

**CAPITAL GROUP OF
NARODOWY FUNDUSZ INWESTYCYJNY
MIDAS Spółka Akcyjna**

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED ON
31 DECEMBER 2011**

I. GENERAL PART

1. General Information

The parent of the Capital Group (hereinafter referred to as the "Group" or "Capital Group") is Narodowy Fundusz Inwestycyjny Midas S.A. (the "Parent", the "Company").

The Parent was established pursuant to a Notarial Deed of 15 December 1994. The Parent's registered office is located in Warsaw, ul. Lwowska 19.

The Parent is the issuer of the securities referred to in Art. 4 of the Regulation of the European Parliament and of the Council of the European Union of 19 July 2002 No. 1606/2002/EC on the application of international accounting standards (OJ. EC L 243 of 11 September 2002, p. 1; Official Journal EU Polish special edition, ch. 13, vol. 29, p. 609) and pursuant to Art. 55.5 of the Accounting Act of 29 September 1994 (Journal of Laws No. 152 of 2009, item 1223, as amended. - "Accounting Act") prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU.

On 6 July 2001 the Parent was entered in the Register of Entrepreneurs at the National Court Register under KRS 0000025704.

The Parent's REGON (Statistical Number) is: 010974600 and it was assigned on 11 May 1995. The Group's core business is telecommunications activities carried out within the territory of Poland.

On 31 December 2011 the Parent's share capital amounted to PLN 29,593,000. The Group's equity as at that date amounted to PLN 199,763,000.

According to the information obtained during the audit of the consolidated financial statements as at 31 December 2011, the shareholding structure of the Parent was as follows:

	Number of shares	Number of votes	Nominal value of shares (in PLN '000)	Share in the capital
Zygmunt Solorz-Żak	195,313,538	195,313,538	19,531	66.00%
Other Shareholders	100,619,812	100,619,812	10,062	34.00%
Total	295,933,350	295,933,350	29,593	100.00%

According to the information obtained during the audit of the financial statements as at 20 March 2012 in the financial year and after the balance sheet until the date of this opinion, the following changes occurred in the shareholding structure of the Parent:

- After the balance sheet date TFI Allianz acquired from other shareholders 15,117,234 shares, and therefore it now holds 15,117,234 votes and a 5.11% share in the capital and in the total number of votes. At the same time the number of shares held by other shareholders (with the exception of Mr. Zygmunt Solorz-Żak) decreased to 85,502,578 shares (and the same number of votes) which corresponds to a 28.89% share in the capital and in the total number of votes.

There were the following changes in the Parent's share capital during the financial year:

	Number of shares	Nominal value of shares
As at the beginning of the period	59,186,670	5,918,667

Share capital increase	236,746,680	23,674,668
As at the end of the period	295,933,350	29,593,335

As at 20 March 2012 the composition of the Parent's Management Board was as follows:

Wojciech Pytel	- President of the Management Board
Krzysztof Adaszewski	- Member of the Management Board
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 Company, following the appointment on 26 October 2011 of Mr. Wojciech Pytel to the management board of another entity, dismissed Mr. Wojciech Pytel as the President of the Management Board of the Company. At the same time on the same day, i.e. 27 October 2011, the Supervisory Board of the Company appointed Mr. Wojciech Pytel as the President of the Management Board of Company, effective from 15 November 2011. The Supervisory Board's decision to recall and reappoint Mr Wojciech Pytel as President of the Management Board of the Company was motivated by the need for Mr Pytel to obtain the consent of the relevant bodies of another entity resulting from Article 380 of the Commercial Companies Code.

2. Composition of the Capital Group

As at 31 December 2011 Narodowy Fundusz Inwestycyjny Midas S.A. Capital Group included the following (direct and indirect) subsidiaries:

name of the subsidiary	method of consolidation	type of opinion on the financial statements	authorised entity which carried out the audit of financial statements	balance sheet date as at which the financial statements are prepared
CenterNet S.A.	full consolidation	during the audit	Ernst & Young Audit Sp. z o.o.	31 December 2011
Mobyland Sp. z o.o.	full consolidation	during the audit	Ernst & Young Audit Sp. z o.o.	31 December 2011
Aero2 Sp. z o.o.	full consolidation	during the audit	Ernst & Young Audit Sp. z o.o.	31 December 2011
Conpidon Limited	full consolidation	no audit obligation	no audit obligation	31 December 2011
Daycon Trading Limited	full consolidation	no audit obligation	no audit obligation	31 December 2011
Nova Capital Sp. z o.o.	consolidation using full and equity methods ¹	during the audit	Ernst & Young Audit Sp. z o.o.	31 December 2011

¹ Nova Capital Sp. z o.o. was subject to consolidation using the equity method until 11 July 2011, and using the full method as of 12 July 2011.

A description and impact of changes to the scope of consolidation as against the previous year were presented in Note 1 of the accounting policies and additional explanatory notes ("Additional Information") to the audited consolidated financial statements of the Capital Group for the year ended on 31 December 2011.

3. Consolidated financial statements

3.1 Auditors' opinion and the audit of the consolidated financial statements

Ernst & Young Audit Sp. z o.o with its registered office in Warsaw, Rondo ONZ 1, is an entity authorised to audit financial statements, registered in the respective list under number 130.

On 12 July 2011 Ernst & Young Audit Sp z o.o. was selected by the Supervisory Board to audit the consolidated financial statements of the Group.

Ernst & Young Audit Sp. z o.o. and the Chief Auditor comply, as defined in Art. 56 sec. 3 and 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 of 2009, No. 77, item. 649, as amended); with conditions for expressing an impartial and independent opinion on the consolidated financial statements.

We audited the consolidated financial statements for the year ended 31 December 2011 based on the agreement entered into on 1 August 2011 with the Management Board of the Parent.

Our task was to express an opinion on these consolidated financial statements based on our audit. Procedures carried out during the audit were designed so that to give a basis for the opinion on the consolidated financial statements as a whole. Our procedures did not include any additional information which do not affect the consolidated financial statements as a whole.

Based on our audit, on 20 March 2012 we issued the auditor's unqualified opinion with the following explanations:

“For the Supervisory Board of Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna

1. We audited the accompanying consolidated financial statements of NFI Midas S.A. Capital Group (the "Group") where the Parent is Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna (the "Company") with its registered office in Warsaw, ul. Lwowska 19 for the year ended on 31 December 2011, including the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2011 to 31 December 2011, accounting policies and additional explanatory notes ("accompanying consolidated financial statements").
2. The Management Board of the Company is responsible for the accuracy and clarity of the accompanying consolidated financial statements as well as for their preparation in compliance with applicable accounting policies and for the correctness of the consolidation package. In addition, the Management Board of the Company and members of the Supervisory Board must ensure that the accompanying consolidated financial statements and the Management Report on the Group's operations meet the requirements set out in the Accounting Act of 29 September 1994 (Journal of Laws no. 152 of 2009, item 1223, as amended; "Accounting Act"). Our task was to audit and express our opinion whether, in all materials aspects, the accompanying consolidated financial statements comply with applicable accounting policies and whether, in all materials aspects, they fairly and clearly present assets and the financial position as well as the financial results of the Group.

3. We audited the accompanying consolidated financial statements in accordance with:
- Chapter 7 of the Accounting Act,
 - national auditing standards, issued by the National Chamber of Statutory Auditors in Poland,
- so that to obtain reasonable assurance about whether the financial statements are free from material misstatements. Our audit included examining, mainly on a test basis, documents supporting the amounts and disclosures contained in the accompanying consolidated financial statements. The audit also included assessing correctness of the accounting principles accepted and applied by the Group as well as any significant estimates made by the Management Board of the Company and the overall presentation of the accompanying consolidated financial statements. We believe that the audit provided a sufficient basis for expressing our opinion about the accompanying consolidated financial statements as a whole.
4. The consolidated financial statements for the previous financial year ended on 31 December 2010 was audited by the Chief Auditor acting on behalf of another authorised entity which issued an unqualified opinion about such financial statements on 21 March 2011.
5. In our opinion, the accompanying consolidated financial statements in all material aspects:
- accurately and clearly present all the information that is material for the assessment of the financial result on business operations for the period from 1 January 2011 to 31 December 2011 and of the assets and the financial position of the audited Group as at 31 December 2011;
 - were drawn up in accordance with International Financial Reporting Standards, as approved in the EU;
 - are consistent with the laws applicable to the preparation of financial statements affecting the form and contents of the financial statements.
6. Without raising any reservations, we would like to draw attention to the following issues:
- (a) As described in more detail in Note 15 to the accompanying consolidated financial statements, the Group reported a significant goodwill on the acquisition of subsidiaries for the total balance of PLN 321,649,000 as at 31 December 2011. The goodwill originates from new operations related to wholesale data transmission for which there are no historical financial results. In accordance with the requirement of IAS 36 Impairment of Assets the Company tested against impairment the goodwill based on underlying assumptions presented in Note 15 to the accompanying consolidated financial statements. Relying on results of the impairment test carried out by the Company as at 31 December 2011, the Management Board of the Company made no revaluation write-off against goodwill. A recoverable amount of the goodwill depends on whether a number of assumptions, including assumptions as to operating results, actually come true. In the opinion of the Management Board of the Company, as at the date of these consolidated financial statements there is an uncertainty as to whether such accepted assumptions actually come true, and ultimately as to the recoverable amount of the goodwill.
- (b) As more fully described in Note 28.1 to the consolidated financial statements, there exists a legal dispute concerning the acknowledgement of paid frequency reservations in the 1800 MHz band for the benefit of Mobyland Sp. z o.o. and Centernet S.A. The value of those concessions, presented in the consolidated statement of financial position as at 31 December 2011, was PLN 167,676,000. The Management Board of the Company is not able to predict the final outcome of this issue, although it is of the opinion that the issue should not have a negative impact on the statement of financial position of the Group. Therefore, the accompanying consolidated financial statements do not contain any adjustments to the valuation of such concessions which could prove to be necessary as a result of a ruling against the entities from the Group on the above issue.
7. We acquainted ourselves with the Management Report on the Group's operations in the period from

1 January 2011 to 31 December 2011 and with the principles underlying the preparation of annual consolidated financial statements ("Management Report") and we concluded that the information in the accompanying consolidated financial statements is consistent therewith. Information contained in the Management Report complies with the requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for finding information required by the provisions of law of a country that is not a Member State to be equivalent (Journal of Laws No. 33, item 259, as amended; "Regulation on Current and Periodic Information")."

Our audit of the consolidated financial statements of the Group was carried out in the period from 17 September 2011 to 20 March 2012, including at the premises where the Company's books of account are kept from 28 November 2011 to 30 November 2011 and from 13 February 2012 to 02 March 2012.

3.2 Statements made and the availability of data

The Management Board of the Parent is responsible for the accuracy and clarity of the financial statements as well as for their preparation in compliance with applicable accounting policies and for the correctness of the consolidation package. The Management Board also declared having provided us with all the financial statements of entities included in the scope of the consolidated financial statements, the consolidation package and other required documents and explanations. We also received a written statement of the Management Board of the Parent dated 20 March 2012 on:

- complete presentation of data in the consolidation package,
- reporting all contingent liabilities in the consolidated financial statements, and
- disclosure in the consolidated financial statements of all subsequent events that occurred after the balance sheet date until the date of the statement.

In the statement it was acknowledged that the information provided was accurate and true to the best knowledge and belief of the Management Board of the Parent and included all events that could have an impact on the consolidated financial statements.

3.3 Information on the consolidated financial statements of the Group for the previous financial year

The consolidated financial statements of the Group for the year ended on 31 December 2010 were audited by Kazimierz Lewański, Chief Auditor No. 9434, acting on behalf of Baker Tilly Audit Poland Sp. z o.o. with its registered office in Warsaw at ul. Nowogrodzka 12 lok. 3, the company entered on the list of entities authorised to audit financial statements under the number 1898. On behalf of the authorised entity, the Chief Auditor issued an unqualified opinion on the consolidated financial statements for the year ended on 31 December 2010. The consolidated financial statements of the Group for the year ended on 31 December 2010 were approved by the General Meeting of Shareholders on 17 October 2011 when the shareholders resolved that the net loss for the year 2010 would be covered from profits of future years.

The consolidated financial statements of the Group for the year ended on 31 December 2010 together with the auditor's opinion, a copy of the resolution on approval of the consolidated financial statements and the Management Report were filed in the National Court Register on 28 October 2011.

The consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on 31 December 2010 together with the auditor's opinion and a copy of the resolution on approval of the financial statements were submitted for publication in Monitor Polski B on 28 October 2011.

4. Financial position

4.1 Key data and financial ratios

Selected ratios describing the Group's financial position in the years 2011 - 2010 calculated on the basis of the financial data reported in the financial statements for the year ended on 31 December 2011 are as follows: Financial data for the year 2010 were restated and include an adjustment for an error recognized in the financial statements for the year ended 31 December 2011:

	2011	2010
balance sheet total	1,130,280	141,389
equity	199,763	(58,202)
net financial result	(54,342)	(74,015)
return on assets (%)	(4.8%)	(52.3%)
net financial result x 100		
total assets		
net return on sales (%)	(176.4%)	(521.4%)
net financial result x 100		
revenue from sales of products, goods and materials		
liquidity - liquidity ratio I	0.08	0.1
total current assets		
current liabilities		
liquidity - liquidity ratio III	0.04	0.03
cash		
current liabilities		
receivables turnover	118 days	57 days
trade receivables x 365 days		
revenue from sales of products, goods and materials		
	2011	2010
liabilities turnover	184 days	221 days
trade liabilities x 365 days		
revenue from sales of products, goods and materials		
financing stability (%)	24.8%	(36.5%)

**(equity + long-term provisions
 and liabilities) x 100**

total equity and liabilities

debt to assets ratio (%)	82.3%	141.2%
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**(total equity and liabilities -
 equity) x 100**

total assets

rate of inflation:

average yearly	4.3%	2.6%
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December to December	4.6%	3.1%
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4.2 Comments

The presented ratios reveal the following trends:

Both in 2010 and in 2011 the return on assets and the net return of sales were negative due to losses incurred. The return on equity was not calculated because of a negative balance of equity at the beginning of 2011.

The liquidity ratio I calculated at the end of the period decreased from 0.1 in 2010 to 0.08 in 2011. The liquidity ratio III (cash liquidity) calculated at the end of the period amounted to 0.04 in 2011, showing an increase, as compared with 0.03 in 2010.

The receivables turnover in 2011 was 118 days and deteriorated as against 2010 when it amounted to 57 days.

Meanwhile the liabilities turnover shortened, and amounted to 184 days in 2011, as compared to 221 days in the previous year.

The financing stability ratio as at 31 December 2011 reached 24.8%, whereas as at 31 December 2010 it was -36.5%.

The debt to assets ratio decreased as at 31 December 2011 as against 31 December 2010 from 141.2% to 82.3%.

4.3 Going concern

During our audit nothing came to our attention that would cause us to believe that the Parent was unable to continue as a going concern for at least 12 months from 31 December 2011 due to an intentional or involuntary discontinuance or significant limitation of its hitherto existing activities.

In Note 5 under the Additional Information to the consolidated financial statements of the Company for the year ended on 31 December 2011 the Management Board of the Parent pointed out that the financial statements of the Group's entities being the underlying basis for the consolidated financial statements had been prepared based on the assumption that such entities were able to continue as going concern for a period of at least 12 months from 31 December 2011 and that there were no circumstances that could be a threat for their continued operations.

The audited consolidated financial statements of the Group for the year ended on 31 December 2011 were prepared by the Management Board of the Parent based on the assumption that the Parent, its

subsidiaries and joint subsidiaries were able to continue as a going concern for a period of at least 12 months from 31 December 2011, and the Management Board did not indicate any circumstances that could be a threat for continued operations of the Parent, its subsidiaries and joint subsidiaries.

II. SPECIFIC INFORMATION

1. Completeness and correctness of the consolidation package

During the audit we did not identify any misstatements in the consolidation package which could, if not removed, have a material impact on the consolidated financial statements, including as to the conditions to be met by the consolidation package (and in particular as to the exclusion of consolidation adjustments).

2. Principles and methods for the valuation of assets, liabilities and equity

The Group's accounting policies and its rules as to the recognition of data are presented in Note 9 of the Additional Information to the financial statements of the Group for the year ended on 31 December 2011.

3. Description of individual items of the consolidated financial statements

The structure of assets, liabilities and equity of the Group was reported in the consolidated financial statements for the year ended 31 December 2011.

The data presented in the consolidated financial statements are consistent with the consolidation package.

3.1 Goodwill on consolidation and methods for write-offs

The method for determination of goodwill on consolidation, principles for impairment testing and impairment write-downs for the financial year and until the balance sheet date are shown in Note 15 of the Additional Information to the consolidated financial statements. In our opinion on the audit of the accompanying consolidated financial statements we added some explanations relating to the existing uncertainty as to the probability of assumed financial projections and the uncertainty associated with the pending legal dispute.

Equity including non-controlling interests

The balance of equity, as reported and including non-controlling interests, is consistent with the consolidation package and relevant statutory documents. Non-controlling interests as at 31 December 2011 amounted to PLN 19,974,000. Non-controlling interests were correctly identified and are consistent with the consolidation package.

The information on equity is disclosed in Note 21 of the Additional Information to the consolidated financial statements.

3.3 Financial year

The financial statements, being the underlying basis for the preparation of the consolidated financial statements, of all entities from the Capital Group were prepared as at 31 December 2011 and include the financial data for the reporting period from 1 January 2011 to 31 December 2011.

4. Consolidation exclusions

4.1 Exclusion of inter-company balances (receivables and liabilities) and transactions (revenues and expenses) between the consolidated entities

All exclusions of inter-company balances (receivables and liabilities) and transactions (revenues and expenses) between the consolidated entities are consistent with the consolidation package.

4.2 Exclusions of results unrealised by the consolidated entities, included in the value of assets and from dividends

All exclusions of results unrealised by the consolidated entities, included in the value of assets and from dividends are consistent with the consolidation package.

5. Disposal of the whole of or a part of holdings (shares) in subordinated entities

During the financial year the Group did not sell any holdings (shares) in subordinated entities.

6. Items affecting the Group's operating result

The items affecting the Group's operating result are described in the audited consolidated financial statements for the year ended on 31 December 2011.

7. Reasons for departures from the rules of consolidation and from application of the equity method as defined in International Financial Reporting Standards, as approved by the EU

When preparing the consolidated financial statements, there were no departures from the rules of consolidation and from the application of the equity method.

8. Additional information

The Additional Information to the consolidated financial statements for the year ended on 31 December 2011 was prepared, in all material aspects, in accordance with International Financial Reporting Standards as approved in the European Union.

9. Management Report

We acquainted ourselves with the Management Report on the Group's operations in the period from 1 January 2011 to 31 December 2011 and with the principles underlying the preparation of annual consolidated financial statements ("Management Report") and we concluded that the information in the accompanying consolidated financial statements is consistent therewith. Information contained in the Management Report complies with the requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for finding information required by the provisions of law of a country that is not a Member State to be equivalent (Journal of Laws No. 33, item 259, as amended).

10. Compliance

We obtained written confirmation from the Management Board of the Parent that in the reporting year there were no violations of applicable laws or of provisions of Statutes/Articles of Association of the Group's entities which affect the consolidated financial statements.

On behalf of
Ernst & Young Audit Sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Reg No. 130

Chief Auditor
[illegible signature]

Wojciech Pułkownik
Auditor
No. 10477

Warsaw, 20 March 2012

ERNST & YOUNG
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