Report on the operations of the Midas Capital Group

for the first half of 2014

Warsaw, 1 September 2014

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1 Basic information on the Midas Capital Group

1.1 Structure of the Midas Group

The parent company in the Midas Capital Group (hereinafter, the "Group" or the "Midas Group") is Midas Spółka Akcyjna (hereinafter, the "Company" or the "Issuer"), established on 15 December 1994 pursuant to the Act on National Investment Funds and their Privatisation of 30 April 1993 (the "NIF Act"), which, until 1 January 2013, operated under the provisions of that act and the Commercial Companies Code (the "CCC"). As of 1 January 2013, in connection with the entry into force of the Act of 30 March 2012 Repealing the Act on National Investment Funds and their Privatisation and Amending Certain Other Acts, the Company operates pursuant to the CCC and other legislation. The Company is registered in the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 0000025704. The registered office of the Company is in Warsaw.

The Company's business activities include:
1) activities of holding companies (64.20.Z),
2) other credit granting (64.92.Z),
3) other financial service activities, except
insurance and pension funding, not elsewhere classified (64.99.Z),
4) other activities auxiliary to financial services, except insurance and
pension funding (66.19.Z),
5) buying and selling of own real estate (68.10.Z).

The parent company and the entities belonging to the Midas Group are established in perpetuity.

As at 30 June 2014, the composition of the Supervisory Board of the Company was as follows:

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

In the first half of 2014, there were no changes to the composition of the Supervisory Board of the Company. On 16 July 2014 (after the balance sheet date), Mr Jerzy Żurek tendered his resignation as Member of the Supervisory Board without stating the reason (Current Report No. 17/2014).

As at 30 June 2014, the composition of the Management Board was as follows:

1) Krzysztof Adaszewski – President of the Management Board
2) Maciej Kotlicki – Vice-President of the Management Board

In the first half of 2014, there were no changes to the composition of the Management Board of the Company.

The intermediate parent of the Company is the company Litenite Limited with its registered office in Nicosia, Cyprus ("Litenite").

As at 30 June 2014, the Midas Group consisted of the Company 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"),
- Aero2 Spółka z o.o. with its registered office in Warsaw ("Aero2"),

As at 30 June 2014, the Company held a 100-per cent share of equity and of the total number of votes in relation to the companies: CenterNet, Mobyland and Aero2.

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 wholesale wireless data transmission services are delivered on the basis of: (i) the frequency ranges reserved for Aero2, CenterNet and Mobyland, and (ii) the telecommunications infrastructure held by Aero2. In addition, another important factor is the shared use of the telecommunications infrastructure of Polkomtel Sp. z o.o. with its registered office in Warsaw ("Polkomtel"). It should also be noted that, due to the frequency reservation obtained in the 2600 MHz range, Aero2 is required to provide free internet access.

1.2 Changes in the structure of the Midas Group with an indication of consequences

In the first half of 2014, there were no major changes in the Midas Group's structure.

On 21 February 2014, the merger of the Company and Conpidon Limited, in which the Company holds 100 per cent of the shares in the share capital, was registered. The decision to conduct the merger of the Company and Conpidon reflected the belief of the Management Board of the Company that the merger was the fastest and most effective way to streamline the structure of the Midas Group. The merger did not materially affect the financial performance or operations of the Midas Group. The long-term goal for the merger was for the Company to directly hold 100 per cent of the shares in the share capital of Aero2, which was in line with the strategy of the Midas Group. The merger of the Company with Conpidon was effected by way of: (i) transferring to the Company, as the sole shareholder of Conpidon, all of the assets of Conpidon, via universal succession, and (ii) dissolving Conpidon without liquidating it, in accordance with the provisions of the CCC, the Companies Law of Cyprus and the provisions of Directive 2005/56/EC of the European Parliament and of the Council. Following the merger, as of the date of the merger, the Company entered into any and all rights, obligations, assets and liabilities of Conpidon, thus becoming the legal successor of Conpidon. Upon completing the merger, as a result of a cross-border merger, the Company's legal form, business name and registered office remained unchanged. The Company published information on the registration in Current Report No. 3/2014.

1.3 Entities subject to consolidation

The entities of the Midas Group subject to full consolidation for the purpose of preparing the consolidated financial statements of the Midas Group for the first half-year of 2014 are: the Company, CenterNet, Mobyland and Aero2. All of the above companies are subject to consolidation by the full method.

1.4 Structure of the share capital

As at 30 June 2014 and as at the date hereof, the Company's share capital amounts to PLN 147,966,675 and is divided into 1,479,666,750 ordinary bearer shares with a nominal value of PLN 0.10 each, of which:

1) 11,837,334 are series A shares,
2) 47,349,336 are series B shares,
3) 236,746,680 are series C shares.
4) 1,183,733,400 are series D shares.

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

The Management Board of the Company notes the measures taken by the Management Board of Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange) aimed to eliminate penny stocks by raising the price threshold as of the fourth quarter of 2014 to PLN 1 (companies for whom the average share price in the last three months of 2014 is lower than the above threshold will be placed on the Alert List). In the opinion of the Management Board of Midas, the above situation, combined with the analysis of the changes in prices of the Company's shares over the past few years and sound operating position of the Midas Capital Group, could affect the number and value of the transactions being concluded and the pricing of the Company's shares, which might not be in the best interest of its Shareholders. The Management Board of the Company feels that the prices of the Company's shares should ensure their proper and accurate valuation, which is difficult given the present, relatively low nominal value of the shares. For these reasons, the Management Board of the Company monitors the price of the Company's shares and does not rule out possible future adoption of measures (such as consolidation of the Company's shares) that could prevent the Company's shares from being classified as noted above. In the opinion of the Management Board of the Company, such measures would require obtaining relevant approvals, e.g. from the General Meeting of the Company, and the Management Board of the Company may merely initiate and, subsequently, implement such measures.

1.5 Shareholding structure

The table below shows the shareholders of the Company who, as at the date of this interim report, i.e. 1 September 2014, hold either directly or indirectly through subsidiaries at least 5 per cent of the total number of votes at the General Meeting of Shareholders of the Company. The following list has been drawn up on the basis of notifications received by the Company from the shareholders pursuant to Article 69 of the Act on public offering and conditions for the introduction of financial instruments to organised trading, and public companies (the "Act on Public Offering"), and pursuant to Article 160 of the Act on trading in financial instruments (the "Act on Trading").

Name of shareholder of the Company	Number of shares and votes	Percentage of share capital and of total number of votes
Zygmunt Solorz-Żak (*)	976,542,690	65.9975
ING Otwarty Fundusz Emerytalny (**)	80,000,000	5.4066
Other shareholders	423,124,060	28.5959
TOTAL	**1,479,666,750**	**100.00**

(*) Mr. Zygmunt Solorz-Żak, acting as Deputy Chairman of the Company's Supervisory Board, controls the Company through: (i) Karswell Limited, with its registered office in Nicosia, Cyprus, (ii) Ortholuck Limited, with its registered office in Nicosia, Cyprus, and (iii) Litenite Limited, with its registered office in Nicosia, Cyprus, with respect to 976,542,690 shares in the Company held by Litenite.
(**) in accordance with information provided by the Company in Current Report No. 22/2014 of 26 August 2014.

From the date of the previous interim report of the Company, i.e. from 15 May 2014 until the date hereof, i.e. 1 September 2014, there have been no changes in the ownership structure of significant blocks of shares in the Company.

1.6 Shareholding in the issuer and rights thereto by persons managing and supervising the issuer's business

The following table summarises the direct shareholding in the Company by managing and supervising persons as at the date of publishing this interim report, i.e. as at 1 September 2014. From the date of submitting the most recent quarterly report, i.e. 15 May 2014, until the date of publishing this report, i.e. 1 September 2013, the Company received no notification pursuant to Article 160 of the Act on Trading.

Direct shareholding in the Company by persons managing and supervising the Company:

Name and surname	Position	Shares in the Company held as at 1 September 2014
Wojciech Pytel	Chairman of the Supervisory Board	none
Zygmunt Solorz-Żak (*)	Deputy Chairman of the Supervisory Board	none
Andrzej Abramczuk	Secretary of the Supervisory Board	none
Andrzej Chajec (**)	Member of the Supervisory Board	none
Krzysztof Majkowski	Member of the Supervisory Board	60,000 (***)
Mirosław Mikołajczyk	Member of the Supervisory Board	none
Jerzy Żurek	Member of the Supervisory Board	none
Krzysztof Adaszewski	President of the Management Board	none
Maciej Kotlicki	Vice-President of the Management Board	none

(*) Mr. Zygmunt Solorz-Żak holds indirectly, through entities directly or indirectly controlled, 976,542,690 shares in the Company with a nominal value of PLN 97,654,269.00. Information in this regard is set out above in section "1.4 Shareholding structure".
(**) A person closely-related to Mr. Andrzej Chajec, as defined in Article 160 par. 2 point 1 of the Act on Trading, holds 250 shares in the Company (with a nominal value of PLN 25).
(***) as at the date of publication of the report for the first quarter of 2014 – also 60,000 shares (nominal value - PLN 6,000).

The Company also announces that its managing and supervising persons do not have any rights to the Company's shares.

2 Rules for preparing the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards, as approved by the EU (the "IFRS"), in particular in accordance with International Accounting Standard No. 34.

As at the date of approval of these interim consolidated financial statements for publication, taking into account the process of implementing the IFRS standards pending in the EU and the business conducted by the Group, in the context of the accounting principles applied by the Group, the IFRS accounting principles differ from the EU IFRS.

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

These interim condensed consolidated financial statements are presented in Polish zlotys ("PLN"), and all values are given in thousands of PLN except where otherwise indicated.

These interim condensed consolidated financial statements were prepared on the assumption that the business activities of the Group companies will continue in the foreseeable future, i.e. at least in the period of twelve months from the balance sheet date. As at the date of approval of the interim condensed consolidated financial statements, no circumstances were identified that would pose a threat to the continued activity of the Group companies.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013, published on 21 March 2014.

The accounting policies adopted in preparing the interim condensed consolidated financial statements are consistent with those adopted in preparing the annual consolidated financial statements of the Company for the year ended 31 December 2013, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2014.

The new standards and amendments of the standards which have been published but had not entered into force until the date of approval of the interim condensed consolidated financial statements are described in Note 3 to the Interim condensed consolidated financial statements for the 6-month period ended 30 June 2014.

3 Basic risks and threats to the Midas Group

3.1 Risk associated with the Midas Group's strategy

The Midas Group implements an investment 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 this strategy may need to be modified. For this reason, the Midas Group cannot guarantee that its strategic initiatives, and in particular those concerning expansion and maintenance 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 Midas Group or its financial position or performance achieved.

3.2 Risk associated with financing

Due to its strategy being closely connected with the telecommunications industry, the Midas Group already incurs and will continue to incur significant capital expenditures relating to the continuation of its operations in that industry, in particular, to the expansion and maintenance of the telecommunications infrastructure by Aero2. In view of the above, the Midas Group procured additional financing in the form of bank credit granted pursuant to the credit agreement concluded on 10 July 2014 (after the balance sheet date) with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw. The above credit, the investment credit from Alior Bank S.A. (granted under the agreement of 28 February 2013) and the financing based on the series A bonds issued by the Company on 16 April 2013 (the "Bonds") were all granted on certain terms. The Company is unable to guarantee that these terms will not change during the period in which the financing is made available or that Midas Group companies will not breach the material terms of the financing, which could increase the debt service cost or render the obligations under the above credit agreements or the Bonds immediately enforceable.

If the Midas Group is required to repay its existing debt early and it is unable to obtain refinancing, the Midas Group would have to significantly modify its strategy financing plans. The Company also cannot guarantee that, should it be necessary to obtain refinancing, such refinancing will be available on acceptable market conditions, or that it will be made available at all. In the event that, in the scenario described above, obtaining financing in the amounts required is not possible, it will not be practicable to pursue the Midas Group's investment model for the purpose of expansion and maintenance of its telecommunications network, which may materially affect the standing and growth prospects of the Midas Group. Information about the current status of the expansion of the Group's telecommunications network is set forth in pt. 10 hereof.

3.3 Competition risk

In the telecommunications services segment, the Midas Group's main competitors are mobile and landline telephone network operators. Those operators may compete against the services currently offered by the Group or planned in the future, through pricing, scope and quality of services, as well as value-added services. It also cannot be ruled out that new mobile and landline network operators may appear and also compete against the Group.

It is also necessary to consider cooperation among the Group's competitors: T-Mobile Polska S.A. (formerly Polska Telefonia Cyfrowa S.A., hereinafter "T-Mobile Polska") and Orange Polska S.A. (formerly PTK Centertel Sp. z o.o. (hereinafter "Orange Polska"), with respect to optimising and upgrading the telecommunications infrastructure as well as the mutual use of frequency resources assigned separately to each of those entities by the President of the UKE, which could result in the allocation of some frequencies for mobile broadband Internet services and commencement of the development of an appropriate network. There is a risk that achievement of the anticipated effects of the cooperation by these entities will allow them to more effectively compete with the Group or the Group's customers, also in terms of providing telecommunications services using the LTE and HSPA+ technologies, which will adversely affect the competitive position of the Group's customers.

Furthermore, it should be noted that entities other than Group companies (i.e. P4 Sp. z o.o. ("P4") and T-Mobile Polska) obtained new frequency reservations in the 1800 MHz range in the first half of 2013, which created additional ways of competing with the Group. Entities other than Group companies may also obtain new frequency reservations in the 800 MHz band and the 2600 MHz band if such frequencies are distributed by the President of the UKE in a tender or auction. There is also the risk that the frequency reservations obtained by these entities will have a positive impact on their ability to compete with partners of the Group, the companies Cyfrowy Polsat S.A. (hereinafter "Cyfrowy Polsat") and Polkomtel Sp. z o.o. (hereinafter "Polkomtel"), which will weaken the competitive standing of the Group's customers.

Such circumstances may have a material adverse effect on the operations and financial performance of the Group.

3.4 Technological risk

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

In addition, the following also exist: the risk of delays in constructing the radio (transmission-reception) network, and the risk of a lack of continuity of service in the networks used by Aero2, CenterNet and Mobyland in providing services (disruptions in network operation caused, for example, by equipment malfunction or human error). One should also note the risk of poorer performance of the telecommunications network in the border strip along the eastern border of Poland, which is set forth below.

Such circumstances may have a material adverse effect on the operations and financial performance of the Group.

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

The operations of the Group rely on the quality of work of its employees and management. The Management Board of the Issuer cannot guarantee that potential departures of some of its managers or inability to find personnel having appropriate managerial and operational knowledge and experience will not have a negative impact on the operations, financial position and performance of the 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 Group or have a material adverse effect on the operations and financial performance of the Group.

3.6 Risk of large suppliers

The Group's operations are based on cooperation with suppliers of infrastructure and goods, including for the expansion and maintenance of the telecommunications networks: the LTE network in the 1800 MHz range, the HSPA+ network in the 900 MHz range and the TD-LTE network in the 2600 MHz range. Termination of the cooperation with significant suppliers, non-performance or improper performance of the suppliers' obligations to the Group, including a resulting lack of adequate infrastructure and, ultimately, the lack of network capacity (including adequate network capacity in a given location), might result in inability or limited ability of Aero2, CenterNet or Mobyland to provide telecommunications operator services and non-compliance with the requirements associated with the frequency reservations, and therefore might have a material adverse effect on the Group's operations and financial results.

The above risk applies in particular to Aero2's cooperation with Polkomtel (the risk is set forth below), and (to a lesser extent) with other entities providing Aero2 with a significant number of locations required for the base stations of the Group's telecommunications network and other important elements of the telecommunications infrastructure.

3.7 Customer risk

The Group provides wholesale services of selling broadband mobile Internet access. There is a risk that the customers of these services provided by the Group (currently, these are Polkomtel and through it also Cyfrowy Polsat) will not place any further orders or that the orders will be lower than required to carry out the Group's business plans. This is significant since the Group continues to incur fixed costs in connection with maintaining the capacity to provide such services, which costs represent a considerable portion of the Group's total expenses. The foregoing could have a material adverse effect on the operations and financial performance of the Group, particularly if the Group fails to secure other key customers.

There is also the risk that key customers will aim at leveraging their position (of key customers) in the Group to negotiate a future reduction in prices for purchased capacities or to amend the terms and conditions of settlements against the Group's expectations. This scenario may also be related to the possible securing by Polkomtel of new frequency reservations. If the Group is not able to sell capacities on the market to other customers, the outcome of such negotiations could adversely affect the operations and financial performance of the Group.

3.8 Risk of loss of frequency reservations

CenterNet and Mobyland, each individually, hold frequency reservations in the 1800 MHz band, whereas Aero2 holds frequency reservations in the 2600 MHz band and the 900 MHz band. A loss by Aero2, CenterNet or Mobyland of their frequency reservations will prevent Aero2, CenterNet or Mobyland from providing telecommunications operator services, including in particular from delivering LTE technology-based services requiring the use of both frequencies owned by CenterNet and Mobyland or from delivering TD-LTE or HSPA+ technology-based services requiring the use of frequencies owned by Aero2, and ultimately adversely affect the operations and financial performance of the Group. At this point, the Management Board of the Company draws attention to the favourable and final outcome, described in point 5 of this report, concerning the dispute over a tender and frequency reservation in the 900 MHz range belonging to Aero2.

Possible loss of frequency reservations by CenterNet or Mobyland may be caused in particular by a repeal or amendment of the decision of the President of the UKE on frequency reservation for Midas Group companies following a reopening of the administrative proceedings for granting frequency reservations concluded by the issuance of the decision of the President of the UKE of 30 November 2007 reserving frequencies for CenterNet and Mobyland - due to possible invalidation of the tender for frequencies reserved for CenterNet and Mobyland.

Potential loss of frequency reservations by Aero2 in the 2600 MHz range may result in particular from: (i) court and administrative proceedings related to the decision under which the frequencies were reserved for Aero2, or (ii) Aero2's breach of its obligations specified in such decisions and committed by Aero2 as a part of the tenders for such frequencies.

If, 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 may be reserved for an entity or entities other than the Group companies that previously held that frequency reservation.

In the event of loss of frequency reservations, there is also the risk that Group companies will not receive compensation (reimbursement of expenses incurred and lost profits) from the State Treasury. Moreover, any compensation that may be obtained from the State Treasury may not fully cover the expenses incurred or benefits lost. Possible legal action against the State Treasury may be lengthy and complicated.

3.9 Risk of upholding the modified mobile termination rates (MTR) and introducing other changes to the terms of cooperation with other mobile network operators (MNO)

On 31 December 2012, Aero2, CenterNet and Mobyland filed an appeal with the Regional Court in Warsaw (Division XVII for Competition and Consumer Protection) against the SMP decision issued by the President of the UKE on 14 December 2012, requesting that their enforcement be suspended. Until the date of publication of these statements, the dates of hearings in matters instituted by the appeals brought by Aero2 and CenterNet had not been scheduled, and in the matter instituted by the appeal brought by Mobyland, the first hearing was scheduled to be held on 4 December 2014. There is a risk that the change in the existing mobile termination rates (MTRs) may be upheld for Aero2, CenterNet and Mobyland if the above appeals are not admitted and the above decisions are upheld. There is also the risk that the implementation of the above SMP decision would not be suspended at the time anticipated or at all, which would make it necessary to apply the MTRs in the MTRs agreed in the above SMP decisions until the performance of the above SMP decisions is suspended or until there is a resolution to appeal these rates. There is no guarantee that any decisions made in the above matters will be uniform for Aero2, Mobyland and CenterNet.

There is also the risk of changes to other terms of cooperation between Aero2, CenterNet and Mobyland with other mobile network operators (MNO) established by an administrative decision, in particular, further reductions of MTR rates and changes to the rates for terminating text messaging services. The above changes may be due to changes in the positions of the competent bodies on the national level (President of the UKE - in the form of issuing a position or a new SMP decision) or European level. The changes may also be caused by an amendment, dismissal or invalidation of such rules as a result of a court or court and administrative or administrative proceedings, or by an administrative decision or reopening proceedings previously concluded with the issuance of such a decision.

The above changes may occur as a result of changes in setting the criteria for calculating market standing on the domestic telecommunications services market of Aero2, CenterNet and Mobyland belonging to the Midas Group due to the fact that both the Midas Group and Polkomtel are controlled by Mr. Zygmunt Solorz-Żak, and they will require separate proceedings with respect to each company and with respect to each network combination agreement concluded by each of the companies with other telecommunications operators, including incumbent operators. Such proceedings will be concluded with decisions of the President of the UKE subject to review in appropriate court proceedings or court administrative proceedings. The above circumstances may also concern Aero2, CenterNet and Mobyland, as well as their suppliers which are MNOs.

Such circumstances may have a negative impact on the operations and financial performance of the Group.

3.10 Risk associated with the shareholding structure

The Company is controlled by the Deputy Chairman of the Issuer's Supervisory Board, Mr. Zygmunt Solorz-Żak. A change in the shareholding structure may occur, for example, as a result of a disposal of the Company's shares in an entity indirectly holding the Company's shares through, as the case may be, a company controlled by Mr. Zygmunt Solorz-Żak or by Mr. Zygmunt Solorz-Żak or as a result of the Company's shares not being subscribed in the event of possible future issues of the Company's shares. In the future, the following scenarios are possible with respect to the shareholding structure:

1) the Issuer continues to be controlled by Deputy Chairman of the Supervisory Board, Mr. Zygmunt Solorz-Żak, in which case he retains his current controlling influence on the Issuer's business, including key decisions adopted by the General Meeting (the "GM") of the Issuer,
2) the majority block of shares in the Company is held by an entity other than an entity controlled by Mr. Zygmunt Solorz-Żak,
3) no entity is controlling the Issuer.

The above situations will affect the decisions made by the Issuer's GM, including decisions on: appointing and recalling Supervisory Board members, amending the Statute and increasing the Issuer's share capital, and other important matters that fall within the scope of the powers of the Issuer's GM.

There is also no guarantee that the above-described potential change in the shareholding structure would not affect the business relationship between the Midas Group and the important business partners of the Midas Group, i.e. Cyfrowy Polsat and Polkomtel. Any changes in these relationships that are unfavourable for the Midas Group may have a material adverse effect on the operations and financial performance of the Midas Group.

The Management Board of the Company emphasises, as set forth in the Annual Report of the Capital Group of Cyfrowy Polsat S.A. (published on 26 February 2014), the transfer of ownership of the shares in Pola Investments Ltd. (the majority shareholder of Cyfrowy Polsat) to the family foundation TiVi Foundation with its registered office in Vaduz, Liechtenstein, founded by Mr. Zygmunt Solorz-Żak. In theory, it cannot be ruled out that a similar situation may occur with respect to shares in companies through which Mr. Zygmunt Solorz-Żak controls the Issuer.

Furthermore, the Issuer points out that Mr. Zygmunt Solorz-Żak exercising control over the Issuer notified the latter that he intended to consider in the future a combination of the Midas Group's and Polkomtel's operating activities if it is consistent with the obligations of Polkomtel or the Midas Group under loans, debt instruments or other agreements that Polkomtel or the Midas Group may at the time be a party to, as well as taking into account the then-prevailing internal or external economic, business and commercial conditions. The Issuer cannot give an assurance of whether, when, on what terms and conditions and in what form such a business combination will actually take place. To the best knowledge of the Issuer, as at the date of publication of this report, no actions aimed at such a merger have been taken.

3.11 Risk involved in Mr. Zygmunt Solorz-Żak simultaneously controlling the Midas Group and Polkomtel

Mr. Zygmunt Solorz-Żak simultaneously controls the Company and Polkomtel. In accordance with the information contained in the Expanded consolidated interim report of the Cyfrowy Polsat S.A. Capital Group for the 6-month period ended 30 June 2014 (published on 28 August 2014), the majority shareholder in Cyfrowy Polsat is the company Pola Investments Ltd., which is controlled by the family foundation TiVi Foundation with its registered office in Vaduz, Lichtenstein, of which the founder is Mr. Zygmunt Solorz-Żak. In turn, Polkomtel is a subsidiary of Cyfrowy Polsat. Polkomtel, and Cyfrowy Polsat through Polkomtel, are important business partners of the Midas Group. There is a risk that the influence of Mr. Zygmunt Solorz-Żak on the Midas Group will lead to determining terms of cooperation between the Group and Polkomtel or Cyfrowy Polsat that are less favourable for the Midas Group than arm's length terms.

3.12 Risk of failing to implement the business model

The Group is implementing a business model based on cooperation with two groups of entities:

1. the Group, under which the infrastructural operator (Aero2) develops the telecommunications infrastructure and generates the HSPA+ capacity (900 MHz) and the TD-LTE capacity (2600 MHz), and CenterNet and Mobyland, on the basis of Aero2's infrastructure, generate the LTE capacity (1800 MHz) and sell the HSPA+/LTE capacity wholesale to entities having large customer bases,
2. entities having large customer bases engaged in retail selling.

This model entails two risks:

1. the risk that Aero2 will not complete the construction of its infrastructure on time;
2. the risk that sales to end customers by the entities referred to in pt. 2) above will not reach an appropriate level, resulting in few wholesale orders.

The occurrence of either of the above risks could have a material adverse effect on the operations and financial performance of the Midas Group.

3.13 Risk of a return of the subsidy obtained from the PARP (Polish Agency for Enterprise Development)

Aero2 obtained a subsidy from the PARP in the amount of PLN 31,833,000 for the construction design of a telecommunications network in Podkarpackie Province. The subsidy involved a series of conditions set forth in the subsidy agreement. Moreover, obligations were imposed on Aero2 in relation to obtaining the subsidy. Breaching one or more of those conditions or obligations could result in having to return part or all of the subsidy obtained, together with interest due as stipulated for tax obligations. Such circumstances will have a material adverse effect on the financial results of the Group.

3.14 Risk of poor performance of the telecommunications network in the border strip along Poland's eastern border

The Group's telecommunications network is built nationwide on the basis of Aero2's infrastructure. It is the result of the demand for optimal coverage with the Group's services of the highest possible number of end users for services of entities using wholesale telecommunications services delivered by the Group as well as of the obligation to provide 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.

In the course of expansion of the telecommunications infrastructure by Aero2 in Poland, in the strip along Poland's eastern border stretching up to approximately 80 km from the Ukrainian border, it was discovered that for 900 MHz frequencies used by Aero2, there is an interference of the radio signal transmitted by devices in Aero2's base stations with the radio signals of foreign operators from Ukraine. This phenomenon leads to substantial deterioration in those Aero2 base stations of the performance parameters of the services delivered in each sector of those base stations, as a result of which these sectors may need to be entirely disconnected at the time of such disruptions.

The UKE was notified by Aero2 about the situation because the issue of cross-border interferences requires arrangements and decisions from regulatory authorities of the countries involved. Currently under way are intergovernmental negotiations between Poland and Ukraine's regulators, including both affected Polish operators, i.e. Aero2 and P4, but the above issue has not yet been resolved by these bodies.

According to the Issuer, the lack of a resolution of the above issues will result in the Group's exposure to the risk for the 900 MHz frequency range that, as at the date of publication of this report, about 80-90 base stations, and in the future an unknown number, depending on the scale of expansion of the telecommunications infrastructure of the Group in this region of Poland of base stations in the above border strip, will face problems with effective delivery of the telecommunications services for the population physically located within the coverage of those base stations.

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

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

In the Issuer's opinion, as a result of the target model of operating cooperation under the agreement with Polkomtel of 30 March 2012 concerning shared use of the telecommunications infrastructure of Polkomtel and Aero2, as well as the current expansion of the Group's telecommunications infrastructure, it will be necessary to undertake efforts to ensure that the telecommunications networks used and built by both operators are optimised in terms of their location throughout Poland.

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

Taking account of the dynamic changes in conditions on the telecommunications services market, including the factors related to the possible assignment by the President of the UKE of frequencies in the 800 MHz and 2600 MHz ranges, the Group, in cooperation with Polkomtel and Cyfrowy Polsat, continually analyses possible scenarios for the growth of the mobile data transfer market. That analysis also covers potential network coverage. Given that, in working on the direction in the Group's development, modifications are also possible with regard to the number and distribution of base stations comprising the telecommunications network used by the Group.

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

3.16 Risks associated with the cooperation with Polkomtel for the expansion of the Group's telecommunications network

The Group's intention is to use, in expanding its telecommunications network, the cooperation with Polkomtel in order to reduce the cost of such expansion works and shorten the time required for their completion. As on the date hereof, the cooperation between Aero2 and Polkomtel in this respect is based on the agreement of 30 March 2012. In situations specified in that agreement, Polkomtel may terminate the agreement in whole or in part. Under the circumstances described above, the existing cooperation between the Group and Polkomtel for the development of the telecommunications network will be terminated.

In the event of termination of such cooperation, expansion of the Group's telecommunications network, if it is carried out at all to the extent currently planned, may be significant delayed and involve much higher costs for the Group. In addition, in such a case, the telecommunications network of the Group will be deprived of the Group's base stations commissioned in cooperation with Polkomtel. This will have an adverse effect on the operations and financial performance of the Group.

Even if the cooperation between Polkomtel and Aero2 concerning expansion of the network is not terminated, there is no guarantee that the extent of such cooperation will be sufficient to achieve the objectives of the Group in this regard. Also in such a case, the expansion of the Group's telecommunications network, if it is carried out at all to the extent currently planned, may be significantly delayed and involve much higher costs for the Group. This may have a material adverse effect on the operations and financial performance of the Group.

Furthermore, the Issuer points out that the agreement of 30 March 2012 is concluded for a fixed term. After the lapse of that term, the agreement may be extended for a further fixed term, or for an indefinite term. The Issuer cannot guarantee that, in such a situation, the conditions of the agreement or the rates for use of Polkomtel's infrastructure will not change and that they will continue to be advantageous for the Group.

3.17 Risk related to a high level of debt

The Issuer points out that, as a result of issuing series A bonds, as well as concluding the credit agreement with Alior Bank S.A., the level of interest debt has grown significantly. Furthermore, at the time of drawing down the financing under the credit from Bank Polska Kasa Opieki S.A. as referred to in pt. 4 below and elsewhere, the level of interest debt will increase even more. Therefore, there will be a marked increase in the risk of insolvency of the Company towards its creditors, particularly banks or bondholders. There is, after all, a possibility that Midas Group companies may be unable to service such a high debt or fulfil certain other covenants. As a result, there is a risk that the debt may be declared immediately due and payable, which may prevent its repayment, including redemption of the Bonds on their maturity date. Therefore, creditors, including bondholders, may not recover, either in whole or in part, the funds invested, even upon instituting the procedure of satisfying claims from the Issuer's assets, in particular, the collaterals established (if any) or may not obtain the expected rate of return on the investment.

3.18 Risks associated with the macroeconomic situation

The Group's financial position is dependent on the economic situation in Poland and worldwide. Financial performance generated by the Group is influenced by the GDP growth rate, inflation, interest rates, unemployment rate, 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 worldwide or the introduction of state economic policy measures might have a negative impact on the market position of the Group and its financial performance.

3.19 Risks associated with a changing legal environment (including tax)

Certain threats to the operations of the Company and the Group may arise from changes in laws or different interpretations of the law. Possible changes, in particular, in provisions relating, among others, to business activities, telecommunications, environmental protection, intellectual property, labour law, social security law and commercial law, may lead to negative consequences for the Midas Group's operations. New regulations may entail interpretation issues, inconsistent court rulings, adverse interpretations adopted by public authorities, the lack of cohesion between judicial decisions of Polish courts and EU laws, etc. The risk is particularly high in the area of tax laws, due to the large impact of regulations and their interpretations on the Midas Group's financial position.

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

Such circumstances may have a material adverse effect on the operations and financial performance of the Midas Group.

3.20 Risk associated with changes in foreign exchange rates

The Group also incurs costs in foreign currencies, but their share in the Group's overall costs for the first half of 2014 was not significant. However, a higher share of expenses denominated in foreign currencies in the overall expenses incurred by the Group could be expected in subsequent periods because expenses associated with the expansion of the Group's telecommunications infrastructure may be denominated in EUR or in any other foreign currency. In the case of supplies and services provided by Ericsson and

Nokia Solutions and Networks, in accordance with the provisions of the relevant agreements, their prices are denominated in euros (EUR) or US dollars (USD) and will be converted to zlotys (PLN) at the exchange rate effective on the date or for the period set forth in those agreements.

Therefore, the Group is exposed to an exchange rate risk which may generate a higher cost of purchasing external services and goods, caused by adverse changes in currency exchange rates. Such circumstances may have a material adverse effect on the operations and financial performance of the Group.

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

There are studies indicating an alleged adverse effect on human health of electromagnetic waves emitted by devices used in the wireless communication technology that is used, among others, by the Group. The Issuer is unable to predict what determinations as to this alleged link will be made in the future. Nonetheless, there is a risk that findings confirming such risk may cause at least a reduction in usage of the services of the Group or of the Group's customers, challenges for the business activity carried out by the Group, or increased cost of such activity. The above circumstances may have a material adverse effect on the operations and financial performance of the Group.

3.22 Risk associated with frequency resources used in wireless communication

Frequency resources used in wireless communication as part of the technologies applied by the Group companies and their current or future competitors are scarce. Therefore, obtaining reservations of such frequencies by the Group’s competitors may weaken the Group’s competitive position and make catching up at least difficult, which may eventually have an adverse effect on the operations and financial performance of the Group. In that respect, it will be important to focus on elements such as: the scope of frequencies obtained, the time frame and type of telecommunications services offered in connection with a reservation decision obtained, and on whether the frequencies are concentrated in the hands of one entity or whether they are used jointly or their ranges combined through cooperation among the entities to which a reservation is granted. The Management Board of the Company draws attention to pt. 12 hereof, which describes anticipated distribution by the President of the UKE of frequencies in the 800 MHz and 2600 MHz bands.

Information about the risk involved in making the above frequency reservations for the Group is also set out in section 3.8 above.

4 Growth prospects in the second half of 2014

The most important factor affecting the development of the Midas Capital Group in the second half of 2014 is utilisation of debt financing for the purpose of expanding and maintaining elements of the telecommunications network, within the framework of the credit agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, as set forth in pt. 10.1 hereof. The Company intends to invest any obtained funds in telecommunications and IT projects, and in the continued development of the Midas Group in particular. In accordance with the strategic plans of the Midas Capital Group, the most important areas of the Group’s commercial development will be: expansion of the telecommunications network and continued provision of data transmission services in Poland using the frequencies obtained in the tender. Therefore, significant negative cash flows from investment activity should be expected in the years 2014-2016. Furthermore, until the date of publishing these statements, the issue of distribution by the President of the UKE of frequencies in the 800 MHz and 2600 MHz ranges, which can be used to provide wireless data transmission services, remained unresolved. The Company points out that the final documentation related to the renewed tender notice had not yet been published as at the date of publication of this report, and so the Midas Group has not yet made a decision on whether it will participate in that tender.

In view of the above, the Management Board of the Company continually reviews the business model in terms of its effectiveness and adequacy in a changing environment, and therefore does not rule out changing that model in the future.

5 Proceedings pending before a court, competent authority for arbitration proceedings or public administration authority.

In the first half of 2014, no material proceedings were pending directly with respect to the Company or any of the subsidiaries of the Midas Group before any court, a court of arbitration or a public administration body, the value of which, whether individually or combined, would represent at least 10 per cent of the Company's equity.

Such proceedings were indirectly conducted with respect to the subsidiaries of the Midas Group and they are described in more detail below. In the proceedings below, Aero2, CenterNet and Mobyland (depending on the proceedings) act as an interested party, as these proceedings are largely directed against the administrative decisions issued by the President of the UKE. However, indirectly, handing down a binding resolution in each of these proceedings may result in the President of the UKE ruling to sustain, change or repeal the previous resolutions that directly concern frequency reservations for CenterNet and Mobyland or frequency reservations granted to Aero2.

In this report, the most significant information has been included, which provides a complete picture of the current factual status of the pending proceedings, but which does not reflect the detailed chronology of events which took place during those proceedings. To become acquainted with the detailed chronology of events concerning specific proceedings, it is important to review the information contained in this report in relation to information disclosed in previous periodic reports of the Company, available on the Company's website at: http://midas-sa.pl/Relacje_inwestorskie/Raporty_gieldowe/Raporty_okresowe).

In addition, in the period covered by this interim report, no proceedings were pending in relation to commitments or debts of the Company or a subsidiary thereof whose value would be at least 10 per cent of the Company's equity.

Proceedings concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges for CenterNet and Mobyland

In the proceedings pending before the Province Administrative Court in Warsaw (the "WSAW") on the basis of a complaint of Polkomtel against the decision of the President of the UKE of 30 November 2007, under which the President of the UKE reserved frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges for CenterNet and Mobyland and refused the above frequency reservations to Polska Telefonia Cyfrowa Sp. z o.o. (currently, T-Mobile Polska) and Polkomtel ("Reservation Decision 1") and the decision of 23 April 2009, upholding Reservation Decision 1 after re-examining the case ("Reservation Decision 2"), on 19 November 2012, the WSAW issued a judgement under which, on the merits of the case, it dismissed the complaint brought by T-Mobile Polska and discontinued the proceedings instituted on the basis of Polkomtel's complaint (due to this complaint being withdrawn under a pleading filed before the hearing). Both the President of the UKE and the participants of the proceedings could file a cassation appeal against the WSAW's judgement with the Supreme Administrative Court ("NSA") within 30 days after receiving the WSAW's judgement together with written justification. The Issuer's subsidiaries did not file such a cassation appeal. However, T-Mobile Polska did bring a cassation appeal. On 29 May 2014, the NSA issued a final judgement pursuant to which, following the dismissal of the cassation appeal filed by T-Mobile Polska, the NSA upheld the judgement of the WSAW of 19 November 2012.

In the oral justification of the above decision, the NSA did not share the objection of T-Mobile Polska's cassation appeal against the WSAW judgement of 19 November 2012, concerning invalidity of the proceedings, based on the assertion that T-Mobile Polska's attorney had been incorrectly notified about the hearing before the WSAW. In the NSA's assessment, in order to challenge the manner of delivering court correspondence, a party must first file a complaint with Poczta Polska (the Polish Post). Only upon pursuing this procedure is it possible to effectively overturn the supposition of proper delivery, and, as the NSA pointed out, T-Mobile Polska did not file such a complaint. The NSA also referred to the objections of T-Mobile Polska concerning a breach of Article 114 par. 3 of the Telecommunications Law, finding, as did the WSAW, that they were unjustified. In the NSA's assessment, the frequency reservation was made correctly by the President of the UKE in 2007. The NSA also pointed out that the NSA's judgement of 8 May 2014 concerning a tender for a frequency reservation was not relevant in deciding this case (the judgement is described hereinbelow).

On the basis of the information obtained so far, the Management Board of the Company feels that the NSA judgement of 29 May 2014, almost seven years after granting frequency reservations to CenterNet and Mobyland, has finally and lawfully put an end to the dispute concerning the aforementioned reservations and confirmed the correctness of the reservation proceedings conducted by the President of the UKE in 2007. In the opinion of the Issuer's Management Board, CenterNet and Mobyland can therefore continue to make full use of the frequencies granted to them until 2022, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group.

<u>Proceedings related to the tender concerning frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, subject to reservation for CenterNet and Mobyland</u>

In the matter concerning a repeal of the decision of the President of the UKE of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating - in the scope concerning the evaluation of PTC's bid - the tender concerning two reservations of frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, issued in the tender concerning reservation of the frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), on 8 May 2014, the NSA issued a judgement concerning the tender for two frequency reservations, in the 1710-1730 MHz range and the 1805-1825 MHz range (the "Tender"), under which the NSA upheld the WSAW's judgement of 6 July 2012. The NSA judgement was issued following the dismissal of the cassation appeals filed by the President of the UKE and the Issuer's subsidiaries: CenterNet and Mobyland. On 14 July 2014 (after the balance sheet date), the Issuer's subsidiaries, CenterNet and Mobyland, received the above judgement of the NSA together with written justification in which the NSA stated that the dispute in the matter centred on assessing recommendations for further action for the President of the UKE, following from the judgement of the WSAW of 21 July 2009, repealing both decisions of the President of the UKE refusing to declare the invalidity of the tender concerning frequency reservations and from the judgement of the NSA of 3 February 2011 approving the judgement of the WSAW. The NSA found (as notified by the Company on 8 May 2014 on the basis of the oral justification given by the NSA) that the above judgements of the WSAW and NSA indicated that the President of the UKE should have invalidated the tender in its entirety. In its judgement of 21 July 2009, the WSAW found that a serious breach of the applicable laws occurred during the tender proceedings, as a result of which a party to the proceedings was deprived of the right to participate in stage two of the tender, i.e. a criterion for gross breach of the applicable laws referred to in Article 118d of the Telecommunications Law (the "TL") was fulfilled, which would justify invalidating the tender. On the other hand, the NSA, in its judgement of 3 February 2011, found that the WSAW judgement indicated that the President of the UKE should have issued the opposite decision to the existing decision. In its judgement of 8 May 2014, the NSA found, taking into account the scope of the proceedings conducted by the President of the UKE and the motions to invalidate the tender, that the opposite decision would be to invalidate the tender in its entirety. The NSA also noted that the President of the UKE, having concerns regarding the recommendations contained in the above judgements of the WSAW and the NSA, could have requested an interpretation, pursuant to Article 158 of the Act on Proceedings Before Administrative Courts, which he failed to do. Referring to Article 118d par. 1 of the TL, in the wording applicable to the matter at hand, the NSA also found that the provision was worded unambiguously and could not have led to the conclusion that the tender could be partially invalidated. In the assessment of the NSA, this provision does not permit such a possibility. But even if it were possible, partial invalidation could not take place with reference to one of the entities taking part in the tender (as was the case in 2011). Any partial invalidation of the tender might at best refer to the subject, not the participants. Lastly, the NSA noted that in the court and administrative proceedings, there can be no acceptance for arguments of equitability related to, among other things, the cost of conducting another tender, as the deciding factor in this respect is the wording of the applicable provision of the law, its interpretation and application.

As a result of the decisions of the President of the UKE of 13 June 2011 and 23 August 2011, the President of the UKE conducted another tender with respect to assessing the bid placed by T-Mobile Polska and determined the revised result of the tender in the form of a new list assessing each bid, taking into account the bid placed by T-Mobile Polska. The bids placed by CenterNet were placed on the list under items 1 and 2, and the bid placed by Mobyland - under item 3. On 27 October 2011, CenterNet filed a motion to obtain frequency reservations on the basis of the bid featured as item 2 on the evaluation list, and Mobyland submitted a request on the same date to obtain a reservation on the basis of the sole bid it had placed. In connection with the above motions concerning reservations submitted by CenterNet and Mobyland, proceedings concerning the reservation motions are pending before the President of the UKE. After the President of the UKE announced the revised results of the tender, Orange Polska and T-Mobile Polska submitted motions to invalidate the tender. In its decision of 28 November 2012, the President of the UKE refused to invalidate the tender. The above decision was upheld by the decision of the President of the UKE of 8 November 2013. Subsidiaries of the Issuer did not file complaints against the decision of the President of the UKE of 8 November 2013. Orange Polska and T-Mobile Polska filed complaints against the above decision with the WSAW. The hearing was scheduled for 23 September 2014.

The Management Board of the Issuer believes that the NSA judgement of 8 May 2014 will have no influence on CenterNet and Mobyland's ability to continue their existing operations. This means that these companies can still make full use of the frequencies granted to them, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group. Furthermore, the Management Board maintains its position expressed in Current Report No. 8/2014 that it is presently impossible to predict the direction or scope of further action in the matter that may be undertaken by the President of the UKE and other participants of the proceedings. This is due to the fact that the written justification did not add anything to the information provided in the above Current Report No. 8/2014. The Management Board of the Issuer also notes that on 29 May 2014, the NSA upheld the judgement of the WSAW of 19 November 2012, as noted hereinabove. The judgement concerned dismissal on substantive grounds of T-Mobile Polska's complaint against the decision of the President of the UKE concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges issued for CenterNet and Mobyland. The above judgement of the NSA of 29 May 2014 is final and means that the frequency reservations had become final. The decisions may only be repealed upon reopening the proceedings. At this point, the Issuer's Management Board does not see any legal grounds on which this scenario could be fulfilled.

<u>Proceedings to invalidate the tender concerning frequency reservations for Aero2 in the 2570-2620 MHz range.</u>

On 21 May 2009, the President of the UKE announced a tender for a frequency reservation in the 2570-2620 MHz range, for the entire area of Poland, designated for the provision of telecommunications services in broadband wireless mobile networks, until 31 December 2024 ("Tender 2.6"). In response to the tender announcement, Milmex Systemy Komputerowe sp. z o.o. ("Milmex") and Aero2 submitted bids. Because of a number of formal deficiencies, the bid submitted by Milmex was not admitted to the substantive evaluation stage. In effect, the bid submitted by Aero2 was judged as the best.

After the announcement of the results, Milmex filed a motion for invalidation of Tender 2.6. In its decision of 28 December 2010, No. DZC-WAP-5176-9/09(112), the President of the UKE refused to invalidate Tender 2.6. The above decision was upheld by a decision of the President of the UKE of 20 November 2012, No. DZC-WAP-5176-9/09(237).

Milmex filed a complaint against that decision to the WSAW. By a judgement of 27 June 2013 (case file No. VI SA/Wa 464/13), the WSAW dismissed the complaint. Milmex filed a cassation appeal against that judgement with the NSA The date for hearing the case in the Supreme Administrative Court has not yet been determined.

6 Information on the Company or subsidiary concluding one or more transactions with related parties

In the first half of 2014, neither the Company nor its subsidiaries concluded significant transactions with related parties on conditions other than market conditions.

Information on the conclusion by the Company or its subsidiary of other transactions with related parties is contained in Note 31 to the interim condensed consolidated financial statements for the 6-month period ended 30 June 2014.

7 Information sureties for loans, borrowings or guarantees granted by the Company or a subsidiary

In the first half of 2014, companies from the Midas Capital Group did not grant to any entity any sureties for loans, borrowings or guarantees whose value exceeded 10 per cent of the Company's equity.

8 Position of the Management Board as to the feasibility of implementing previously published forecasts

The Company or the Midas Group did not publish any forecasts of financial performance for 2014.

9 Dividends

In the six-month period ended 30 June 2014, entities from the Midas Group did not pay or declare any dividends.

In the investment credit agreement concluded on 10 July 2014 with Bank Polska Kasa Opieki S.A. for up to PLN 200 million (as set forth in pt. 10.1 below), the Company agreed that, until the lapse of the credit repayment period, it will not disburse dividends or refund contributions or any other compensation or payments on its share capital, except in the event of a possible consolidation of the Company's shares.

10 Developments and agreements concluded by the Midas Group

This section lists agreements entered into in the normal course of business of the Company and other Midas Group companies. For agreements which are significant for the operations of the Midas Group companies entered into with third parties, a full description of their respective terms and conditions or references to current reports dedicated thereto are provided.

10.1 Significant developments and agreements concluded by the Midas Group

On 21 February 2014, the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register, registered the merger of Midas with its registered office in Warsaw (as the Acquiring Company) with the subsidiary Conpidon with its registered office in Nicosia, Cyprus (as the Target Company). As a result of the merger, Midas entered into all the rights and obligations, assets and liabilities of Conpidon, which was dissolved without being liquidated. In view of the fact that all of the shares in the Target Company were held by the Acquiring Company, the Merger was effected without increasing the share capital of the Acquiring Company. Upon completion of the cross-border merger Midas did not change its legal form, business name or registered office. The above merger did not materially affect the financial performance or operations of the Midas Group. In the opinion of the Management Board of the Company, the Merger was the fastest and most effective way to streamline the structure of the Midas Group.

On 27 March 2014, as a result of talks conducted by the Company and Mobyland with Cyfrowy Polsat and Polkomtel, the following understandings were concluded by Mobyland:

a) Understanding ("CP Understanding") with Cyfrowy Polsat S.A. (hereinafter "Cyfrowy Polsat", or a "Party", and jointly with Mobyland, also the "Parties"),

b) Understanding ("PLK Understanding") with Polkomtel Sp. z o.o. (hereinafter "Polkomtel", or a "Party", and jointly with Mobyland, also the "Parties").

Signing of the above understandings was preceded by the crucial stage of negotiations, which lasted since 21 March 2014 until the date of concluding the understandings, and was aimed at agreeing final terms and conditions and concluding appropriate understandings concerning continued performance by Mobyland of data transmission services to the aforementioned entities on the basis of the agreements concluded thus far, including the placement of further orders. Acting pursuant to Article 57 of the Public Offering [...] Act, the Management Board of the Company decided to postpone sending information about this fact and, on 21 March 2014, sent an appropriate notification to the Polish Financial Supervision Authority. Fulfilling the obligation to publish information on entering the crucial stage of the negotiations could, in the Management Board's assessment, infringe the legitimate interest of the Company on account of the final wording, impossible to anticipate on the day of postponing the notification, i.e. 21 March 2014, of the terms of understandings concerning the provision of data transmission services, and therefore specifying whether possible agreements would meet the criteria of a significant agreement. This could affect the development or outcome of these negotiations, and could ultimately affect the legitimate interest of the Company and, indirectly, of its shareholders.

By virtue of the provisions of the CP Understanding, Cyfrowy Polsat became entitled to receive, directly from Mobyland or via Polkomtel, with which Cyfrowy Polsat concluded an appropriate agreement, a price per unit for 1 MB of PLN 0.00477 net, provided that by 30 March 2014 Cyfrowy Polsat or Polkomtel submits an order for data transmission services with a total volume of no less than 51 million GB, which will have a total value of PLN 249.1 million.

The value of the CP Understanding, understood as the value of an order for no less than 51 million GB, submitted directly or via Polkomtel, on the date of its submission exceeded 10 per cent of the equity of the Company, which qualified the CP Understanding as a significant agreement.

As a result of Cyfrowy Polsat carrying out the provisions of the CP Understanding described above, Mobyland:

a) released Cyfrowy Polsat from the obligation to pay a lump-sum final payment for Order 3, which is described in Current Report No. 41/2012,

b) lowered, to PLN 0.00477 per 1 MB, the price per unit for data transmission services arising from Order 3 submitted by Cyfrowy Polsat in 2012, the volume of which remaining to be used up, as at 31 December 2013, the Parties specified as 17.8 million GB ("Services to be Used Up"), which according to the provisions of the CP Understanding increased the volume of Services to be Used Up to 20.1 million GB.

On the date of concluding the CP Understanding, the understanding of 28 September 2012 ceased to be valid, on which the Company reported in Current Report No. 41/2012.

In turn, by virtue of the PLK Understanding, Polkomtel increased the total volume of the data transmission services ordered through the submission of Order 3 ("Order 3") to the agreement to provide telecommunications services on wholesale conditions of 9 March 2012 (hereinafter the "PLK Agreement"; the Company reported on the signing of this agreement in Current Report No. 15/2012), with a total volume of 306 million GB and a period of validity of 36 months counting from 1 January 2014. In Order 3, the Parties included data transmission services not used up by Polkomtel, as at 31 December 2013, with a volume of about 8 million GB, covered by Order 2 submitted in 2012 ("Order 2") to the PLK Agreement, as well as the order submitted by Cyfrowy Polsat, carried out via Polkomtel when performing the CP Understanding (Cyfrowy Polsat notified Mobyland that it had submitted an order to Polkomtel covering at least 51 million GB intended for Cyfrowy Polsat). The total value of Order 3 was PLN 1,442.3 million and at the time of its placing it exceeded 10 per cent of the Company's equity, which qualified the PLK Understanding (independently, and also taking the CP Understanding into account) as a significant agreement. The average price per unit for 1 MB covered by Order 3 (including unused services covered by Order 2 also included in Order 3 as well as the order for Cyfrowy Polsat in performing the CP Understanding) is PLN 0.0046031, with this average price taking into account the rebates provided for in the PLK Agreement.

In accordance with the notification received by the Company, Polkomtel, in performing the provisions of the PLK Understanding, submitted Order 3 on 27 March 2014, and Mobyland accepted that order. The above provisions of the CP Understanding were therefore carried out with respect to the submission, by Cyfrowy Polsat via Polkomtel, of the order for data transmission services with a total volume of no less than 51 million GB.

As a result of Mobyland accepting Order 3, the total value of orders and agreements submitted and concluded on or after 14 November 2013 by entities from the Midas Capital Group in relation to Polkomtel reached PLN 1,495.5 million, thus exceeding 10 per cent of the Company's equity. The agreement with the highest value is Order 3 of 27 March 2014, described in this report, the value of which is PLN 1,442.3 million.

Order 3 (including the unused services covered by Order 2 which are also included in Order 3) will be paid by Polkomtel in the following manner:

a) for January 2014 – in the amount of PLN 37,500,000.00 net – on the basis of an invoice issued

within seven days of accepting Order 3,

b) for each month from February 2014 to December 2014 – in the amount of PLN 37,500,000.00 net,

c) for each month from January 2015 to December 2015 – in the amount of PLN 39,750,000.00 net,

d) for each month from January 2016 to December 2016 – in the amount of PLN 42,944,841.60 net,

and to the remaining extent in accordance with the PLK Agreement.

In addition, Polkomtel will pay Mobyland the unsettled and utilised (by 31 December 2013) amount of Order 2, equal to PLN 24,966,448.00 net, of which PLN 4,938,706.33 net will be settled in accordance with Order 2 and the remaining amount on the basis of this Understanding, after the acceptance of Order 3.

Polkomtel will be entitled to additional rebates, after using up the data transmission services encompassed in Order 3, the sum total of which will not exceed 25 per cent of the value of orders submitted counting from the price per unit, which is in line with the terms and conditions of the PLK Agreement.

Neither the CP Understanding nor the PLK Understanding or Order 3 anticipate a new catalogue of contractual penalties not provided for in the CP Agreement or the PLK Agreement. The criterion for classifying the aforementioned understandings and orders as significant is 10 per cent of the Company's equity. The Company published information about the above issues in Current Report No. 4/2014.

On 31 March 2014, the Company and Sferia concluded Annex No. 2 ("Annex No. 2") to the framework agreement of 21 December 2012 (hereinafter, the "Framework Agreement"; the Company reported on concluding the Framework Agreement in Current Report No. 55/2012), by virtue of which the deadline for concluding the Supply Agreement was again extended. In accordance with Annex No. 2, the new deadline for concluding the Supply Agreement expires on 31 December 2014. The justification for the aforementioned amendment cited in Annex No. 2 was failure by Sferia to obtain the radio permits required to use the radio equipment facilitating the provision of services at a level no worse than LTE in Poland, in numbers and locations justifying efficient economic commencement of the provision of services with the use of those permits and failure to obtain the right to utilise other frequencies necessary to that end. The other provisions of the Framework Agreement remain unchanged. At the same time the Company notes that the proceedings associated with Sferia obtaining the aforementioned rights are on-going and that, as at the date of publishing this interim report, have not yet seen binding and final outcomes. The Company published information about the above issues in Current Report No. 5/2014.

On 7 April 2014, Aero2 submitted, and Polkomtel accepted, another order for RAN services (the "Order") offered under the cooperation agreement concerning mutual provision of telecommunications infrastructure services of 30 March 2012 (on the conclusion of which the Company reported in Current Report No. 22/2012 of 30 March 2012). The RAN-type services covered by the Order will be provided in each location for a period of five years counting from the date on which Polkomtel announces its readiness to provide the services in a given location, in accordance with the provisions of the Agreement. The value of the Order, calculated on the basis of a five-year period of providing the services under the Order, increased by the fee for the period of conducting tests in commercial traffic, was PLN 260.6 million and therefore exceeded 10 per cent of the Company's equity. As a result of submitting and accepting the Order, the total value of orders and agreements submitted and concluded on or after 28 March 2014 by entities from the Midas Capital Group in relation to Polkomtel reached PLN 281 million, and therefore exceeded 10 per cent of the Company's equity. The Company reported on this development in Current Report No. 6/2014.

On 8 May 2014, the NSA issued a judgement in the matter concerning the tender for frequency reservations in the 1800 MHz range, in which the NSA upheld the judgement of the WSAW of 6 July 2012. The NSA's judgement was issued as a result of dismissal of the cassation appeals submitted by the President of the UKE and subsidiaries of Midas: CenterNet and Mobyland. Detailed information about the above judgement is set forth in pt. 5 hereof. The Company reported on the above judgement in Current Reports No. 7/2014 and 8/2014.

On 29 May 2014, the NSA issued a judgement in the matter concerning frequency reservations in the 1800 MHz range, in which the NSA upheld the judgement of the WSAW of 19 November 2012. The judgement of the NSA was issued as a result of dismissal of the cassation appeal submitted by T-Mobile Polska. Detailed information about the above judgement is set forth in pt. 5 hereof. The Company reported on the above judgement in Current Reports No. 9/2014 and 11/2014.

On 10 July 2014 (after the balance sheet date), the Company, together with the following of its subsidiaries: Aero2, CenterNet and Mobyland (hereinafter referred to as the "Borrowers"), entered with Bank Polska Kasa Opieki S.A. (the "Bank") into an agreement (the "Agreement") concerning investment credit for up to PLN 200,000,000 (the "Credit") for the purpose of expanding the LTE and HSPA+ telecommunications network. The above Agreement was concluded following negotiations simultaneously conducted by the Company with the Bank and with Bank Zachodni WBK S.A. ("BZWBK") and Banco Santander S.A. ("Banco Santander").

On 21 March 2014, the Company received a proposal from BZWBK and Banco Santander that contained the term sheet of the credit, which was to be backed by export credit agencies: EKN and Finnvera. The proposal was a modification of an earlier proposal accepted by the Company on 5 November 2012, which it notified in its Current Report No. 49/2012 of 5 November 2012 (the proposal was defined therein as Term Sheet 1). The proposal of 21 March 2014 was the starting point for subsequent, more in-depth discussions aimed at negotiating, to the satisfaction of both parties, the terms and conditions on which the Company would obtain financing for the expansion of a commercial telecommunications network in Poland carried out by the Company on the basis of framework agreements for the supply, integration and maintenance of access elements of the telecommunications network concluded with Ericsson and Nokia Siemens Networks (currently: Nokia Systems & Networks). The Company entered into the stage in the negotiations aimed at determining the final terms of financing to be granted by the consortium of banks arranged by BZWBK/Banco Santander.

Furthermore, on 11 April 2014, the Company received a proposal with respect to financing the expansion of the LTE and HSPA+ telecommunications network also from the Bank, and thus entered with the Bank into a stage in the negotiations aimed at determining the final terms of financing to be granted by the Bank.

Acting pursuant to Article 57 of the Public Offering [...] Act, the Management Board of the Company decided to postpone sending information about the negotiations under way and, on 21 March 2014 and 11 April 2014, respectively, sent appropriate notifications to the Polish Financial Supervision Authority. In the Management Board's view, fulfilling the obligation to publish information on commencing the above stages of negotiations with the above two banks could have affected the legitimate interest of the Company. As at the date of postponement of the information, it was impossible to anticipate the outcome of the negotiations, let alone the final wording of the terms of the financing. Thus, immediate announcement that either of the proposals has been received could have affected the course or outcome of the negotiations, significantly weakened the Company's negotiation leverage and ultimately had a negative influence on the legitimate interest of the Company and, ultimately, of its Shareholders.

Under the Agreement, the Borrowers may utilise the Credit after the Bank notifies the Borrowers, within the time frame specified in the Agreement, that all of the conditions precedent set forth in the Agreement (and described in more detail below) for the utilisation of the Credit (the "Conditions Precedent") have been satisfied, but no later than one year from the date of entering into the Agreement (the "Availability Period"). The Credit will each time be disbursed upon written instruction from a Borrower (the "Utilisation Request"), prepared in accordance with the Agreement. The credit will be repaid in 48 equal monthly principal instalments (the "Repayment Period"), starting from the month following the month of the last day of the Availability Period, but no later than on the fifth anniversary of executing the Agreement. The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank's margin, will also be repaid in monthly periods. In the case set forth in the Agreement and related to the accounting revenue of Midas Group entities generated until the end of 2015, the Bank will be entitled to shorten the Repayment Period so that it ends on the third anniversary of executing the Agreement, unless the Borrowers provide a solution acceptable to the Bank, which will require the Borrowers to obtain external assistance that will ensure timely debt repayment. For granting the Credit and for its early repayment, the Bank is also entitled to commission, the amount of which has been determined at a market level. The Agreement also defines events ("Events of Default") that will cause the Bank's margin to be increased by the amount specified in the Agreement. The higher margin for the Bank will be in effect until an Event of Default has been remedied by the Borrowers. The list of Events of Default defined in the Agreement is a standard list commonly used in these types of agreements. The Borrowers are jointly and severally liable for any amounts payable to the Bank under the Agreement.

The Conditions Precedent set forth in the Agreement are: (a) providing the Bank with the documents set forth in the Agreement, including copies of the constitutional documents, current excerpts from the KRS, powers of attorney and any required corporate approvals for all of the Borrowers; (b) providing the Bank with legal opinions prepared by the Bank's legal counsel (on the validity and enforceability of the Bank's rights under the Agreement, among other things) and the Borrowers' legal counsel (on the Borrowers' ability to enter into and perform the Agreement and the documents concerning the collateral for the Credit); (c) providing the Bank with the Finance Documents as defined in the Agreement, i.e. in particular: duly executed documents on establishing a collateral for the Credit (the "Security Documents"), proof of payment and filing with competent courts of motions to register collaterals for the Credit, proof of delivery of any notices under the Security Documents, excerpts from the register of pledges and the register of fiscal pledges confirming that no registered pledges (other than as defined in the Agreement) or fiscal pledges have been established over the Company's assets or the assets and shares of the other Borrowers; (d) providing the Bank with any other documents specified in the Agreement. Until the date of publishing these statements, none of the Conditions Precedent had been fulfilled.

The Credit is secured by: (a) a registered pledge for up to PLN 300,000,000 over the shares of CenterNet, Aero2 and Mobyland; (b) a registered pledge for up to PLN 300,000,000 over a pool of assets and rights owned by the Borrowers and treated as a single economic unit; (c) assignment of rights under the insurance policies concluded by Aero2 concerning assets securing the Credit; (d) assignment of receivables under the agreements on wholesale data transfer services concluded by Mobyland with Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.; (e) subordination of the receivables of an entity outside the Borrower's group (save for Alior Bank SA, Plus Bank SA and holders of the Company's series A bonds) providing financing for the Borrowers, with respect to the Bank's receivables from the Borrowers under the Finance Documents; (f) conditional powers of attorney authorising the Bank to act on behalf of the Borrowers (save for the Company) before the Polish Office of Electronic Communications; (g) powers of attorney for the Borrowers' bank accounts; (h) a declaration of submission to enforcement for up to PLN 300,000,000 made by the Borrowers in favour of the Bank pursuant to Article 97 of the Banking Law of 29 August 1997; (i) a declaration by Mr. Zygmunt Solorz-Żak on providing, within the scope of rights vested in shareholders of public companies, assistance throughout the term of the Agreement, which, in particular, involves making efforts to ensure that the Borrowers repay any and all of their obligations towards the Bank in a timely manner, remain in sound economic and financial standing and obtain additional financing sufficient to satisfy their obligations towards the Bank in the event of a delay in their repayment. Until the publication of this Report, the Security Documents have not been signed, save for the above declaration by Mr. Zygmunt Solorz-Żak. On 26 August 2014, the Extraordinary General Meeting of the Company adopted a resolution in which it agreed to the establishing of a limited right in rem over the Company's assets. Approval from the General Meeting will allow the Management Board of the Company to successfully establish the registered pledge over the Company's assets referred to in pt. (b) above.

Furthermore, each potential prospective guarantor of the Credit agrees to issue a guarantee to the Bank for up to PLN 300,000,000, as well as other collaterals that may be agreed with the Bank (the obligation is in effect until 30 June 2022). In the Agreement, the Borrowers also agreed to open temporary bank accounts to which payments will be made under agreements on wholesale data transfer services and insurance policies, as well as a DSRA account, in which a balance of no less than 10 per cent of the value of the disbursed Credit will be maintained throughout the term of the Credit. Subject to the terms and in the manner set forth in the Agreement, the Bank may block certain amounts in the above accounts and apply them towards satisfying due and payable obligations of the Borrowers under the Credit. The Company also agrees that, without the Bank's written approval (which approval will not be unreasonably denied by the Bank), it will not exercise its early redemption option with respect to the Company's series A bonds.

The Company has also agreed that, until the lapse of the Repayment Period, it will not disburse dividends or refund contributions or any other compensation or payments on its share capital, except in the event of a possible consolidation of the Company's shares, and that none of the Borrowers will acquire (directly or indirectly) any entity or enterprise, except as provided in the Agreement. The Company also restricts the Borrowers' ability to dispose of their assets and to encumber and divide the Borrowers' assets, save for any exceptions stipulated in the Agreement. The Agreement also contains provisions concerning General Obligations, both by the Borrowers and by the Bank, which do not vary considerably from provisions commonly used in these types of agreements.

The Management Board of the Company also announces that, referring to previously published information on the level of financing required to implement Phase III of the expansion of the telecommunications network (up to PLN 364,000,000), the amount of PLN 200,000,000 is currently sufficient for that purpose. Such a reduction in the amount of financing stems from lower-than-estimated prices of telecommunications equipment and reallocating some expenditures from CAPEX to OPEX, with no significant change to the number of base stations commissioned as part of Phase III. The Company believes that the number of base stations may be higher than initially presented with no change to the total cost of their commissioning and operation. The financing obtained and the operating cash flows generated by the Borrowers during the term of external financing will be sufficient to cover the cost of commissioning and operating base stations.

The Agreement concluded does not provide for any contractual penalties. The Agreement is a significant agreement, as defined in the Regulation of the Minister of Finance on current and periodic information (...). The Company assumed 10 per cent of the equity of the Company as the criterion for considering an agreement to be significant. The Company published information on the conclusion of the agreement in Current Report No. 16/2014.

On 23 July 2014 (after the balance sheet date), the Company, acting on the basis of the provisions of the Bond Issue Conditions ("BIC"), announced that it was intending to make use of the right to which it was entitled to change the security ("Change of Security") for the series A bonds issued on 16 April 2013, which would involve deleting the following registered pledges from the register of pledges:

(i) a pledge on 221,000 shares of Aero2 representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer;

(ii) a pledge on 4,264,860 shares of CenterNet representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer;

(iii) a pledge on 204,200 shares of Mobyland representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer.

The decision concerning the intention to make use of the right to change security is the consequence of the agreement concluded by the Company on 10 July 2014 with Bank Polska Kasa Opieki S.A. concerning investment credit for up to PLN 200,000,000 (as described above). Under the provisions of the Agreement, one form of security for the Credit being granted is a registered pledge up to the amount of PLN 300,000,000 on the shares of subsidiaries of the Issuer, i.e. Aero2, CenterNet and Mobyland. For that reason, in order to enable the aforementioned security for the Credit to be established, the

Management Board of the Company decided to make use of the right to a Change of Security. Before the date of publishing these statements, the Company filed with the competent court duly paid motions to delete the above registered pledges. On 1 September 2014, the Company received a decision of the court to delete the registered pledges over the shares of Aero2 and CenterNet. Currently, the Company is awaiting consideration of the motion to delete the registered pledge over the shares of Mobyland. The Management Board of the Company issues a reminder that after the effective deletion of the aforementioned registered pledges from the register of pledges, the provisions of the BIC will come into force, as described in Current Report No. 5/2013, concerning calculation of the Amount Due (defined in Current Report No. 5/2013) after the Issuer makes use of the right to a Change of Security, and also that the value of the discount rate will be increased by 1.7 percentage points, on the basis of which the theoretical value of the Bonds (TVB) is calculated. Moreover, in accordance with the provisions of the BIC, the Issuer is entitled to re-secure the Bonds by establishing a New Registered Pledge, but as at the publication of this interim report the Management Board of the Company is not able to predict whether and within what period of time it will exercise that right. The Company reported on this development in Current Report No. 18/2014.

10.2 Other developments and agreements concluded by the Midas Group

On 12 June 2014, the Company and Alior Bank S.A. ("Alior Bank") concluded Annex No. 1 to the investment credit agreement of 28 February 2013, which reduced, as of the next interest period, the margin on the investment credit (the "Credit") granted on the basis of the above investment credit agreement (the "Agreement"; the Company reported on concluding the Agreement in Current Report No. 4/2013). Reducing the margin on the Credit will generate savings throughout the term of the credit, which the Management Board of the Company estimates to be approximately PLN 4 million. In addition, the Management Board of the Company and Alior Bank agreed other amendments to the Agreement that were irrelevant from the point of view of the Company's financial position.

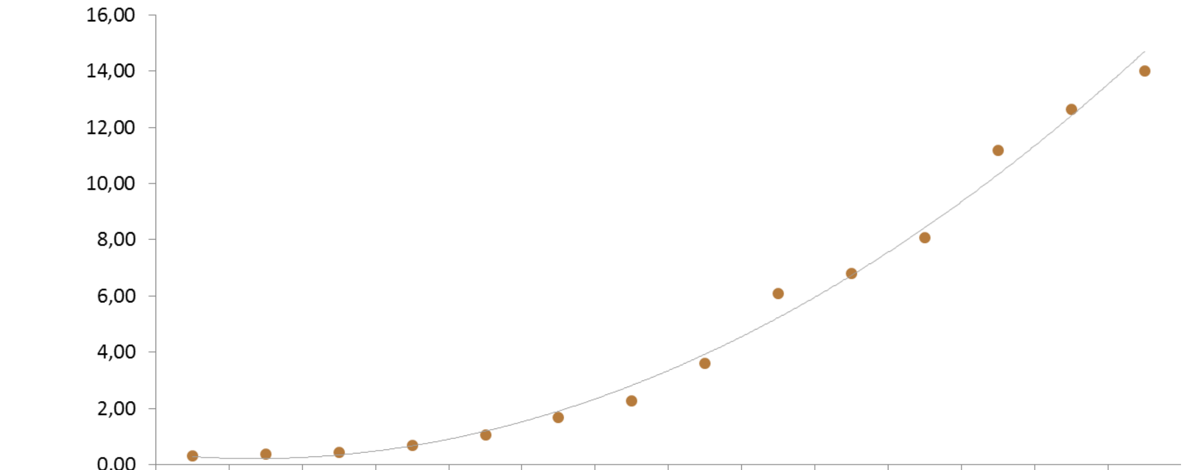
11 Other information which, in the opinion of the Issuer, is significant to an evaluation of its staffing, asset and financial position, its financial result and changes thereof, as well as information significant to an evaluation of the Issuer's ability to fulfil its obligations

The Midas Group has a modern telecommunications network including, among other things (as at the end of June 2014): (i) approximately 710 "proprietary" base stations used by the Midas Group and operating in the HSPA+ technology (in the frequency band owned by Aero2) and approximately 710 base stations operating in the LTE technology (in the frequency band owned by CenterNet and Mobyland), as well as (ii) approximately 4,030 base stations operating in the HSPA+ technology (in the frequency band owned by Aero2) and approximately 3,200 base stations operating in the LTE technology (in the frequency band owned by CenterNet and Mobyland) incorporated into the telecommunications network used by the Midas Group in cooperation with Polkomtel.

Due to the expansion of the telecommunications network being under way, the Management Board of the Company assessed the status of Phase II of the expansion of the telecommunication network, which is one of the stages of Project 4100, described in the Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012 (available on the Company's website at http://www.midas-sa.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny). Project 4100 envisions adding approximately 4,100 LTE base stations to the telecommunications network of the Midas Group (also approximately 3,900 HSPA+ base stations), of which approximately 3,400 LTE base stations would be added as part of Phase II of the network expansion (approximately 3,200 HSPA+ base stations). As at 30 June 2014, Phase II of the network expansion was completed with respect to approximately 3,200 LTE base stations, and approximately 3,220 HSPA+ base stations, which ensured achieving the following target population coverages for the entire Midas Group: 66 per cent for LTE and 99 per cent of Poland's population for

HSPA+, and allowed for optimal fulfilment of the assumptions for Phase II of the network expansion. For these reasons, the Management Board of the Company decided to conclude Phase II of the network expansion and to move over the base stations not completed during that phase (i.e. approximately 200 LTE base stations) for completion in Phase III of the network expansion, provided that their implementation in that phase is commercially justified. As at the date of publishing these statements, Phase III of the network expansion is currently under way. It is expected to be completed in mid-2016. The Management Board of the Company points out the description of the credit agreement for up to PLN 200 million concluded with Bank Polska Kasa Opieki S.A. (set forth in pt. 10.1 above), which contains information about a possible future increase of the number of base stations (compared to earlier assumptions concerning network expansion), with the total cost of their commissioning and operation remaining unchanged.

The Management Board of the Company would also like to note the quarterly usage (in million GB) of the data transfer packages ordered by Polkomtel and Cyfrowy Polsat, as carried out in the Group's network, juxtaposed against the trend line. The Management Board of the Company has a favourable opinion of the rate of growth in the area of data transfer usage, among other things, due to the fact that in the month of June alone the usage exceeded 5 million GB.



	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
zużycie (mln GB)	0,3	0,4	0,4	0,7	1,1	1,7	2,3	3,6	6,1	6,8	8,1	11,2	12,6	14,0

On 30 June 2014, the Ordinary General Meeting of Shareholders ("OGM") of the Company was held, at which resolutions were unanimously adopted on the following matters:

a) approving the "Report of the Management Board on the Operations of Midas S.A. in 2013",
b) approving the "Financial Statements of Midas S.A. for the Year Ended 31 December 2013",
c) approving the "Report of the Management Board on the Operations of the Midas Capital Group in 2013",
d) approving the "Consolidated Financial Statements of the Midas Capital Group for the Year Ended 31 December 2013",
e) distributing the Company's 2013 net profit,
f) discharging the Company's Management Board members from liability in the performance of their duties in 2013,
g) discharging the Company's Supervisory Board members from liability in the performance of their duties in 2013,

The resolutions adopted by the OGM of the Company were presented in Current Report No. 14/2014.

On 26 August 2014 (after the balance sheet date), the Extraordinary General Meeting of Shareholders of the Company (the "EGM") was held during which a resolution on granting consent to the establishment of a limited right in rem over the Company's assets was adopted, among other things. The consent will allow the Management Board of the Company to effectively establish a registered pledge over the

Company's assets, which is essential in order to disburse the credit from Bank Polska Kasa Opieki S.A. (referred to in pt. 10.1 above). The resolutions adopted by the EGM of the Company were presented in Current Report No. 21/2014.

In the opinion of the Management Board of the Company, referring to the first half of 2014, there is no other information besides that disclosed in this interim report which is essential for the staffing, assets, financial position, financial result and changes thereto, nor is there any information which is relevant for the assessment of the Company's ability to fulfil its obligations.

12 Factors which, in the Issuer's opinion, will affect the results it achieves over at least the next quarter and half-year

According to the Management Board of the Company, the following factors could affect the results of the Midas Group over the course of at least the next quarter:

1. The Midas Group obtaining financing to implement the strategy of the Midas Group, which includes financing the remaining portion of phase two of the telecommunications network expansion, and phase three, which will involve, in particular: utilising debt financing under the credit agreement concluded on 10 July 2014 with Bank Polska Kasa Opieki S.A. (as set forth in pt. 10.1 above), which requires fulfilment of the conditions precedent set out in pt. 10.1 above.

   After disbursing the above financing, the Company anticipates growth in the value of financial costs.

2. The rate of growth of LTE data transfer services provided by entities competing against the Midas Group, on the basis of frequency reservations in the 1800 MHz range granted in the first half of 2013.

   The Company estimates that this factor may have a detrimental effect on the rate of growth of revenue from sales.

3. The renewed notice of the tender for frequency reservations in the 800 MHz range (digital dividend) and the 2600 MHz range. The Company points out that the final documentation related to the renewed tender notice had not yet been published as at the date of publication of this quarterly report, and so the Midas Group has not yet made a decision on whether it will participate in that tender.

   In the Company's opinion, that factor may have a significant impact on the Company's financial results, although, given the uncertainty over the final conditions of the tender, the Company is not able to make a more in-depth analysis of what that impact will be. For this reason, among others, the Group, in cooperation with Polkomtel and Cyfrowy Polsat, continually analyses possible scenarios for growth in the mobile data transfer market. That analysis also covers potential network coverage. Given that, in working on the direction in the Group's development, modifications are also possible with regard to the number and distribution of base stations comprising the telecommunications network used by the Group.
4. Decisions of the President of the UKE in the matter concerning the tender for two frequency reservations in the 1710-1730 MHz range and the 1805-1825 MHz range, following from the judgement of the NSA of 8 May 2014 (described in detail in pt. 8 above). The Company notes that in line with the description of these proceedings set forth in pt. 5 hereof, it is currently unable to predict the direction or scope of further actions in this case that may be undertaken in the future by the President of the UKE. The Management Board of the Company also wishes to note the resolutions, which are final and favourable for the Midas Group, in the matter concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges for CenterNet and Mobyland (also set forth in pt. 5 hereof).

The Company expects that, in the event that rulings unfavourable for the Group are included in any future decisions issued by the President of the UKE, this will indirectly have an adverse effect on the financial results and operations of the Group.

5. Increasing popularity of LTE technology and the corresponding increased usage of data transfer services ordered by wholesale customers of the Group and possible subsequent orders for such services.

   The Company estimates that such growth will also affect the value of revenue from sales.

6. Promoting on the Polish market unlimited LTE internet access offers, made available to individual and business customers by Polkomtel and Cyfrowy Polsat.

   The Company estimates that this factor may also have a positive effect on the value of revenue from sales.

The Company wishes here to emphasise that the occurrence of the factors described in points 2) to 6) above is largely beyond the Company's control, and therefore the Company cannot be certain as to whether they will occur in the next quarter.

13 Information on the entity authorised to audit the financial statements

The condensed financial statements of the Company and the condensed consolidated statements of the Midas Group for the first half of 2014 were audited by Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw ("E&Y"). On28 May 2014, the Supervisory Board of the Company unanimously adopted a resolution on the appointment of the entity authorised to audit the financial statements, on which the Company reported in Current Report No. 10/2014. Under the agreement, E&Y is to audit the legally required financial statements of the Company and the Midas Capital Group for the accounting year 2014, and to review the consolidated financial statements of the Midas Capital Group for the first half of 2014. The agreement to audit the financial statements will be concluded with E&Y for the period of review, audit and preparation of an opinion with the report.

The Company used the services of E&Y with respect to auditing financial statements of the Midas Capital Group and financial statements of the Company for the years 2004, 2005, 2011, 2012 and 2013.

E&Y is entered on the list of entities authorised to audit financial statements by the National Council of Statutory Auditors under number 130.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

____________________ ____________________

Krzysztof Adaszewski Maciej Kotlicki
President of the Management Board Vice-President of the Management Board

Warsaw, 1 September 2014