

REPORT
of the Supervisory Board of Mediatel S.A. for the period
from 1 January 2009 to 31 December 2009

I. Assessment of the work of the Supervisory Board

Composition of the Supervisory Board

In 2009 the Supervisory Board of Mediatel S.A. (hereinafter 'Mediatel', 'Company') consisted of 5 members from 1 January 2009 to 26 May 2009. On 26 May 2009 the Ordinary Meeting of Shareholders adopted a resolution concerning the number of members of the Supervisory Board. The number was set to be six.

As at 31 December 2008, the Supervisory Board was composed as follows:

Name and surname	Position
Zbigniew Kazimierczak –	Chairman of the Supervisory Board,
Mirosław Janisiewicz –	Secretary of the Supervisory Board,
Marcin Łolik –	Member of the Supervisory Board,
Dawid Sukacz –	Member of the Supervisory Board
Piotr Sieluk –	Member of the Supervisory Board

In 2009 the following changes took place in the composition of the Supervisory Board:

- Piotr Sieluk submitted resignation from the position of the Member of the Supervisory Board, effective as of 5 January 2009;
- Dawid Sukacz submitted resignation from the position of the Member of the Supervisory Board, effective as of 26 January 2009;
- In connection with the resignation from the position of a Member of the Supervisory Board filed by Piotr Sieluk, Albert Kuźmicz was coopted to the Supervisory Board of the Company by the Supervisory Board to act as a Member of the Supervisory Board as of 15 January 2009,
- On 30 January 2009 the Extraordinary General Meeting of Shareholders of the Company approved of the appointment of Albert Kuźmicz for the position of a Member of the Supervisory Board by the Supervisory Board and appointed Krzysztof Urbański a Member of the Supervisory Board of Mediatel as of 30 January 2009.
- On 26 May 2009 the Ordinary Meeting of Shareholders of the Company adopted a resolution concerning the number of members of the Supervisory Board. The number was set to be six and Piotr Nadolski was appointed Member of the Supervisory Board.

As at 31 December 2009, the Supervisory Board was composed as follows:

Name and surname	Position
Zbigniew Kazimierczak –	Chairman of the Supervisory Board,
Mirosław Janisiewicz –	Secretary of the Supervisory Board,
Marcin Łolik –	Member of the Supervisory Board,
Albert Kuźmicz –	Member of the Supervisory Board
Krzysztof Urbański –	Member of the Supervisory Board
Piotr Nadolski –	Member of the Supervisory Board

As at the date of drawing up this report the composition of the supervisory Board remained unchanged.

Marcin Łolik and Piotr Nadolski, in accordance with their declarations, meet the criteria of independence with respect to the Company and its related entities, specified in rule no 6, section III of the 'Code of Best Practices for WSE Listed Companies'.

The sittings of the Supervisory Board

Within the accounting year ended on 31 December 2009, the Supervisory Board supervised the Company's activities and inspected whether the documents submitted by the Management Board of the Company are compliant with the regulations of the Commercial Companies Code and the Articles of Association of the Company. In 2009 the Supervisory Board of Mediatel S.A. acted in line with the rules of corporate governance specified in the document "The Best Practices of Companies Listed on the Warsaw Stock Exchange". The Supervisory Board actively participated in the process of evaluation of the most important initiatives with respect to the interest of the Company and the increase in its value for the shareholders. The Supervisory Board also entered into decisions, among others, concerning the shape of the management structure in the Company, including the remuneration and selection of managers that would allow the Company to meet its goals, reviewed and decided on the principles of remunerating Members of the Management Board in view of the Company interest.

For the purpose of fulfilling its duties, the Supervisory Board held the total of 11 sittings in 2009, where it adopted resolutions and issued opinions on matters included in the agenda. The sittings with the direct participation of the Supervisory Board Members were held on the following days: 15 January, 6 March, 7 April, 7 May, 29 June, 7 August, 26 November, the sittings held via telecommunications means were held on the following days: 3 June, 21 July, 4 September, 21 September 2009.

The agendas and resolutions adopted at the sittings concerned, among others, the following:

1. Appointment of the Members of the Management Board.
2. Establishment of the fees of the Members of the Management Board.
3. Co-opting a new Member of the Supervisory Board.
4. Issuing opinions on the draft resolutions proposed by the Management Board and further enclosed in the agenda of the General Meeting of Shareholders.
5. Coverage, evaluation and approval of:
 - financial statement of the Company and the Capital Group drawn up as at 31 December 2008;
 - reports of the Management Board on the Company and the Capital Group operations for 2008;
 - reports of the Supervisory Board for the period from 1 January 2008 to 31 December 2008;
 - proposal of the Management Board concerning the allocation of the Company profit earned in 2008.
6. Appointment of an expert auditor to audit the financial statement of the Company and Mediatel Capital Group (hereinafter the 'Capital Group') for 2009.
7. Drawing up and approving of the consolidated text of the Articles of Association of the Company after amendments adopted at the General Meeting of the Company.
8. Discussion and analyses of the current financial results of the Company.
9. Granting consents to the transactions that require the consent of the Supervisory Board compliant with the Articles of Association of the Company.
10. Granting consents to the activities of the Management Board that require the consent of the Supervisory Board compliant with the Articles of Association of the Company.
11. Appointment of the Audit Committee.

The Supervisory Board conducted constant supervision over the Company operations and the work of the Management Board by the following:

- analysing of materials received from the Management Board upon a motion of the Supervisory Board,
- obtaining the information and detailed explanations from the Members of the Management Board and other employees of the Company during the sittings of the Supervisory Board.

At each of the sittings, the Supervisory Board analysed the current financial results, and in particular:

- execution of tasks aimed at the proceeds of the Company, i.e. the sales of services, and the operating and financial proceeds,
- the level of costs of the Company and the Group,
- the shaping of the accumulation on sales, the operating results, gross result and net result,
- the levels of receivables and liabilities, management of financial assets and maintaining of financial liquidity.

In the accounting year of 2009 the Supervisory Board kept duly and efficiently constant supervision over the Company operations, it duly performed its duties holding sittings regularly and managed all the business falling within the scope of its competence in accordance with the binding legal provisions and the Articles of Association of the Company.

Audit Committee

The Audit Committee is composed of three Members of the Supervisory Board appointed by the Board.

The Audit Committee, appointed within the structure of the Supervisory Board, meets the criteria set in the Act of 7 May 2009 on certified auditors, their self-government, entities authorized to audit financial statements and public supervision, (Journal of Laws No 77 , item 649), ('the Act on certified auditors") of 26 November 2009. The Audit Committee is composed as follows: Zbigniew Kazimierzak – Chairman of the Committee, Piotr Nadolski, Marcin Łolik.

Piotr Nadolski is an independent member meeting the independence criteria specified in Art. 56 section 3 (1, 3 and 5) of the Act on statutory auditors, having the right qualifications in the field of accounting.

The task of the Audit Committee is the consultancy for the Supervisory Board on proper implementation of the principles of the budget and financial accounting, internal control of the Company and Mediatel Capital Group as well as cooperation with expert auditors of the Company. The following are in particular the tasks of the Audit Committee:

- 1) monitoring the financial reporting process,
 - 2) monitoring the efficiency of internal control systems, internal audit and risk management,
 - 3) monitoring the performance of financial audit activities,
 - 4) monitoring the independence of the expert auditor and the entity authorized to examine financial statements,
- and
- 5) recommending to the Supervisory Board the entity authorized to examine financial statements to carry out financial audit of the Company.

The tasks of the Committee were performed by the Supervisory Board of the Company consisting of the legally required minimum i.e. 5 members until 26 May 2009. The Supervisory Board entered into decisions collectively holding sittings concerning internal control of the Company as well as procedures for monitoring and assessment of risk which the Company is exposed to. It also carried out overall review of periodic financial statements, monitored the reliability of the financial information submitted by the Company, appointed and assessed the independence of the expert auditor as well as examined the indifference of the results of the review carried out by an external auditor. The Supervisory Board supervised the implementation of the operating and financial goals of the Company.

II. A short assessment of the Company's condition

This assessment of the condition of the parent company and Mediatel Capital Group in 2009 was prepared by the Supervisory Board compliant with rule III.1.1 of The Best Practices of Companies Listed on the Warsaw Stock Exchange. The assessment is based on the financial results of 2009 and the information obtained by the Supervisory Board within the framework of the fulfilment of its statutory duties.

In 2009 the Management Board of the Company focused on strengthening the position of the Company on the market of wholesale exchange of international telecommunications traffic and on the sale of telecommunications services to corporate clients all over Poland. Further, the Management Board undertook the acts aiming at the internal consolidation to simplify the structure of the Group, including the reduction of costs of its operations. Significant events in 2009:

- 1) Conclusion of a settlement with Telekomunikacja Polska S.A.
- 2) Strengthening the position of the Company on the wholesale market via the successful acquisition of 100% of shares of Velvet Telecom, an American operator.
- 3) Strengthening the product offering to businesses via the extension of the portfolio of services with data transmission - the solution intended for corporate and operator market.
- 4) Launching advanced hosting solutions for corporate clients.
- 5) Increasing the volume of sales of services to corporate clients (by almost 100%).
- 6) Withdrawing from MVNO project.
- 7) Completion of works over A-Z services for operators.
- 8) Carrying out the analysis and optimization of the cost structure of the operations.

Consolidated net income on sales of Mediatel Group in 2009 was 183,058,000 PLN. As compared to 2008 the income increased by 6,319,000 PLN that is by 4%. The main reason behind such increase was higher income generated from the sales to Business segment. Consolidated gross sales income in the period was 31,719,000 PLN and in the previous year - it was 23,709,000 PLN. At the same time the operational profit was around 8,431,000 PLN and 9,818,000 PLN in comparative period.

The total depreciation for 2009 amounted to PLN 9,666,000 PLN, so EBITDA (operating profit) amounted to 18,097,000 PLN, which is an increase by 2.3% as compared to 2008. EBITDA obtained is lower than predicted by 19.6% due to the factors as follows: greater than assumed at the beginning of 2009 effect of reduced MTR rates on the income from operations earned by Mediatel Group (consolidated income was lower than envisaged by 6.1%), thus also on the margins, FX fluctuations as well as zloty strengthening in the second half of 2009. The final EBITDA result was also affected by the discontinuation of the procedure to conclude the sale of selected assets of Mediatel subsidiary i.e. Elterix S.A. namely the Group brands Telepin and Tele Mobi (in the second half of 2009 it was assumed that the transaction would generate 3 million PLN).

Costs of Mediatel Group in 2009 as compared to 2008 remained on the same level.

In the opinion of the Supervisory Board, the Capital Group shall, in the pursuit of implementation of key strategic goals set for 2010 and in particular, continue:

- 1) The expansion of wholesale operations on international markets and seeking entities to be acquired on domestic and foreign markets.
- 2) Changing the sales strategy with regard to services for corporate clients:
 - withdrawal from the sale of products with low gross margin (pre-selection, WLR),
 - sale of outsourcing solutions concerning data transmission and telephony.
- 3) Development of indirect sales channels allowing for re-sale of services to individual and corporate clients through resellers.
- 4) Further optimization of operating costs.
- 5) Maintenance of financial stability.
- 6) Sale of individual customer database, continuation of plans to sell Telepin and Telepin Mobi.

Summing up, in the opinion of the Supervisory Board, the Company has sufficient potential, experience and position to guarantee further increase in competitiveness and achievement of good results in the following years. The Supervisory Board is of the opinion that the Management Board used their best efforts to realize the goals of 2009, and positively assesses the activities of the Management Board aimed at meeting the goals set for 2010.

III. The system of internal control and management of risk significant for the Company

The Company implemented a system of internal control and risk management. The Management Board is the body responsible for the efficiency thereof. The implemented inspections are subject to constant periodical evaluation. The processes of sales, receivables, purchases and payments are the most important subjects of monitoring and evaluation in light of significant risks and the propriety of control activities. The Management Board of the Company is personally involved in the proper operation of the entire system of control at respective stages of internal regulations and monitors its efficiency on regular basis.

Internal control and risk management in the financial reporting process is carried out by using a number of tools such as:

- reviews of results of the Company and the Capital Group based on the defined scope of financial reporting,
- regular reviews of the financial statements of the Company and the Capital Group published by an auditor,
- established scope of financial reporting of the Company and the Capital Group and a repetitious set of financial and operating data included in the financial statements allowing for the comparison of results of subsequent periods, compliant with the Regulation of 19 February 2009 on the current and periodical information submitted by issuers of securities and conditions of equivalent information required by the regulations of non-member states.

Operations of Mediatel Group are connected with exposure to financial risk (risk associated with exchange rate differences, interest differences, loss of liquidity and capital risk). In the opinion of the Supervisory Board the Management Board monitors the true and predicted risk level on regular basis, and the acts undertaken by the Management Board support the financial stability of the Company. In the opinion of the Supervisory Board, the system of internal control and management of risk significant for the Company is satisfactory.

IV. Assessment of financial statements and the reports on operations

Acting pursuant to Art. 282 §3 of the Commercial Companies Code and the Articles of Association of the Company, the Supervisory Board evaluated the following documents submitted by the Management Board of the Company for the period from 1 January 2009 to 31 December 2009:

1. Mediatel financial statement for the accounting year ended on 31 December 2009, including:
 - (a) total profit and loss account for the accounting year from 1 January 2009 to 31 December 2009, showing total financial result of the loss of 1,175,000 PLN.
 - (b) balance sheet drawn up as at 31 December 2009, which on the assets and liabilities side shows the total amount of 83,558,000 PLN,
 - (c) statement of changes in the shareholders' equity in the period from 1 January 2009 to 31 December 2009, showing a decrease in the shareholders' equity by 2,836,000 PLN,
 - (d) cash flow statement for the accounting year from 1 January 2009 to 31 December 2009, showing a decrease in cash by 4,238,000 PLN,
 - (e) additional information concerning the adopted accounting principles and other explanatory notes.
2. Report on operations of Mediatel for the accounting year ended on 31 December 2009.
3. Consolidated financial statement of Mediatel Group for the accounting year ended on 31 December 2009, including:
 - (a) consolidated balance sheet drawn up as at 31 December 2009, which on the assets and liabilities side shows the total amount of 84,573,000 PLN,
 - (b) consolidated profit and loss account for the accounting year from 1 January 2009 to 31 December 2009, showing net financial profit of 5,116,000 PLN,
 - (c) consolidated statement of changes in the shareholders' equity in the period from 1 January 2009 to 31 December 2009, showing an increase in the shareholders' equity by 3,836,000 PLN,
 - (d) consolidated cash flow statement for the accounting year from 1 January 2009 to 31 December 2009, showing a decrease in cash by 5,013,000 PLN,

(e) additional information concerning the adopted accounting principles and other explanatory notes.

4. Report on operations of Mediatel Group for the accounting year ended on 31 December 2009.

Pursuant to § 18 (2)(10) of the Articles of Association of the Company the Supervisory Board at the sitting on 29 June 2009 selected the expert auditor. The review of mandatory statements of the Company and Mediatel Group was entrusted with Baker Tilly Smoczyński i Partnerzy Sp. z o.o. with the seat in Warsaw at ul. Nowogrodzka 12, premises 3, registered by the National Chamber of Statutory Auditors in the list of entities entitled to audit the financial statements under the number 1898. The financial statement of the Company and the consolidated financial statement of Mediatel Capital Group for the accounting year ended on 31 December 2009 received an unqualified opinion of the expert auditor.

To make the assessment, the Supervisory Board used the opinion of the auditor and supplementary reports thereto. The Supervisory Board also consulted the Management Board with regard to the proper information.

Following a detailed analysis, the Supervisory Board has found that the financial statement of the Company, the consolidated financial statement of the Mediatel Capital Group, and the report of the Management Board on the operations of the Company and the Capital Group for the accounting year ended on 31 December 2009 were:

- prepared in compliance with the International Accounting Principles binding in the companies of the Group, on the basis of properly kept accounting records,
- compliant with the binding legal regulations in form and content, and reliably presented information significant for the assessment of the financial result and assets of the Company and the Capital Group as for 31 December 2009.

The Supervisory Board assessed and positively evaluated the motion of the Management Board concerning the financing of the Company loss for 2009.

The Supervisory Board hereby recommends that the Ordinary General Meeting should grant the approval of the fulfilment of duties to all Members of the Company Management Board in 2009, further, the Supervisory moves to the General Meeting to grant approval for the report on its operations.

Warsaw, 26 March 2010

Zbigniew Kazimierczak
Chairman of the Supervisory Board

Albert Kuźmicz
Member of the Supervisory Board

Mirosław Janisiewicz
Secretary of the Supervisory Board

Krzysztof Urbański
Member of the Supervisory Board

Marcin Łolik
Member of the Supervisory Board

Piotr Nadolski
Member of the Supervisory Board