

NFI MIDAS Spółka Akcyjna

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

NFI Midas Spółka Akcyjna
Report on the audit of the financial statements for
the year ended on 31 December 2011
(in PLN '000)

I. GENERAL PART

1. General Information

Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna (the "Company") was established pursuant to a Notarial Deed of 15 December 1994. The Company's registered office is located in Warsaw, ul. Lwowska 19.

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

The Company's REGON (Statistical Number) is: 010974600 and it was assigned on 11 May 1995.

The Company is the parent of NFI Midas S.A. Capital Group. Information on transactions with related parties and a list of entities in which the Company holds at least 20% of the share capital or of the total number of votes in respective governing bodies are presented in Note 26 of the accounting policies and Additional explanatory notes ("Additional Information") to the audited financial statements for the year ended 31 December 2011.

The main area of the Company's business activities includes:

- financial holdings' activities
- other forms of lending
- other financial services, not classified elsewhere, except for insurance and pension funds
- other auxiliary activities to financial services, except for insurance and pension funds
- purchase and sale of real estate on its own account

On 31 December 2011 the Company's share capital amounted to PLN 29,593,000. The Company's equity as at that date amounted to PLN 381,219,000.

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

	Number of shares	Number of votes	Nominal value of shares	Share in the capital
Zygmunt Solorz-Żak	195,313,538	195,313,538	19,531	66.0%
Other Shareholders	100,619,812	100,619,812	10,062	34.0%
Total	295,933,350	295,933,350	29,593	100%

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 date until the date of this opinion, there were the following changes in the shareholding structure of the Company:

- 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 5.1082% 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 the main shareholder Mr. Zygmunt Solorz-Żak) decreased to 85,502,578 shares (and the same number of votes) which corresponds to a 28.8926% share in the capital and in

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the total number of votes.

There were the following changes in the Company'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	<u>295,933,350</u>	<u>29,593,335</u>

As at 20 March 2012 the composition of the Company'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 appointed Mr. Krzysztof Adaszewski to the Management Board of the Company.

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 appointed Mr. Wojciech Pytel as the President of the Management Board of Company, effective from 15 November 2011. The decision concerning the dismissal and re-appointment of Mr. Wojciech Pytel as the President of the Company's Management Board, according to the explanations provided by the Supervisory Board, was necessary for Mr. Wojciech Pytel to obtain consents of relevant authorities of such other entity pursuant to Art. 380 of the Code of Commercial Companies.

2. Financial Statements

On 15 October 2008 the General Meeting of Shareholders decided to prepare the Company's financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1 Auditors' opinion and the audit of the 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 of NFI Midas S.A. to audit the financial statements of the Company.

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 financial statements.

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

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

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

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

1. We audited the accompanying financial statements for the year ended on 31 December 2011 of Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna ("Company") with its registered office in Warsaw, ul. Lwowska 19, including the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2011 to 31 December 2011, accounting policies and additional explanatory notes ("accompanying financial statements").
2. The Management Board of the Company is responsible for the accuracy and clarity of the accompanying financial statements as well as for their preparation in compliance with applicable accounting policies and for the correctness of the books of account. In addition, the Management Board of the Company and members of the Supervisory Board must ensure that the accompanying financial statements and the Management Report on the Company's operations meet the requirements set out in the Accounting Act of 29 September 1994 (Journal of Laws of 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 financial statements comply with applicable accounting policies, whether, in all materials aspects, they fairly and clearly present the assets and the financial position as well as the financial results of the Company and whether, in all materials aspects, the books of account being an underlying basis for the preparation of the financial statements are correctly kept.
3. We have audited the accompanying 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 financial statements. The audit also included assessing the correctness of the accounting principles accepted and applied by the Management Board of the Company as well as any significant estimates made by the Management Board of the Company and an overall presentation of the accompanying financial statements. We believe that the audit provided a sufficient basis for expressing our opinion about the accompanying financial statements as a whole.
4. The 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 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 Company as at 31 December

- 2011;
- were drawn up in accordance with the International Financial Reporting Standards, as approved in the EU and based on correctly kept books of account;
 - are consistent with the laws applicable to the preparation of financial statements and provisions of the Company's Statute 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 18 to the accompanying financial statements as at 31 December 2011 the Company reported the balance of shares in subsidiaries at PLN 966,202,000. In accordance with the requirement of IAS 36 *Impairment of Assets* the Company tested against impairment its shares in subsidiaries based on underlying assumptions presented in Note 18 to the accompanying 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 failed to make a revaluation write-off against shares in subsidiaries. A recoverable amount of such shares depends on whether a number of assumptions, including assumptions as to operating results, actually come true. Subsidiaries commenced wholesale data transfer trading operations for which there are no historic performance data. In the opinion of the Management Board of the Company, as at the date of these financial statements there is an uncertainty as to whether such accepted assumptions will actually come true, and ultimately as to the recoverable amount of shares in subsidiaries.
 - (b) As more fully described in Note 28.1 to the consolidated financial statements, there exists a legal dispute concerning the recognition of paid frequency reservations for the benefit of Mobyland Sp. z o.o. and Centernet S.A. 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 recoverable amount of shares in subsidiaries. Therefore the accompanying financial statements do not include any adjustment to the valuation of such shares.
7. We acquainted ourselves with the Management Report on the Company's operations in the period from 1 January 2011 to 31 December 2011 and with the principles underlying the preparation of annual financial statements ("Management Report") and we concluded that the information in the accompanying 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 financial statements of the Company 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 20 March 2012.

2.2 Statements made and the availability of data

The Management Board of the Company confirmed its responsibility for the fair presentation of the financial statements as well as for their preparation in compliance with applicable accounting policies and stated that it had provided us with all financial data, books of account and any other required documents and explanations. We also received a written statement of the Management Board of the Company dated 20 March 2012 on:

- complete presentation of data in the books of account,
- reporting all contingent liabilities in the financial statements, and
- disclosure in the financial statements of all subsequent events that occurred after the balance

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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 Company and included all events that could have an impact on the financial statements.

2.3 Information on the Company's financial statements for the previous financial year

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

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

The closing balance, as approved, as at 31 December 2010 was properly recorded as the opening balance as at 1 January 2011.

3. Financial position

3.1 Key data and financial ratios

Selected ratios describing the Company's financial position in the years 2011 - 2009 calculated on the basis of the financial data reported in the financial statements for the years ended on 31 December 2011 and 31 December 2010 are as follows:

Ratios for 2011 and 2010 were calculated based on the financial data included in the financial statements for the year ended on 31 December 2011.

Ratios for the year ended on 31 December 2009 were calculated on the basis of the financial data reported in the approved financial statements for the year ended on 31 December 2010 audited by another auditor.

	2011	2010	2009
balance sheet total	1,012,865	239,434	225,425
equity	381,219	94,557	93,475
net financial result	(5,669)	(5,870)	(13,913)

	2011	2010	2009
return on assets (%)	-0.6%	-2.5%	-6.2%

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$\frac{\text{net financial result} \times 100}{\text{total assets}}$			
return on equity (%)	-6.0%	-6.3%	-23.4%
$\frac{\text{net financial result} \times 100}{\text{equity at the beginning of the year}}$			
liquidity - liquidity ratio I	0.08	0.00	0.29
$\frac{\text{total current assets}}{\text{current liabilities}}$			
liabilities turnover	116 days	115 days	49 days
$\frac{\text{trade liabilities} \times 365 \text{ days}}{\text{operating expenses}}$			
financing stability (%)	40.0%	39.5%	44.1%
$\frac{(\text{equity} + \text{long-term provisions and liabilities}) \times 100}{\text{total equity and liabilities}}$			
debt to assets ratio (%)	62.4%	60.5%	58.5%
$\frac{(\text{total equity and liabilities} - \text{equity}) \times 100}{\text{total assets}}$			
inflation impact			
average yearly	4.3%	2.6%	3.5%
December to December	4.6%	3.1%	3.5%

3.2 Comments

The presented ratios reveal the following trends:

Returns on assets and on equity for all the reporting years were negative.

The liquidity ratio calculated at the end of the period amounted to 0.08 in 2011, as compared to 0.00 in 2010 and 0.29 in 2009.

The liabilities turnover, after rising from 49 days in 2009 to 115 days in 2010, in 2011 increased once again, to 116 days.

The financing stability ratio calculated at the end of the period, after falling from 44.1% in 2009 to 39.5% in 2010, in 2011 rose to 40.0%.

The debt to assets ratio, calculated at the end of the period, increased in 2011 to 62.4% from 60.5%. In 2009 this ratio amounted to 58.5%.

3.3 Going concern

During our audit nothing came to our attention that would cause us to believe that the Company 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 7 under the additional explanatory notes to the audited financial statements of the Company for the year ended on 31 December 2011 the Management Board of the Company pointed out that the financial statements had been prepared based on the assumption that the Company was able to continue as a going concern for a period of at least 12 months from 31 December 2011 and that there were no circumstances that could pose a threat to the Company's continued operations.

II. SPECIFIC INFORMATION

1. Correctness of the bookkeeping system in use

The Company's books are kept using Oracle Business Suite 11.5 by Sferia S.A. The Company maintains up-to-date documentation referred to in Art. 10 of the Accounting Act of 29 September 1994 (Journal of Laws No. 152 of 2009, item 1223, as amended - the "Accounting Act"), including the chart of accounts approved by the Company's Management Board.

During our audit we found no significant misstatements in the books of account which, if not corrected, could have a material effect on the audited financial statements, including in particular irregularities in the following areas:

- justification for and continuity of any applied accounting polic,
- accurate accounting books, error-free accounting books and correct cross-references between books of account,
- documentation of business transactions,
- correct opening balances of books of account in accordance with the balances from the approved balance sheet for the previous period,
- references between accounting entries and accounting vouchers and financial statements,
- compliance with the conditions for the protection of accounting records and the storage of books of account and financial statements.

2. Assets, liabilities and equity as well as items affecting the Company's operating results

The structure of the balance sheet assets and liabilities of the Company, the Company's equity as well as items affecting the operating results are presented in the audited financial statements for the year ended on 31 December 2011.

A physical count of assets and liabilities has been carried out in compliance with the Accounting Act. Any physical count differences were accounted for in the 2011 books of account.

In our opinion on the audit of the accompanying 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.

3. Additional information

The additional information in the 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 EU.

4. Management Report

We acquainted ourselves with the Management Report on the Company's operations in the period from 1 January 2011 to 31 December 2011 and with the principles underlying the preparation of annual financial statements ("Management Report") and we concluded that the information in the accompanying 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).

5. Compliance

We obtained written confirmation from the Management Board of the Company that in the reporting year there were no violations of applicable laws and of the provisions of the Company's Statute which affect the 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

ERNST & YOUNG
AUDIT Sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw

Warsaw, 20 March 2012