the Code of Commercial Companies (CCC) or in the Statute (pursuant to Art. 23 sec. 4 of the Statute - within two weeks of the date when a respective request is made by the Supervisory Board) and the Extraordinary General Meeting if the Supervisory Board considers it advisable.

Shareholders representing at least a half of the share capital or at least a half of the total votes in the company may convene the Extraordinary General Meeting. Shareholders appoint the chairman of such meeting. In addition, pursuant to Art. 400 of CCC the Issuer's shareholder or shareholders, representing at least one-twentieth of the share capital may request the Extraordinary General Meeting to be convened as well as specific issues to be placed on the agenda of the next General Meeting. Such request must be submitted in writing or electronically to the Management Board.

Pursuant to Art. 24 of the Statute and Art. 401 of CCC the Supervisory Board or a shareholder or shareholders representing at least 1/20 of the share capital may require specific issues to be placed on the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than twenty one (21) days before the date scheduled for the General Meeting. The request should include a justification or a draft resolution concerning the proposed item on the agenda. The request may be submitted in writing (sent to the address of the Company) or as an electronic document saved in PDF format sent to the e-mail address of the Company: wz@midasnfi.pl. The Management Board is obliged to immediately, but no later than eighteen (18) days before the date scheduled for the General Meeting, announce changes to the agenda, introduced at the request of the shareholders.

A shareholder or shareholders representing at least 1/20 (one twentieth) of the share capital may, before the date of the General Assembly, submit to the Company in writing (sent to the address of the Company) or as an electronic document saved in PDF format sent to the e-mail address of the Company: wz@midasnfi.pl, draft resolutions relating to matters to be placed on the agenda. The Company immediately publishes draft resolutions on its website. A shareholder or shareholders submitting draft resolutions must present a certificate issued by an appropriate body acknowledging the right to participate in the Ordinary General Meeting (OGM) and identifying the latter as shareholders of the Company.

A request to convene the Extraordinary General Meeting (EGM) and place certain issues on the agenda, presented by authorised persons, may be rejected only for legitimate reasons and specifically justified. In the event when the request refers to the selection of members of the Supervisory Board to be included in the agenda pursuant to Art. 385 § 3 of CCC, it cannot be rejected in any case. The General Meeting convened at the request of the authorised entities or the General Meeting whose agenda includes certain issues placed thereon at such request may be cancelled only with the consent of the requesting parties. In other cases the General Meeting may be cancelled if holding the meeting is subject to extraordinary obstacles or is obviously pointless.

Such cancellation and a possible postponement of the General Meeting take place the same way as when convening the Meeting, reducing as much as possible any negative consequences of the changes for the Company and the shareholders. The cancellation and postponement of the General Meeting should be made immediately after the conditions justifying such cancellation or postponement emerge, however no later than seven days before the date of the General Meeting. If the cancellation or postponement of the General Meeting may not be made within the time limit referred to in the preceding sentence, the General Meeting should be held unless the circumstances show that it is impossible or excessively difficult, then such cancellation or postponement can be made any time before the date of the General Meeting. The cancellation or postponement of the General Meeting is made by a notice published on the Company's website together with a statement of reasons and in compliance with any other requirements of applicable laws. Competences to cancel the General Meeting will be vested only in the body or person having convened the General Meeting.

The General Meeting meets as an ordinary or extraordinary meeting. The Ordinary General Meeting is convened each year no later than on the last day of October.

Pursuant to Art. 402¹ of CCC the General Meeting of the Company is convened by a notice made on the Company's website and as prescribed for the transmission of current information in accordance with the provisions of the Act on Public Offering. The notice should be made at least twenty six days before the date of the General Meeting.

Pursuant to Art. 402² of CCC every notice on the General Meeting of a public company should include at least:

- 1) date, time and place of the General Meeting together with a detailed agenda,
- 2) precise description of the procedures for participation in the General Meeting and exercise voting rights, and in particular information on:
 - a. shareholders' rights to request specific issues to be placed on the agenda of the General Meeting,
 - b. shareholders' rights to submit draft resolutions on matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
 - c. shareholders' rights to submit draft resolutions on matters placed on the agenda during the General Meeting,
 - d. procedures for exercising voting rights by proxy, including, in particular, forms used for proxy voting purposes and procedures for notifying the company electronically on appointment of such proxy,
 - e. ability and procedures for participation in the General Meeting by electronic communication measures,
 - f. procedures for taking the floor during the General Meeting using electronic communication measures,
 - g. procedures for exercising voting rights by correspondence or by electronic communication measures,
- 3) record date for participation in the General Meeting, as referred to in Art. 406¹ of CCC
- 4) information that the right to participate in the General Meeting is vested only in persons being shareholders of the Company on the record date for participation in the General Meeting,
- 5) indication where and how a person entitled to participate in the General Meeting can obtain the full text of the documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are scheduled to be adopted, comments of the Management Board or the Supervisory Board of the Company, relating to matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
- 6) reference to the website where respective information on the General Meeting is published.

The public company operates its own website and publishes the following information since the date of convening the General Meeting:

- 1) notice on convening the General Meeting,
- 2) information on the aggregate number of shares in the Company and the number of votes from such shares as at the date of notice, and if shares are of different categories - also information about individual categories of shares and respective numbers of votes from shares of each category,
- 3) documentation to be presented to the General Meeting,

- 4) draft resolutions or, if no resolutions are scheduled to be adopted, comments of the Management Board or the Supervisory Board of the Company, relating to matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
- 5) forms permitting to exercise voting rights by proxy or by correspondence, if they are not sent directly to all the shareholders.

If the forms referred to above in 5), for technical reasons, cannot be made available on the website, the public company indicates on this site how and where to get the forms. In such case the public company sends the forms free of charge to each shareholder at his/her/its request. The forms should contain a proposed wording of the resolutions of the General Mssembly and should permit:

- 1) to identify the shareholder casting the vote and his/her/its proxy if the shareholder exercises voting rights by proxy,
- 2) to cast the vote as defined in Art. 4 § 1 point 9) of CCC,
- 3) to lodge an objection by the shareholders voting against the resolution,
- 4) to place instructions on how to vote in respect of each of the resolutions over which the proxy is supposed to vote.

The General Meeting may also adopt resolutions without being formally convened, if the entire share capital is represented and none of those present objects either to the holding of the General Meeting or to the placement of particular matters on the agenda. The General Meeting can only adopt resolutions on items on the agenda.

Written draft resolutions under the agenda provided for in the notice on the Meeting are prepared by the Management Board and published on the Company's website. Draft resolutions to be presented to the General Meeting together with relevant documents, and the opinion of the Supervisory Board in the case when the Management Board requested such opinion, should be made available by the Management Board on the Company's website from the date of convening the General Meeting and in the registered office of the Company to all the shareholders, so that the shareholders have the opportunity to read and evaluate them. Draft resolutions drawn up by shareholders should be immediately published on the Company's website stating the date of receipt and data of the shareholder having prepared the draft resolution.

Resolutions of the General Meeting are adopted by an absolute majority of votes, and in the cases where provisions of the Act require a qualified majority, by a majority required by CCC.

All shareholders are entitled to attend the General Meeting in person or by proxy. Unless provisions of CCC stipulate otherwise, the General Meeting may pass resolutions regardless of the number of shareholders present and the amount of share capital represented.

Shareholders notify the Company by e-mail in particular on granting an electronic proxy to participate in the General Meeting and on revoking the same. Every proxy being granted should be notified to the Company by electronic communication measures while exercising best efforts to allow an effective verification of the validity of such proxy. Together with the electronic proxy notice, the shareholder shall send the following in PDF format: scan of the proxy, scan of ID, passport or another document permitting to identify the shareholder as the principal and the proxy established, e-mail address and telephone number of the shareholder and the proxy provided that the proxy is not released from the obligation to submit, when drawing up the list of persons entitled to participate in the General Meeting,

any documents for his/her identification. Rules applicable to the identification of the shareholder apply mutatis mutandis to a notice served on the company on revocation of the proxy.

The agenda of the General Meeting is determined by the party convening the General Meeting. A shareholder or shareholders representing at least one twentieth of the share capital can request specific items to be placed on the agenda of the next General Meeting. Such request must be submitted in writing or electronically to the Management Board.

Pursuant to Art. 420 sec. 1 of CCC votes are public on the General Meeting. A secret ballot voting is pursued during elections and for votes with respect to dismissing members of the Issuer's governing bodies or liquidators, with respect to actions being brought against them, as well as in personal matters. Besides, such secret ballot voting should be administered at the request of at least one of the shareholders present or represented on the General Meeting.

Pursuant to Art. 29 sec. 1 of the Statute the General Meeting is opened by the Chairman or Deputy Chairman of the Supervisory Board, and then from among the persons entitled to attend the General Meeting the Chairman of the General Meeting is elected. In the absence of those persons, the General Meeting is opened by the President of the Management Board or any person designated by the Management Board.

A resolution on abandoning the matter included in the agenda of the General Meeting may only be adopted for serious reasons. Detailed reasons should be given when filing a request in that respect. A removal from the agenda or abandoning the matter placed on the agenda at the request of the shareholders requires a resolution of the General Meeting, after a previous consent expressed by all the present shareholders who made such request, supported by 75% of the votes on the General Meeting.

4.1 Description of rules for appointment and dismissal of managing persons and their rights

4.1.1 Supervisory Board

The Supervisory Board consists of from five to seven members. Members of the Supervisory Board are appointed for a joint three-year term. The mandate of each member of the Supervisory Board appointed or co-opted before the expiry of the term of the Supervisory Board expires together with the expiry of such term.

Members of the Supervisory Board are appointed and recalled by the General Meeting. As replacement for a member resigning or deceased before the expiry of the mandate the Supervisory Board may co-opt a member of the Supervisory Board. Only the members of the Supervisory Board elected or approved by the General Meeting vote on resolutions on co-opting a member of the Supervisory Board. Co-opted members of the Supervisory Board are presented for approval on the next General Meeting.

On 17 October 2011 the General Meeting of the Issuer passed a resolution to amend the Statute in order to remove among others the a/m provisions on independent members of the Supervisory Board. The a/m amendment to the Statute became effective when filed in the Register of Entrepreneurs of the National Court Register, i.e. on 29 December 2011. Deleting the provisions of the Statute on the independent members of the Supervisory Board was motivated by the intention to liquidate duality between the provisions contained in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and the hitherto existing provisions of the Statute.

In addition to the matters specified in applicable laws, in other provisions of the Statute or in resolutions of the General Meeting, powers and duties of the Supervisory Board include:

- a) evaluation of the financial statements for the previous financial year;
- b) evaluation of the Management Report on the operations of the Fund;
- c) submitting to the General Meeting a written report on the results of the activities referred to in points (a) and (b);
- d) assessing motions of the Management Board on distributing profits or covering losses;
- e) entering into contracts with members of the Management Board and specifying the principles of their remuneration, as well as appointing, suspending or dismissing individual members of or the entire Management Board;
- f) entrusting members of the Supervisory Board with duties of the Management Board in the event when the entire Management Board is dismissed or when the Management Board is otherwise not able to work;
- g) expressing consent for the purchase and disposal of real estates, rights of perpetual usufruct or shares in real estates by the Fund;
- h) expressing consent for the Fund entering into any significant agreement with a related party (the above does not apply to standard transactions contracted on an arm's length basis in the ordinary course of business carried out by the Fund with a subsidiary in which the Fund holds a majority stake) or with the parent; a related party being as defined in the Regulation of the Minister of Finance issued pursuant to Art. 60, sec. 2 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws No. 184, item 1539, as amended); in addition, it is assumed that granting loans or any other debt financing within those entities belongs to the category of the ordinary course of business of the Fund;
- i) expressing consent for the Fund contracting an obligation provided that the value of a single or a series of related transactions in the given financial year with a single entity exceeds 20% of the Fund's net assets, as determined based on the last standalone financial statements published in the periodical report;
- j) providing the Ordinary General Meeting with a summary statement on the Fund's position, taking into account the evaluation of the internal control system and the system for managing risks essential for the Fund;
- k) appointment of auditors for auditing the Fund's financial statements.

Rights to make decisions on issues or repurchases of shares are reserved for the General Meeting of the Fund.

4.1.2 Management Board

The Management Board consists of one to three members, including the President of the Management Board, appointed for a joint two-year term. The Supervisory Board determines, within the above limits, the number of members of the Management Board and appoints the President and other members of the Management Board. The Supervisory Board or the General Meeting may dismiss the entire Management

Board or its individual members, including the President of the Management Board, before the expiry of their term.

The Management Board exercises all its powers concerning management of the Fund, with the exception of powers reserved by law and the Statute for the Fund's other bodies. Operating procedures for the Management Board as well as duties that can be assigned to its individual members, may be defined in detail in the Rules of Procedure of the Management Board, adopted by the Management Board.

Resolutions of the Management Board require activities going beyond the ordinary management duties and, in particular:

- 1) defining strategies and key operating objectives of the Company as well as financial, pay and personnel policies of the Company,
- 2) approval of the Company's financial statements,
- 3) drafting business plans and financial plans for the Company,
- 4) adopting the Rules of Procedure for the Management Board,
- 5) entering into agreements on joint business with third parties (consortium agreements),
- 6) carrying out legal transactions whose value is higher than 15% of the Company's net assets as at the date of the balance sheet for the last financial year,
- 7) subscribing for shares or holdings in another company,
- 8) convening the General Meeting and setting its agenda,
- 9) granting sureties or guarantees, assuming debts, establishing mortgages or pledges,
- 10) purchasing or disposing of real estates or shares therein.

4.2 Composition, changes and operating procedures applicable to managing, supervising and administration bodies of the Fund

4.2.1 Supervisory Board

As at 31 December 2011 the composition of the Supervisory Board of the Fund was as follows:

- 1) Zygmunt Solorz-Żak - Chairman of the Supervisory Board
- 2) Krzysztof Majkowski - Deputy Chairman of the Supervisory Board
- 3) Andrzej Abramczuk - Secretary of the Supervisory Board
- 4) Andrzej Chajec - Member of the Supervisory Board
- 5) Mirosław Mikołajczyk - Member of the Supervisory Board
- 6) Jerzy Żurek - Member of the Supervisory Board

During 2011 the composition of the Fund's Supervisory Board did not change.

Operating procedures for the Supervisory Board are governed by provisions of the Act on National Investment Funds and CCC, provisions of the Statute, in particular Art. 16-22 and the Rules of Procedure of the Supervisory Board. To all matters not settled in the Statute provisions of Art. 381-392 of CCC respectively apply.

Each member of the Supervisory Board is obliged to provide the Fund with his/her statement on the number of shares held in the Fund, their percentage share in the share capital and the resulting number of votes, within 4 days of being appointed to the Supervisory Board, and also each time of being requested to do so by the Fund's Management Board. Each member of the Supervisory Board within 4 days of the purchase or disposal of shares in the Fund is obliged to inform the Fund accordingly. A letter on this matter should contain information on the number of acquired or sold shares in the Fund, their percentage share in the share capital and the number of votes from those shares, and the number of shares currently held and the respective number of votes. The above provision shall apply *mutatis mutandis* to the acquisition and disposal of shares in the Fund's parents or subsidiaries as well as to transactions with such entities insofar as they are relevant to the financial position of the member of the Supervisory Board. Members of the Supervisory Board should refrain from any transactions which could lead to a conflict of interest with the Fund. Members of the Supervisory Board are obliged to immediately inform the Chairman of the Supervisory Board about the conflict of interest and are required to abstain from voting on these matters. A member of the Supervisory Board may not resign from performing this function during the term if it could prevent the effective work of the Supervisory Board and, in particular, if this could prevent timely adoption of any significant resolution.

Pursuant to Art. 17.1 of the Statute and section 4 of the Rules of Procedure of the Supervisory Board, the Supervisory Board elects from among its members the Chairman and Deputy Chairman of the Supervisory Board. The Chairman of the Supervisory Board manages its work, convenes meetings of the Board and presides over them, represents the Supervisory Board in dealings with the Management Board and in external relations. In the absence of the Chairman of the Supervisory Board at the meeting of the Supervisory Board or in the case of his/her inability to perform his/her functions in the period between meetings (longer illness, departure) the Chairman of the Supervisory Board is replaced by the Deputy Chairman, and in the absence of the Deputy Chairman or his/her inability to perform his/her functions, by another member of the Supervisory Board elected by members of the Supervisory Board. Pursuant to Art. 18.1 of the Statute the Supervisory Board meets at least once every quarter.

Subject to the provisions of Art. 19.2 and 19.3 of the Statute, the Supervisory Board takes decisions by an absolute majority of the votes cast if at least half of its members attend the meeting, and all its members are invited to the meeting as stipulated in the Statute. The Supervisory Board may adopt valid resolutions also in cases when despite the failure to serve notice on individual members, they are present at the meeting of the Supervisory Board and agree to participate in the meeting.

Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by written voting through any other member of the Supervisory Board. A written vote may not relate to matters introduced onto the agenda during a meeting of the Supervisory Board. The Supervisory Board may adopt resolutions in writing (by circulation) and also by means of direct remote communication. In particular, members of the Supervisory Board may vote on resolutions by sending fax messages or via e-mail. Resolutions taken this way are valid provided that all the members of the Supervisory Board are previously notified about the content of the resolution as stipulated in Art. 19.1 of the Statute. Passing resolutions as specified in Art. 19.2 and 19 sec. 3 of the Statute cannot apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, to the appointment of a member of the Management Board and to the dismissal and suspension of such persons.

The Supervisory Board performs its duties collectively, although it may delegate its members to carry out particular supervisory actions individually.

After the date for a meeting is determined, the Chairman of the Supervisory Board informs the Management Board about such meeting, requests the same to submit any required papers and documents and notifies about the obligatory presence of specialist employees or other persons in order to discuss issues which are the subject of the agenda. The Chairman of the Supervisory Board may authorise a member of the Supervisory Board to exercise the a/m powers and, in the case when working teams of the Supervisory Board are established, their chairmen are also authorised to the extent of activities of such team to impose on the Management Board an obligation to prepare materials for the meeting and ensure the presence of specialist employees or other persons whose presence is necessary due to the scope of issues to be discussed during the meeting of the Supervisory Board. In the event when the resolution on delegating members of the Supervisory Board to perform specific supervisory activities is taken, the delegated member of the Supervisory Board may, to the extent of his/her assignment, request an access to files and documents regardless of expected topics of the next meeting of the Supervisory Board, may also require the presentation of individual documents to the Supervisory Board, if they are associated with the planned agenda of the next meeting.

The Supervisory Board may establish permanent and ad hoc working teams from among its members. A resolution establishing any such team defines competences and operating procedures therefor, and can also empower individual team members to perform control activities from the scope of the team's responsibilities. Working teams of the Supervisory Board, as well as members of the Supervisory Board delegated to perform specific supervisory activities, notify the Supervisory Board about the results of their work on the meeting of the Supervisory Board, however without the right to issue any recommendations or opinions for the Management Board.

Members of the Supervisory Board perform their duties personally, however, the Supervisory Board may decide to order some experts' opinions or analyses related to their supervisory functions to persons from outside of the Supervisory Board. Terms and conditions for the execution of such orders in accordance with any resolution adopted in that respect are agreed by the Chairman of the Supervisory Board or another member of the Supervisory Board indicated in the resolution who informs the Management Board about the need to enter into a mandate or a contract for specific work on behalf of the Fund to the extent respectively agreed.

Pursuant to § 27 sec. 5 of the Issuer's Statute, exclusive competences of the General Meeting include a decision on a refund (reimbursement) to persons being members of the Supervisory Board against expenses or damages incurred by such person in connection with the exercise of their official functions assuming they act in good faith and in the best interests of the Fund. This provision refers to the subjective condition of "acting in the best interests of the Fund" through the introduction of "one's reasonable belief in the light of the circumstances". Provisions of the Statute incorporate consequences of the error made by the General Meeting when taking the resolution on adopting the consolidated text of the Statute on 30 October 2009. The essence of this error was the omission of the preposition "in" in the last part of sec. 5: "which in such person's reasonable belief in the light of the circumstances was in the best interests of the Fund". According to the Issuer, this error, analysed based on historical, linguistic and teleological interpretation, does not affect the norm contained in that provision, and its removal is planned during a subsequent preparation of the consolidated text of the Issuer's Statute.

4.2.2 Audit Committee

There is the Audit Committee established in the Fund unless the General Meeting delegates its responsibilities to the Supervisory Board consisting of five members, and in addition, the Supervisory Board may appoint other committees, including the nomination and remuneration committees.

According to the Rules of Procedure of the Supervisory Board, the following permanent committees may work within the Supervisory Board: the Audit Committee and the Remuneration Committee which submit annual reports on their activities to the Supervisory Board. Such reports are made available to shareholders of the Fund. The committees are appointed by the Supervisory Board from among its members. The committees are made up of 3 to 5 members. Works of each individual committee are managed by its chairman. All members of the Supervisory Board are entitled to participate in meetings of the committee.

The Audit Committee includes at least two independent members (non-members of the Supervisory Board) and at least one member who has qualifications and experience in the field of accounting or finance. The task of the Audit Committee is advising the Supervisory Board on the proper implementation of the principles of budgetary and financial reporting as well as internal control of the Fund and the cooperation with the auditors of the Fund. The Audit Committee's responsibilities include in particular:

- a) monitoring the work of the auditors of the Fund and making recommendations to the Supervisory Board as to the selection and remuneration of the auditors of the Fund,
- b) discussing the nature and scope of the audit with the Fund's auditors before the commencement of each audit of the annual financial statements and monitoring the coordination of work between the Fund's auditors;
- c) reviewing periodic and annual financial statements of the Fund (standalone and consolidated), with a particular focus on: (i) any changes to accounting standards, principles and practices, (ii) major areas of judgement, (iii) significant post-audit adjustments, (iv) going concern statements, (v) compliance with applicable accounting regulations,
- d) discussing any problems or reservations that might result from the audit of the financial statements,
- e) analysing letters to the Management Board made by the auditors of the Fund, independence and objectivity of their audit and the responses of the Management Board,
- f) giving opinions on annual and multi-year financial plans,
- g) giving opinions on the dividend policy, profit distribution and securities issues,
- h) reviewing the management accounting system,
- i) reviewing the internal control system, including control mechanisms in the area of finance, operations, compliance, risk and management assessment,
- j) analysing reports of internal auditors of the Fund and major findings of other internal analysts and the Management Board's response to such findings, including examining the degree of independence of internal auditors and giving opinions on the Management Board's plans to employ and dismiss any person in charge of the organizational unit responsible for the internal audit,

- k) annually reviewing the internal audit programme, coordinating the work of internal and external auditors and examining conditions of the internal auditors' work,
- l) cooperating with the Fund's organisational units responsible for audit and control and periodically assessing their work,
- m) considering any other matters relating to the audit of the Fund, as found by the Audit Committee or the Supervisory Board,
- n) informing the Supervisory Board on any material issues in respect of the activities of the Audit Committee.

The composition of the Audit Committee as at the date of this report was as follows:

- Andrzej Abramczuk
- Mirosław Mikołajczyk
- Jerzy Żurek

4.2.3 Remuneration Committee

The purpose of the Remuneration Committee is to support strategic objectives of the Fund by providing the Supervisory Board with opinions and conclusions as to the development of the management structure, including organizational solutions, payroll system and selection of staff with the skills required to build the success of the Fund. The Committee's responsibilities include in particular: (a) initiating reviews of and giving opinions on systemic solutions for appointment of members of the Management Board, (b) reviewing the Fund's management system solutions proposed by the Management Board and designed to ensure efficiency, consistency and safety and security of the Fund's management, (c) periodically reviewing and recommending rules for accepting incentive schemes for members of the Management Board and senior executives, in accordance with the interests of the Fund, (d) periodically reviewing the system of remunerations of members of the Management Board and executives reporting directly to members of the Management Board, including manager's contracts and incentive schemes, (e) presenting opinions to the Supervisory Board on justifications for performance-based remunerations in the context of the assessment of the degree of implementation of specific tasks and objectives of the Fund, (f) assessing the human resources management system in the Fund.

4.2.4 Management Board

As at 31 December 2011 the composition of the Management Board was as follows:

- 1) Wojciech Pytel - President of the Management Board
- 2) Krzysztof Adaszewski - Member of the Management Board
- 3) Maciej Kotlicki - Member of the Management Board

On 25 March 2011 the Supervisory Board of the Fund appointed Mr. Krzysztof Adaszewski to the Management Board.

On 27 October 2011 the Supervisory Board of the Fund, following the appointment on 26 October 2011 of Mr. Wojciech Pytel to the management board of Polkomtel S.A. with its registered office in Warsaw ("Polkomtel"), dismissed Mr. Wojciech Pytel as the President of the Management Board of the Fund. At the same time on the same day, i.e. 27 October 2011, the Supervisory Board of the Fund appointed Mr.

Wojciech Pytel as the President of the Management Board of the Fund, effective from 15 November 2011. The decision on the dismissal and re-appointment of Mr. Wojciech Pytel as the President of the Fund's Management Board, according to the explanations provided by the Supervisory Board, was necessary for Mr. Wojciech Pytel to obtain consents of competent authorities of Polkomtel pursuant to Art. 380 of the Code of Commercial Companies.

Operating procedures of the Management Board are governed by the Act on National Investment Funds and CCC, the provisions of the Statute, and in particular Art. 12-15 of the Statute as well as the Rules of Procedure of the Management Board. To all matters not settled in the Statute provisions of Art. 368-380 of CCC respectively apply.

Two members of the Management Board acting jointly or one member of the Management Board acting together with a holder of commercial proxy, subject to the following sentence, are authorised to make declarations and sign on behalf of the Fund. If the Management Board is composed of one person, such one member of the Management Board is authorised to make declarations and sign on behalf of the Fund. The following, among others, require the consent of the Supervisory Board:

- a) the Fund entering into any significant agreement with a related party (the above does not apply to standard transactions contracted on an arm's length basis in the ordinary course of business carried out by the Fund with a subsidiary in which the Fund holds a majority stake) or with the parent; a related party being as defined in the Regulation of the Minister of Finance issued pursuant to Art. 60, sec. 2 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws No. 184, item 1539, as amended); in addition, it is assumed that granting loans or any other debt financing within those entities belongs to the category of the ordinary course of business of the Fund;
- b) the Fund contracting an obligation provided that the value of a single or a series of related transactions in the given financial year with a single entity exceeds 20% of the Fund's net assets, as determined based on the last standalone financial statements published in the periodical report;

In any agreements between the Fund and members of the Management Board and in disputes therewith the Fund is represented by the Supervisory Board. The Supervisory Board may authorise, by way of its resolution, one or more members of the Supervisory Board to make such legal transactions.

Members of the Management Board acquiring shares in the Company or its subsidiaries or parents should treat them as long-term investments.

Pursuant to § 27 sec. 5 of the Issuer's Statute, exclusive competences of the General Meeting include a decision on a refund (reimbursement) to persons being members of the Management Board against expenses or damages incurred by such person in connection with the exercise of their official functions assuming they act in good faith and in the best interests of the Fund. This provision refers to the subjective condition of "acting in the best interests of the Fund" through the introduction of "one's reasonable belief in the light of the circumstances". Provisions of the Statute incorporate consequences of the error made by the General Meeting when taking the resolution on adopting the consolidated text of the Statute on 30 October 2009. The essence of this error was the omission of the preposition "in" in the last part of sec. 5: "which in such person's reasonable belief in the light of the circumstances was in the best interests of the Fund". According to the Issuer, this error, analysed based on historical, linguistic and teleological interpretation, does not affect the norm contained in that provision, and its removal is planned during a subsequent preparation of the consolidated text of the Issuer's Statute.

4.3 Emoluments of managing and supervising persons

The table below shows the value of salaries, bonuses or benefits from their functions in 2011, separately for each of the Issuer's managing and supervising persons.

Name and surname	Position	Gross salary	Gross value of other benefits (***)
Wojciech Pytel	President of the Management Board of the Fund (*)	75,000	495
Maciej Kotlicki	Member of the Management Board of the Fund	75,000	396
Krzysztof Adaszewski	Member of the Management Board of the Fund (**)	75,000	495
Jerzy Żurek	Member of the Supervisory Board of the Fund	2.8	0
Andrzej Chajec	Member of the Supervisory Board of the Fund	2.8	0
Mirosław Mikołajczyk	Member of the Supervisory Board of the Fund	2.8	0
Krzysztof Majkowski	Deputy Chairman of the Supervisory Board of the Fund	4.7	0
Andrzej Abramczuk	Secretary of the Supervisory Board of the Fund	0	0
Zygmunt Solorz-Żak	Chairman of the Supervisory Board of the Fund	0	0

(*) in the period 15 December 2010 - 27 October 2011 and 15 November 2011 - 31 December 2011

(**) since 25 March 2011

(***) medical packages

As part of the aforementioned remuneration for members of the Management Board of the Fund, for each of them PLN 50,000 gross was paid as a bonus as determined in the resolution of the Supervisory Board of the Fund based on the size of the issue of C class shares.

Subject to the preceding sentence, in 2011 none of the managing or supervising persons received:

- remuneration, awards or benefits under incentive or bonus schemes based on the capital of the Issuer, including schemes based on preferred bonds, convertible bonds, subscription warrants (in cash, in kind or in any other form whatsoever),
- remuneration and awards received for functions in authorities of the subordinated entities.

4.4 Agreements with managing persons providing for compensation in the case of their resignation or dismissal without cause or when their dismissal or termination results from a merger of the Company following acquisition

In 2011 no agreements with managing persons providing for compensation in the case of their resignation or dismissal without cause or when their dismissal or termination results from a merger of the Company following acquisition were effective.

5 Other information

5.1 Proceedings pending before courts, competent arbitration tribunals or public administration authorities

Proceedings concerning frequency reservations for CenterNet and Mobyland

In the proceedings pending before the Voivodship Administrative Court in Warsaw (hereinafter referred to as "WSAW") reference number VI SA Wa 2335/08 (hereinafter also referred to as "2335/08 Proceedings"), WSAW by the judgment of 21 July 2009 repealed the decisions of the President of UKE of 29 August 2008, DZC-WAP-5174-9/07(182) and of 28 November 2007 DZC-WAP-5174-9/07(37) in which the President of UKE refused (in the first instance and after a re-examination motion) to acknowledge invalidity of the tender for the reservation of frequencies allocated to CenterNet and Mobyland. The judgment was contested by the President of UKE through a cassation appeal of 16 November 2009. The cassation appeal against the judgment was also filed by Mobyland and the National Chamber of Commerce of Electronics and Telecommunications. On 3 February 2011 the Supreme Administrative Court ("NSA") dismissed all the a/m cassation appeals against that judgment. In accordance with the statements made by the Management Boards of CenterNet and Mobyland the above judgment of NSA does not affect the final decision on granting the reservation of frequencies for CenterNet and Mobyland. In accordance with the relevant provisions of the Telecommunications Law and the established line of judicial decisions, administrative proceedings for the reservation of frequencies and the proceedings concerning the tender for the reservation of frequencies are separate types of administrative proceedings. In the opinion of the Management Boards of CenterNet and Mobyland the judgment of NSA, of 3 February 2011, gives the President of UKE the opportunity to take actions which would result in repealing the transactions challenged by the judgment of NSA in the consequence of which it will be possible to avoid CenterNet and Mobyland pursuing possible claims for damages.

In the proceedings pending before WSAW reference number VI SA Wa 1185/09 based on the complaint of Polkomtel against the decisions of the President of UKE of 30 November 2007, DZC-WAP-5174-6/07(190) (decision under which the President of UKE made the reservation of frequencies for CenterNet and Mobyland and refused such reservations to PTC and Polkomtel, "Reservation Decision 1") of 23 April 2009 upholding the a/m decision, after re-examining the case ("Reservation Decision 2") on 23 November 2009 WSAW decided to stay the proceedings. The decision of WSAW to stay the proceedings was contested by Polkomtel and consequently repealed by the Supreme Administrative Court by the judgment of 10 August 2010, reference number II GZ 61/10. On 11 February 2011 WSAW repealed the Reservation Decision 1 and the Reservation Decision 2. In accordance with the statements made by the Managements Boards of CenterNet and Mobyland, in the oral justification WSAW stated that repealing the contested decisions became necessary because there were doubts whether Mobyland which applied for the reservation of frequencies was the company created following the denomination of Tolpis, existing at the stage of the tender procedure, or whether between the above entities there were any other relationships, not allowing to assign to Mobyland the status of the legal successor of Tolpis on the grounds of the administrative law. According to WSAW there were also doubts whether Andrzej Voigt then acting on behalf of Mobyland was duly authorised to represent that entity and whether he was authorised to act independently. These doubts, in the opinion of WSAW, were not sufficiently and finally explained by the President of UKE. At the same time in the statement received from Mobyland it was declared that Mobyland (being the participant of the proceedings for the reservation of frequencies) was the successor of the legal entity which appeared in the tender proceedings, i.e. TOLIPIS (previous name). In addition, the Management Board of Mobyland stated that Andrzej Voigt had full right to independently represent Mobyland.

In accordance with the statements made by the Management Board of CenterNet and Mobyland, the representative of CenterNet and Mobyland received on 9 March 2011 from WSAW a written justification of the judgment of 11 February 2011. Besides arguments presented by WSAW, as at the date of announcement of the decision, in oral justification to the judgment which were repeated in the written justification of the foregoing judgment WSAW elaborated on its oral justification with the issues associated with the lack of reference being made by the President of UKE in the proceedings initiated

based on the Polkomtel's motion to re-examine the case for the Reservation Decision 1, with the issues associated with the proceedings based on the motion of Mobyland for extension of the periods for compliance with the obligations under the Reservation Decision 1. Following the proceedings conducted by the President of UKE based on the motion of Mobyland in relation to Mobyland the Reservation Decision 1 was modified but the very fact of such motion was not considered by the President of UKE in the proceedings for re-examination of the case based on the motion of Polkomtel. In addition, in the proceedings based on the motion of Polkomtel for re-examination of the case the President of UKE failed to consider the issues associated with the verification carried out by the President of UKE in terms of CenterNet compliance with the obligations arising from the Reservation Decision 1.

CenterNet and Mobyland benefited from their rights and filed within statutory time limits cassation appeals against the judgment of WSAW to the Supreme Administrative Court. Cassation appeals against the judgment (WSAW judgment of 11 February 2011 repealing the Reservation Decision 1 and the Reservation Decision 2) were also filed by the President of UKE, Polkomtel, PTC and the National Chamber of Commerce for Electronics and Telecommunications.

In view of these judgments of NSA and WSAW the President of UKE issued on 11 February 2011 the statement on taking actions aimed at removing all the formal errors, pointed out by NSA.

On 13 June 2011 the President of UKE issued the decision No. DZC-WAP-5174-9/07(321) on invalidation - to the extent applicable to the tender offer of PTC - of the tender for two frequency reservations, each of which includes 49 duplex radio channels with duplex interval of 95 MHz, in the 1710 - 1730 MHz and 1805-1825 MHz ranges, in the area of the entire country, to be used in the public telecommunications network for the period by 31 December 2022 the outcome of which the President of UKE announced on 2 October 2007 ("Invalidation Decision").

By the letter of 28 June 2011 PTC filed a motion for re-examination of the case closed by the Invalidation Decision. On 23 September 2011 the President of UKE issued the decision upholding the Invalidation Decision ("Upholding Decision"). In the justification the President of UKE rejected arguments presented by PTC as a result of which the assessment of the case, made by the President of UKE in the Upholding Decision is essentially the same as the assessment included in the Invalidation Decision, i.e. the tender for the two frequency reservations granted to CenterNet and Mobyland was partially invalidated - to the extent applicable to the tender offer of PTC. Participants of the proceedings have the right to appeal against the Upholding Decision under court administrative procedures.

On 21 October 2011 results of the tender for two frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges were announced. According to the results of the tender published by the President of UKE, due to the invalidation of the tender to the extent of the assessment of PTC offer, such offer was re-examined in the first stage of the tender following which it was qualified to the second stage of the examination of offers. As a result of the evaluation of offers made in the second stage PTC offer scored 139,367 points therefore it was entered at the fourth place in the list of offers submitted in the tender procedure. Accordingly, the President of UKE published the list referred to in Art. 118c of the Telecommunications Law which currently is as follows:

- 1) offer No. 1 submitted by CenterNet S.A. - 340,000 points,
- 2) offer No. 2 submitted by CenterNet S.A. - 287,461 points,
- 3) offer No. 3 submitted by TOLPIS Sp. z o.o. (current name: Mobyland Sp. z o.o.) - 225,785 points,
- 4) offer submitted by PTC - 139,367 points,

- 5) offer submitted by Polkomtel S.A. - 122,726 points,
- 6) offer submitted by PTK Centertel Sp. z o.o. - 103,656 points.

On 27 October 2011 CenterNet - acting pursuant to the offer No. 2 and Mobyland - acting pursuant to the offer classified on the third place, performing rights arising out of the publication of the results of the tender, submitted to the President of UKE requests for frequency reservations in the tender for two frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges (the two requests being for reservations of the two a/m frequencies). By the date of this report, requests for frequency reservations were not examined.

Proceedings for the reservation of frequencies for Aero2

By the decision of 9 December 2008 the President of UKE granted frequency reservations in the 885,1-890,1 MHz and 930,1-935,1 MHz ranges to Aero2. After PTC, PTK Centertel and Polkomtel filed the motion for re-examination of the case the above decision was upheld by the decision of the President of UKE of 22 July 2010 No. DZC-WAP-5174-1/08(544). PTC, Polkomtel and PTK Centertel filed complaints against such decision to WSAW. By the judgment of 24 June 2011, reference number VI SA/Wa 1963/10 WSAW dismissed all complaints as unfounded. The foregoing judgment was appealed against to the Supreme Administrative Court through cassation appeals filed by PTK Centertel and PTC so the a/m judgment of WSAW is not yet final. The date for hearing the case in the Supreme Administrative Court was not yet determined.

After the announcement of the results of the tender for the reservation of frequencies from the 885,1-890,1 MHz and 930,1-935,1 MHz ranges ("Tender"), PTC, PTK Centertel, Polkomtel, CenterNet and Arbit Sp. z o.o. filed motions for invalidation of the tender. By the decision of 4 March 2010 No. DZC-WAP-5174-4/08(156) the President of UKE refused to invalidate the Tender, the above decision was upheld by the decision of the President of UKE on 29 October 2010 No DZC-WAP-5174-4/08(270). PTC, Polkomtel and PTK Centertel filed complaints against such decision to WSAW. By the judgment of 26 September 2011, reference number VI SA/WA 2682/10 WSAW dismissed all the a/m complaints. The foregoing judgment was appealed against to the Supreme Administrative Court through cassation appeals filed by PTK Centertel and PTC so the a/m judgment of WSAW is not yet final. The date for hearing the case in the Supreme Administrative Court was not yet determined.

Other proceedings

On 31 March 2010 the Company received a copy of the Supreme Court's decision on admission for examination of the cassation appeal submitted by the Company against the judgment of 16 April 2009 of the Court of Appeal in Warsaw, VI Civil Division in which the Company's appeal against the judgment of the District Court, XX Commercial Division in Warsaw on 2 April 2008 (reference number XX GC 175/05) was dismissed. Under the judgments contested in the cassation appeal the Company paid to Torpol Sp. z o.o. with its registered office in Poznań PLN 627,131.58 including statutory interest and PLN 45,365.35 as reimbursement of litigation costs. The amount paid was a part of the advance payment made by Torpol Sp. z o.o. pursuant to the conditional agreement for the purchase of shares in PRK SA in Poznań. Torpol Sp. z o.o. made a statement on avoidance of the effects of the conditional agreement for the purchase of shares based on an error and requested and then claimed a reimbursement of the advance payment before the court. The Company settled all the obligations to Torpol Sp. z o.o. resulting from the above final judgment XX GC 175/05. The Supreme Court in its judgment of 29 October 2010 reference number CSK 595/09 repealed the contested judgment and returned the case for re-examination to the Court of Appeal in Warsaw. In the justification to its judgment the Supreme Court pointed out that there were no reasons to acknowledge effectiveness of the avoidance by Torpol Sp. z o.o. of the effects of the

conditional agreement for the purchase of shares. In the light of the above judgment, on 15 March 2011, the Issuer and Torpol Sp. z o.o. entered into an out-of-court settlement under which among others: i) the parties confirmed that the statement of Torpol Sp. z o.o. on avoidance of the effects of the conditional agreement for the sale of shares in PRK S.A. did not produce any legal consequences, ii) the advance payment made by Torpol Sp. z o.o. was vested in the Issuer, iii) Torpol Sp. z o.o. would return to the Issuer by 21 March 2011 the recovered amount of the advance payment including interest in the total amount of PLN 1,091,459.48, iv) the parties undertake to immediately enter into a court settlement before the Court of Appeal in Warsaw, with a further reimbursement by Torpol Sp. z o.o. to the Issuer of the costs of the cassation procedure in the amount of PLN 36,757 and the mutual waiver of any other costs. On 21 March 2011 the Out-of-Court Settlement was executed, i.e. Torpol Sp. z o.o. reimbursed to the Issuer PLN 1,091,459.48, and the parties entered into the court settlement before the Court of Appeal in Warsaw on the terms and conditions indicated above.

The District Court for the City of Warsaw in Warsaw, XII Commercial Division, examines under the reference number Wa XII Ns Rej KRS 38026/11/641, the proceedings for deletion of the inadmissible entry concerning Aero2 in the Register of Entrepreneurs of the National Court Register. The proceeding were initiated ex officio in connection with the letter of Milmex Systemy Komputerowe Sp. z o.o. with its registered office in Sosnowiec ("Milmex"). On 28 November 2011 Aero2 was summoned by the a/m Court to take a position on the content of the a/m letter. In its letter Milmex applied for deletion of all entries in the a/m court, in particular the ones concerning establishment of governing bodies of Aero2 indicating that Aero2 was founded by lawyers with their professional practice in the form of a a limited partnership (in this case Chajec, Don-Siemion & Żyto sp.k) while the corresponding provisions of law on the profession of lawyers and legal counsels and on legal assistance in Poland by foreign lawyers stipulate, in the opinion of Milmex, that a limited partnership under which their profession is exercised by legal counsels or lawyers can only provide legal services, but can not establish a limited liability company of the Polish law (spółka z ograniczoną odpowiedzialnością) (in this case Aero2). According to Milmex, for the same reasons it is inadmissible that members of governing bodies of such limited liability company are appointed by such limited partnership as well as that any other transactions going beyond exercising the lawyer's profession are carried out. In addition, according to Milmex, a partner of the limited partnership providing legal assistance only can not be a member of the management board of the limited liability company.

Aero2 filed in the a/m Court its pleadings where it responded to the letter of Milmex described above, questioning the whole legal argument contained in that letter and requesting for a discontinuation of the above proceedings. According Aero2 there are no legal or factual grounds to justify removal from the National Court Register of the entries concerning Aero2, and in particular Aero2 was established in accordance with any applicable laws, Aero2 activities are validly carried out in compliance with all applicable legal requirements, and Aero2 duly filed in the registry court all the information the disclosure of which was required. In addition, Aero2 indicated that the a/m arguments of Milmex are wrong, and in accordance with applicable laws the limited partnership where lawyers or legal counsels exercise their profession actually can establish a limited liability company as well as can perform, as a founder, any corporate rights in relation to the newly established limited liability company. In the opinion of Aero2 a lawyer or legal counsel, also the one practising as a partner in a limited partnership, can serve as a member of the management board of a limited liability company. By the decision of 13 February 2012, reference number Wa XII Ns Rej KRS 38026/11/641 the District Court for the City of Warsaw in Warsaw, XII Commercial Division of the National Court Register discontinued the proceedings for the deletion of the inadmissible entry concerning Aero2 in the Register of Entrepreneurs. According to the Court, there are no grounds to delete Aero2 from the register. In particular the fact that Aero2 was established by the limited partnership being a lawyers' company may not be invoked by Milmex as the grounds therefor. The

nature of the business of a limited partnership does not affect its capacity to be a founder of another company, including a limited liability company. Moreover, no rule of law prevents the founding entity from exercising its corporate powers in relation to its subsidiary (Aero2), including the power to appoint the governing bodies of such company. According to information from the office of the District Court for the City of Warsaw in Warsaw, the decision of 13 February 2012 is final.

5.2 Subsequent events

Determination of the issue price for D class shares.

On 3 February 2012 the Management Board of the Company, acting pursuant to Resolution No. 27/2011 of the General Meeting of the Fund of 15 November 2011 determined, with the consent of the Supervisory Board of the Fund expressed in its resolution of 3 February 2012, the issue price for D class shares at PLN 0.70 per share.

Issue of debt papers.

After Alior Bank S.A. with its registered office in Warsaw ("Alior Bank") subscribed on 17 February 2012 for 20,000 series MID0612.3 debt papers with a nominal value of PLN 1,000 each ("Papers"), with a total nominal value of PLN 20,000,000 for the issue price equal to their nominal value ("Issue Price") as a result of the acceptance by Alior Bank on 16 February 2012 of the proposal to subscribe for the Papers ("Proposal") and as a result of the payment of the Issue Price by Alior Bank, the issue of the Papers was successful.

The proceeds from issue of the Papers shall be designated for bridge financing of investments being implemented by the Midas Group. The Company's use of such bridge financing is expected until the end of the public offering for D class shares of the Company. The Company informs that as a part of such financing proceeds from the issue of the Papers were used for a loan in the amount of PLN 20,000,000 to the subsidiary - Aero 2 Sp. z o.o. with its registered office in Warsaw.

In accordance with terms and conditions for the issue of the Papers, contained in the Proposal, the Papers mature on 30 June 2012 but the Company has the right to make an unconditional early redemption of the Papers. In addition, the Papers entitle to interest, accrued and paid on a monthly basis, except for the first interest period which will last from 17 February 2012 to 1 March 2012. The Papers bear interest at WIBOR 1M from the second working day preceding the beginning of the interest period, increased by 2.5 percentage points, per annum. The Papers do not entitle to any non-cash benefits from the Company. The Papers issued are certificated and transferable only with the written consent of the Company.

The Papers issued by the Company are secured, and the collateral security for the claims under the Papers as well as under series MID0612.1 and MID0612.2 papers (as described in detail in section 26.3 of this report) is: (i) a contractual mortgage for up to PLN 89,017,500.00 on: the right vested in Inwestycje Polskie Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (04-175) ul. Ostrobramska 77, KRS 0000008176 ("Inwestycje Polskie") for perpetual usufruct of the real estate and the title to buildings erected thereon, constituting a separate ownership title, located in Warsaw at ul. Ostrobramska 77, including the plot of land No. 36/6 with the area of 0.5251 ha, described in KW WA6M/00171397/7, kept by the District Court for Warszawa – Mokotów in Warsaw, XV Land and Mortgage Register Division ("Real Estate"), established as a first rank mortgage in favour of Alior Bank in order to secure claims under the Company's obligations from the Papers and the obligations under the surety agreement referred to in section (iii) below, interest claims and other claims for ancillary services, including fees and commissions provided that the foregoing mortgage security collateral secures also series MID0612.1 papers; (ii) acknowledged assignment of claims under insurance of the Real Estate at the insurer accepted by Alior Bank against fire and other casualties for at least PLN 89,017,500.00; (iii) a civil

law surety granted by Inwestycje Polskie provided that the liability of the suretor under the surety granted is limited to the amount corresponding to the value of the Real Estate as at the date of maturity of Alior Bank's claims against the suretor, (iv) the Company's statement submitted in the form of a notarial deed on submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure for up to PLN 107,250,000.00 as a part of enforcement actions carried out by Alior Bank in the case of non-performance of the obligations which may arise on the Company's cash claims to Alior Bank; (v) statement of Inwestycje Polskie on submission to enforcement, in the form of a notarial deed, for up to PLN 107,250,000.00 as a part of enforcement actions carried out by Alior Bank.

Fore series MID 0612.1 and MID 0612.2 debt papers, referred to above, the a/m security collateral replaces the previous security collaterals as described in section 2.4.1 of this report.

Granting a loan to Aero 2 Sp. z o.o.

On 17 February 2012 the Company, under the loan agreement entered into with Aero 2 Sp. z o.o. ("Aero 2") ("Agreement"), granted to Aero 2 a loan in the amount of PLN 20,000,000. According to its provisions the loan bears interest at WIBOR 1M + 3 percentage points per annum and matures on 29 June 2012. The loan was granted for purposes of bridge financing for investments carried out by Midas Group until the end of the public offering of D class shares of the Company.

Agreement on a mutual offset of receivables with Litenite Limited

On 28 February 2012 the Fund concluded an agreement with Litenite Limited with its registered office in Nicosia, Cyprus ("Litenite") for a mutual offset of receivables ("Agreement").

In accordance with the Agreement, on 28 February 2012, the Company and Litenite made a contractual set off of a receivable of PLN 546,863,906.40 that was due to the Company from Litenite under its obligation to pay for 781,234,152 D class shares of the Company, covered by the basic subscription submitted by Litenite on 28 February 2012 at an issue price of PLN 0.70 per share under the public offering for D class shares (closed subscription), against a receivable of PLN 548,000,000 due from the Company to Litenite in respect of payment of the price for 100% of shares in Conpidon Limited under the agreement for sale of shares in Conpidon Limited with its registered office in Nicosia, Cyprus. As a result of the contractual offset, the above receivable due to the Company was written off in full, i.e. in the amount of PLN 546,863,906.40, and the above receivable due to Litenite was written off in part, i.e. to the amount of PLN 1,136,093.60.

Under the Agreement the Company and Litenite agreed also that the Company would be entitled to withdraw from the Agreement if a decision, if any, of the registry court having jurisdiction over the Company: (i) on refusal to register the Company's share capital increase following the issue of D class shares or (ii) on rejection of the application in that respect, becomes final. Such right is vested in the Company for the period of one month from when the a/m decision of the court becomes final.

The Agreement was signed in order to pursue the first objective of the issue of D class shares, i.e. payment of the price for the acquisition of Aero2 Sp. z o.o. with its registered office in Warsaw. Considering the foregoing offset, PLN 1,136,093.60 constitutes the remaining claim of Litenite against the Company as a part of pursuing such objective. However the Company notes the option to withdraw from the Agreement, as described above. In the case of such withdrawal the Agreement will be considered, pursuant to Art. 395 § 2 sentence 1 of the Civil Code as not entered into, and the Company will be liable to pay to Litenite PLN 548,000,000 as the payment of the price for a 100% stake in Conpidon Limited sold to the Company.

Agreement for the provision of telecommunications services under wholesale conditions with Polkomtel

On 9 March 2012 Mobyland entered with Polkomtel S.A. ("Polkomtel" or "Party" and collectively with Mobyland "Parties") into the agreement for the provision of wholesale telecommunications services ("Agreement"). The Agreement was executed in connection with the letter of intent signed by Mobyland and Polkomtel ("Letter of Intent").

Under the Agreement, on 9 March 2012 Mobyland received the first order for data transmission services from Polkomtel, in the amount of 11 million gigabytes, for a total net amount of PLN 101.7 million.

Terms and conditions of the Agreement were described in detail in the current report 15/2012 of 9 March 2012 (available on the Fund's website - www.midasnfi.pl).

Allotment of D class shares under principal and additional subscriptions

On 19 March 2012 the Management Board of the Fund, by way of its resolution, allotted all the D class shares of the Fund offered under the public offering. The Management Board allotted D class shares to entities which submitted properly paid subscriptions for D class shares in the performance of subscription rights for D class shares, with each of these entities having been allotted the number of shares equal to their properly paid principal subscriptions submitted, and to entities which made additional subscriptions for D class shares, in accordance with Art. 436 § 2 of the Code of Commercial Companies, with each of these entities having been allotted the number of shares resulting from their properly paid subscriptions and the rate of reduction. Terms and conditions for the allotment of D class shares were described in the current report 17/2012 of 19 March 2012 (available on the Fund's website - www.midasnfi.pl).

5.3 Important achievements in the area of research and development

In 2011 the Midas Group carried out no research and development activities.

5.4 Environmental issues

The Midas Group complies with all the obligations in the area of the protection of the natural environment. To the extent to which the Midas Group entities create their own radio network infrastructure, there are issues of compliance of the devices of the base stations in the radio telecommunication networks with the requirements of applicable laws on the environment protection, especially in terms of not exceeding the limit values of electromagnetic fields associated with the operation of such stations. Pursuant to the provisions of the Act of 3 October 2008 on the provision of information about the environment and its protection, public participation in environmental protection and environmental impact assessments (Journal of Laws No. 199, item 1227, as amended) and secondary regulations thereto, in particular the Regulation of the Council of Ministers of 9 November 2010 on projects likely to have significant effects on the environment (Journal of Laws No. 213, item 1397), the implementation of the projects for the construction of devices in the base stations, depending on the power of installed devices, may constitute a project significantly affecting the environment. In addition, the construction of these devices may be subject to certain environment protection conditions in the Natura 2000 area. The foregoing may require the assessment of the environmental impact during the preparation for the construction of such devices, and when obtaining building permits, decisions on approval of the construction project, decisions to permit the use of, or change in the use of a building or a part thereof. Such environmental impact assessments are carried out when preparing reports on the project impact on the environment and when applying for decisions on the environmental conditions for the project.

The provisions of the a/m regulation stipulate that not all installations of base stations emitting electromagnetic fields with frequencies from 0.03 MHz to 300,000 MHz are classified as projects likely to always have a significant environmental impact. The classification of the base as the projects which could

always significantly affect the environment depends on the distance of places accessible to the public from antennas of the base stations and equivalent isotropic radiated power of such antennas. The construction of the stations which are not classified as the projects likely to always significantly affect the environment and not located within the Natura 2000 area - is subject to the environmental impact assessment only in the event when competent authorities issue a respective decision requiring to carry out such assessment.

Technologies currently used, in the opinion of the Fund, allow for the further development of the infrastructure of the radio telecommunications network in accordance with the applicable standards for the protection of the environment, including in compliance with the limit values of electromagnetic fields associated with the operation of base stations.

The Fund believes that other issues related to the environmental protection do not have a material impact on the Midas Group's operations and its financial position as well as do not have a material impact on the Midas Group's use of its property, plant and equipment.

5.5 Registry, communication and address data

The registered name of the Issuer:	Narodowy Fundusz Inwestycyjny MIDAS Spółka Akcyjna. The Issuer may use the abbreviated name NFI MIDAS S.A.
Place of registration:	The Issuer was registered by the District Court for the capital city of Warsaw, XVI Commercial-Registry Division based on the decision of 31 March 1995 (ref. XV1 Ns reg. H-2401/95) under the number RHB 43367. Then the Issuer was registered in the Register of Entrepreneurs of the National Court Register on 23 June 2001, in the District Court for the capital city of Warsaw in Warsaw, XIX Commercial Division of the National Court Register. Currently, the Issuer is registered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register.
Registration No.:	National Court Register 0000025704
Date established:	The Issuer was established on 15 December 1994 by the State Treasury represented by the Minister of Ownership Transformations (currently the Minister of the State Treasury) as a sole shareholder company of the State Treasury.
Duration:	Unlimited
Registered office:	Warsaw
Legal form:	spółka akcyjna (Polish joint stock company) (national investment fund)
Regulations applicable to the Issuer's operations:	The Issuer operates pursuant to and in accordance with the laws of Poland, in particular the provisions of the Code of Commercial Companies and the Act on NFI as well as on the basis of its Statute.
Country of the registered office:	Republic of Poland
Address:	ul. Lwowska 19, 00-660 Warsaw
Telephone number:	+48 22 249 83 10
Fax number:	+48 22 249 83 13
E-mail:	biuro@midasnfi.pl
Website:	http://www.midasnfi.pl

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

_____ Wojciech Pytel	_____ Krzysztof Adaszewski	_____ Maciej Kotlicki
President of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, 20 March 2012