Report on the operations of the Midas Capital Group

for the first half of 2015

Warsaw, 25 August 2015

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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"). 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, 12th Commercial Department 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 2015, 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) Wiesław Walendziak - Member of the Supervisory Board

In the first half of 2015, there were no changes to the composition of the Supervisory Board of the Company.

As at 30 June 2015, the composition of the Management Board was as follows:

1) Krzysztof Adaszewski – President of the Management Board
2) Piotr Janik - Vice-President of the Management Board

In the first half of 2015, 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 2015, the Midas Group consisted of the Company and the following subsidiaries:

- 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 2015, the Company held a 100-per cent share of equity and of the total number of votes in relation to the companies: Mobyland and Aero2.
In addition, as at the date of this report the Company holds a 66% share in the share capital of AltaLog Sp. z o.o.

The Midas Group's core business is the provision of wholesale wireless data transmission services by Aero2 and Mobyland. Furthermore, Aero2 provides telecommunications services to individual customers. The wholesale wireless data transmission services are delivered on the basis of: (i) the frequency ranges reserved for Aero2 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. 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 2015, there were no major changes in the Midas Group's structure. The Management Board of the Company would like to draw attention to a subsequent event described in sec. 10.2, i.e. acquisition of 3,630 shares in AltaLog sp. z o.o. with its registered office in Warsaw ("AltaLog") representing a 66% share in the share capital of the a/m company and giving the right to 66% of votes on the general meeting.

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 2015 are: the Company, 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 2015 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 were paid in full and registered with the National Court Register.

1.5 Shareholding structure

The table below shows the shareholders of the Company who, as at the date of this interim report, i.e. 25 August 2015, hold either directly or indirectly through subsidiaries at least 5% 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 13 May 2015 until the date hereof, i.e. 25 August 2015, 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 the last quarterly report, i.e. since 13 May 2015 and the date of this interim report, i.e. 25 August 2015.

Direct shareholding in the Company by persons managing and supervising the Company to the best knowledge of the Company:

Name and surname	**Position**	**Number of shares in the Company held as at 13 May 2015**	**Number of shares in the Company held as at 25 August 2015**
Wojciech Pytel	Chairman of the Supervisory Board	none	none
Zygmunt Solorz-Żak (*)	Deputy Chairman of the Supervisory Board	none	none
Andrzej Abramczuk	Secretary of the Supervisory Board	none	none
Andrzej Chajec (**)	Member of the Supervisory Board	none	none
Krzysztof Majkowski (***)	Member of the Supervisory Board	20,000	none
Mirosław Mikołajczyk	Member of the Supervisory Board	none	none
Krzysztof Adaszewski	President of the Management Board	none	none
Piotr Janik	Vice-President of the Management Board	none	none

(*) Zygmunt Solorz-Żak holds indirectly, through entities indirectly or directly controlled, 976,542,690 shares in the Company. This information is contained in section "1.5 Shareholding structure" of this report.
(**) 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.
(***) Based on the statement of Krzysztof Majkowski on his shareholding as at 25 August 2015.

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

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" adopted by the EU ("IAS 34").

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 financial statements, no circumstances were identified that would pose a threat to the continued activity of the Group companies.

The Management Board of the Company periodically analyses the liquidity of companies belonging to the Group. On the basis of that analysis, as at the day of approval of the interim condensed consolidated financial statements the Management Board of the Company stated that the on-going concern assumption for Group companies in the foreseeable future, i.e. in a period of at least 12 months following the balance sheet date, is justifiable. As discussed in more detail in Note 22 in the interim consolidated financial statements, the available cash and sources of financing are more than sufficient to cover the requirements resulting from the operating, investment and financing activities of the Group.

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 2014, published on 3 March 2015. On 24 June 2015 the consolidated financial statements for the year ended on 31 December 2014 were approved by the Ordinary General Shareholders Meeting of Midas.

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 2014, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2015.

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 2015.

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 the Midas Group, 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, amended by the annex signed on 30 March 2015, and then the annex signed on 26 June 2015 (described in more detail in sec. 10.1) with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw. The above credit, the financing granted to Aero2 by Plus Bank S.A. with its registered office in Warsaw (previously Invest Bank S.A. with its registered office in Warsaw) before Aero2 jointed the Midas Group 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 loan 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 and implementation 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 landlines 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 landlines network operators may appear and also compete against the Group.

A cooperation between the Group's competitors should be mentioned too: T-Mobile Polska S.A. ("T-Mobile Polska") and Orange Polska S.A. ("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 OEC, 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 entities (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 entities may also obtain new frequency reservations in the 800 MHz band and the 2600 MHz band when such frequencies are distributed by the President of the OEC in an 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 operating activities and financial performance of the Group.

3.4 Technological risk

The telecommunications sector is an area of rapid technological changes. 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 changes, 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 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 operating activities 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 are dependent on the quality of the 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 operating activities, 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 800 MHz and 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 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 operating activities 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 operating activities 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

Aero2 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 or Mobyland of their frequency reservations will prevent Aero2 or Mobyland from providing telecommunications operator services, including in particular from delivering LTE technology-based services requiring the use of both frequencies owned by Aero2 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.

Possible loss of frequency reservations by Aero2 (as a legal successor of CenterNet S.A (hereinafter "CenterNet")) or Mobyland may be caused in particular by a repeal or amendment of the decision of the President of the OEC on frequency reservation for Midas Group entities following a reopening of the administrative proceedings for granting frequency reservations concluded by the issuance of the decision of the President of the OEC of 30 November 2007 reserving frequencies for CenterNet and Mobyland - due to possible invalidation of the tender for frequencies reserved for CenterNet and Mobyland, and currently Aero2 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 Aero2 and Mobyland 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 entities that previously held that frequency reservation.

In the event of loss of a frequency reservation, there is also a risk that Group entities will not receive compensation (reimbursement of outlays incurred and benefits lost) from the State Treasury. Moreover, any compensation received from the State Treasury may not cover all of the outlays 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 OEC on 14 December 2012, requesting that their enforcement be suspended. In a judgement of 19 January 2015, XVII AmT 69/13, the Court of the Office of Competition and Consumer Protection dismissed an appeal by CenterNet. Aero2, acting as the legal successor of CenterNet, filed an appeal against that judgement, which has not yet been heard. In a judgement of 5 February 2015, XVII AmT 73/13, the COCCP partially ruled in favour of an appeal by Mobyland and overturned the decision of the President within the scope of the schedule established for adjusting rates to the completion of connections. Within the remaining scope, Mobyland's appeal was dismissed. Mobyland filed an appeal against this portion of the judgement that dismissed the appeal. The date of the appeal hearing is unknown. In a judgement of 6 May 2015, XVII AmT 71/13, the COCCP dismissed an appeal by Aero2. Aero2 appealed against that judgment too. The date of the appeal hearing is unknown. There is a risk that the change in the existing mobile termination rates (MTRs) may be upheld for Aero2 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 and Mobyland.

There is also the risk of changes to other terms of cooperation between Aero2 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 caused by changes in the positions of the relevant authorities at the national (President of the OEC - in the form of a position or a new SMP decision) or European level. Changes may also be caused by an amendment, dismissal or invalidation of such rules as a result of a court, court - administrative or administrative proceeding, or by an administrative decision or renewal of a proceeding previously concluded with the issue 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 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 OEC subject to review in appropriate court proceedings or court-administrative proceedings. The above circumstances may also concern Aero2 and Mobyland, as well as their suppliers which are MNOs.

Such circumstances may have a negative impact on the operating activities 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 operating activities and financial performance of the Midas Group.

Moreover, given that the Company and its main customers are controlled by Mr Zygmunt Solorz-Żak, it cannot be ruled out that in the future the ownership structure of the companies controlled by Mr Zygmunt Solorz-Żak may be simplified.

3.11 Risk of failing to implement the business model

The Group is implementing a business model based on cooperation:

1. inside 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 Aero2 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: a) large client bases, active in retail sales, b) entities having their own frequency resources whose use requires access to infrastructure held by the Group

This model entails two risks:

1. the risk that Aero2 will not complete the construction of its infrastructure on time;
2. the risk of loss of the rights to frequencies or that sales to end customers by the entities referred to in item 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.

3.12 Risk of a return of the subsidy obtained from the PAED (Polish Agency for Enterprise Development)

Aero2 obtained a subsidy from the PAED in the amount of PLN 31,833 thousand 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.

3.13 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 frequency held by Aero2 and for the 1800 MHz frequency held by Aero2 and Mobyland.

In continuing the development of the telecommunications infrastructure along Poland's eastern border, Aero2 discovered that for about 25 base stations of the Group for 900 MHz frequencies used by Aero2, there is an interference of the radio signal transmitted by devices in Aero2 base stations with radio signals of foreign operators from Ukraine. Such a phenomenon leads to a substantive deterioration in those Aero2 base stations of the performance parameters of the services delivered in each sector of those base stations.

The OEC 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. On 19 November 2014 the OEC signed an understanding with the Ukrainian National Centre for Radio Frequencies concerning the coordination of the use of frequencies in the 880-890 MHz range by radio communications systems near the border between Poland and Ukraine. At present, this issue has not yet been finally resolved by those authorities.

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 impact on the quality of services provided by the Group to its customers in the area, and may thus have a negative effect on the financial results of the Group as well.

3.14 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. Moreover this situation may result from the network consolidation process under which the Group decides about locations of individual base stations based on economic analyses.

Taking account of the dynamic changes in conditions on the telecommunications services market, including the factors related to the auction of frequencies carried out by the President of the OEC 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 operating activities and financial performance of the Group.

3.15 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. Under the circumstances specified in the 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 and form currently planned, may be significant delayed and involve much higher expenses 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 a material adverse effect on the operating activities 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 expenses for the Group. This may have a material adverse effect on the operating activities 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 infrastructure will not change and that they will continue to be advantageous for the Group.

3.16 Debt related risk

The Issuer notes that following the issue of the Bonds as well as after entering into the credit agreement with Bank Polska Kasa Opieki S.A. ("Bank Pekao") and considering the financing granted to Aero2 by Plus Bank S.A. with its registered office in Warsaw (previously Invest Bank S.A. with its registered office in Warsaw) before Aero2 joined the Midas Group, the so called interest debt rose significantly. Furthermore, at the time of drawing down the financing under the credit from Bank Pekao as referred to in pt. 10.1 below, 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 entities 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.

3.17 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.

3.18 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 administration 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 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.

3.19 Risk associated with changes in foreign exchange rates

The Group also incurs expenses in foreign currencies, but their share in the Group's overall expenses for the first half of 2015 was relatively low. 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 higher expenses of purchasing external services and goods, caused by adverse changes in currency exchange rates. Such circumstances may have a adverse effect on the operating activities and financial performance of the Group.

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

There are studies indicating the alleged adverse impact on human health of electromagnetic waves emitted by devices used in the wireless communication technology that is applied 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 expenses of such activity. The above circumstances may have a material adverse effect on the operations and financial performance of the Group.

3.21 Risk associated with frequency resources used in wireless communication

Frequency resources used in wireless communication as part of the technologies applied by the Group entities 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 a material adverse effect on the operating activities 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 the auction carried out by the President of the OEC for frequencies in the 800 MHz band.

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 2015

The factor affecting growth of the Midas Group in the second half of 2015 will be a further implementation of the Group’s strategic plans including extension of the telecommunications network, continued provision of data transmission services in Poland using its own frequencies and performance of the Delivery Agreement signed between Aero2 and Sferia (described in detail below).
In response to the changes that recently occurred in the Issuer’s business and market environment, which involved (i) a significant increase in the usage of telecommunications services relying on broadband data transfer, (ii) a release by the regulatory authorities of several frequency resources (800 MHz band) to be used for broadband services, (iii) significant increase in competitiveness between internet access providers, (iv) introducing innovative telecommunications services for mobile networks, (v) acceptance by the Issuer of another order for wholesale data supply. The Management Board of the Issuer expects that it may be

necessary to become involved long-term in “Project 800”, which is believed to be an investment in infrastructure to support broadband mobile internet access using the 800 MHz frequency and obtaining the right to the 800 MHz frequency without participating in the tender for the reservation of frequencies in the 800 MHz range.

In the opinion of the Management Board of the Issuer, such long-term involvement in Project 800 would enable the Midas Group to maintain its competitive standing on the market for wholesale access to broadband telecommunications services, mainly by providing the Midas Group’s customers with complementary coverage in Poland with LTE800 services. In the opinion of the Management Board of the Issuer, implementation of “Project 800” will help build the long-term value of the Midas Group and be consistent with the growth strategy announced by the Issuer.

Furthermore, the proposed action plan regarding involvement in the construction of the LTE800 network (i.e. not including participating in the tender) would protect the Midas Group from extensive one-off costs related to frequency reservations. Consequently, the investment process involved in “Project 800” would be spread out over time and in the assessment of the Management Board of the Company, as at the date of publication of this current report, the Understanding and Order 4 accepted on its basis (set out in detail in Current Report No. 4/2015) and the financing obtained would permit the Company to finance its involvement in “Project 800” in accordance with the above action plan. The final cost of “Project 800” depends on the quantity of bandwidth available in the 800 MHz range and on the possible investments resulting from that availability. At the same time, the Management Board announces that, given the implementation of “Project 800”, in updating its strategy the Midas Group will increase the number of locations and base stations comprising the telecommunications network it currently uses, and this will have a significant effect on the Company’s performance and cash flow level, particularly over the medium term, through increasing the Company’s operating expenses and capital expenditures in connection with developing the LTE 800 network and obtaining the right to the 800 MHz frequency.

As at the date of publication hereof, the Midas Group is constructing a telecommunications network as part of performing the provisions of the Supply Agreement concluded between Aero2 and Sferia, the conclusion of which was announced by the Issuer in Current Report No. 5/2015. Under the Supply Agreement, Aero2 makes a telecommunications network available to Sferia for the purpose of Sferia providing services based on the 800 MHz band in LTE technology. The Agreement was concluded for a period of at least six months. In the case where cooperation is not extended, Sferia will be obliged to buy back devices and to return Aero2’s outlays incurred in constructing the telecommunications network in the 800 MHz band. Assuring the optimal reach of the LTE800 network may require a total of more than 5,000 stations to be constructed and started up. The deadline for the start-up of the target number of LTE800 stations will depend, however, on a number of conditions, including the technical conditions for the construction of the network. As at 30 June 2015, the Midas Group had approximately 2,000 stations operating in the LTE800 technology.

Therefore, in the event of the Group’s long-term involvement in “Project 800”, the assumptions for Phase III, which is part of Project 4100 (described in detail in the prospectus available at the Company’s website) will be adapted the method for implementation of the Midas Capital Group’s strategy. Current assumptions for Phase III do not take into account the effect of the Company’s involvement in “Project 800”

The Management Board of the Company also announces that under the analyses being performed concerning the forms of the Company’s involvement in “Project 800”, the effective possibility of managing a band in the 2570-2620 MHz range is also being considered.

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

In the first half of 2015, no 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 below. In the proceedings below, Aero2, CenterNet and from 31 December 2014 Aero2 as a legal successor of 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 OEC. However, indirectly, handing down a binding resolution in each of these proceedings may result in the President of the OEC ruling to sustain, change or repeal the previous resolutions that directly concern frequency reservations for CenterNet and Mobyland or frequency reservations granted to Aero2.

To ensure the most transparent and concise presentation of the matters related to the above proceedings, this report includes all the most significant information, which reflects the current factual status of pending proceedings, but 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 interim reports of the Company, available on the Company's website at: http://midas-sa.pl/Relacje_inwestorskie/Raporty_gieldowe/Raporty_okresowe).

<u>Proceedings related to the tender concerning frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, subject to reservation for CenterNet (currently Aero2) and Mobyland</u>

In the matter concerning a repeal of the decision of the President of the OEC 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 T-Mobile'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 SAC 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 SAC upheld the PACW's judgement of 6 July 2012. The judgement of the SAC was issued as a result of dismissal of the cassation appeals submitted by the President of the OEC and subsidiaries of the Issuer: CenterNet and Mobyland. The SAC stated that the dispute in the matter centred on assessing recommendations for further action for the President of the OEC, following from the judgement of the PACW of 21 July 2009, repealing both decisions of the President of the OEC refusing to declare the invalidity of the tender concerning frequency reservations and from the judgement of the SAC of 3 February 2011 approving the judgement of the PACW. The SAC found that the above judgements of the PACW and SAC indicated that the President of the OEC should have invalidated the Tender in its entirety. In its judgement of 21 July 2009, the PACW 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. the criterion for flagrant infringement 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 SAC, in its judgement of 3 February 2011, found that the PACW judgement indicated that the President of the OEC should have issued the opposite decision to the existing decision. In its judgement of 8 May 2014, the SAC found, taking into account the scope of the proceedings conducted by the President of the OEC and the motions to invalidate the Tender, that the opposite decision would be to invalidate the Tender in its entirety. The SAC also noted that the President of the OEC, having concerns regarding the recommendations contained in the above judgements of the PACW and the SAC, 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 SAC 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 SAC, 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 SAC noted that in the court and administrative proceedings, there can be no acceptance for arguments of equitability related to, among other things, the expenses 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 OEC of 13 June 2011 and 23 August 2011, the President of the OEC 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. 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 OEC. After the President of the OEC 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 OEC refused to invalidate the Tender. The above decision was upheld by the decision of the President of the OEC of 8 November 2013. Subsidiaries of the Issuer did not file a complaint against the decision of the President of the OEC of 8 November 2013. Orange Polska and T-Mobile Polska filed complaints against the above decision with the PACW, which overturned the decision of the President of the OEC in a judgement of 23 September 2014. Subsidiaries of the Issuer submitted cassation appeals against that judgement. The date of examining the cassation appeals is unknown.

The Management Board of the Issuer believes that the SAC judgement of 8 May 2014 and the PACW judgement of 23 September 2014 will have no influence on CenterNet (currently Aero2) 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 OEC and other participants of the proceedings. The Management Board of the Issuer also notes that on 29 May 2014, the SAC upheld the judgement of the PACW of 19 November 2012, as noted hereinabove. The judgement concerned dismissal on substantive grounds of T-Mobile's complaint against the decision of the President of the OEC concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges issued for CenterNet and Mobyland. The above judgement of the SAC 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 OEC 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 their 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 found to be the best.

After the results were announced, 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 OEC refused to invalidate Tender 2.6. The above decision was upheld by a decision of the President of the OEC of 20 November 2012, No. DZC-WAP-5176-9/09(237).

Milmex filed a complaint against that decision to the PACW. In its judgement of 27 June 2013 (case file No. VI SA/Wa 464/13), the PACW dismissed the complaint. Milmex filed a cassation appeal with the SAC against the above judgement, which appeal was dismissed by a binding ruling of the SAC of 9 April 2015 (case file No. II GSK 370/14). In the opinion of the SAC, the judgement of the court of first instance was correct, as it cannot be concluded in the case in question that the tender involved irregularities that resulted in flagrant infringement of Milmex's interests or flagrant breach of the law. Therefore, Milmex's bid rightly failed to advance to stage two of the tender due to its formal defects. The judgement concludes a series of proceedings concerning the tender for frequencies in the 2.6 GHz range. The Company reported on the above judgement in Current Report No. 7/2015.

Other proceedings

In the decisions of the SMP issued by the President of the OEC on 14 December 2012, the SMP obliged Aero2, CenterNet and Mobyland to apply fees for call termination in public mobile telecommunications networks (respectively) of Aero2, CenterNet and Mobyland, in the amount of: (i) in the period from 1 January to 30 June 2013: PLN 0.0826/min (ii) after 30 June 2013: PLN 0.0429/min, i.e. in a lower amount for these periods and earlier aligned to (symmetrical with) the rates of other providers than is indicated in earlier decisions of the President of the OEC. On 31 December 2012, all of the above companies filed appeals to the Regional Court in Warsaw (Division XVII Competition and Consumer Protection) against the above decision of the SMP and motions to suspend their immediate enforceability.

In a judgement of 19 January 2015, XVII AmT 69/13, the Court of the Office of Competition and Consumer Protection dismissed an appeal by CenterNet. Aero2, as the legal successor of CenterNet, filed an appeal against that judgement, which has not yet been heard.

In a judgement of 5 February 2015, XVII AmT 73/13, the COCCP partially ruled in favour of an appeal by Mobyland and overturned the decision of the President within the scope of the schedule established for adjusting rates to the completion of connections. Within the remaining scope, Mobyland's appeal was dismissed. Mobyland filed an appeal against this portion of the judgement that dismissed the appeal. The date of the appeal hearing is unknown.

In a judgement of 6 May 2015, XVII AmT 71/13, the COCCP dismissed an appeal by Aero2. Aero2 appealed against that judgment too. The date of the appeal hearing is unknown.

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

In the first half of 2015, 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 28 to the interim condensed consolidated financial statements for the 6-month period ended 30 June 2015.

7 Information sureties for loans, borrowings or guarantees granted by the Company or an entity

In the first half of 2015, companies from the Midas 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 2015.

9 Dividends

In the six-month period ended 30 June 2015, 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 increased under the annex of 26 June 2015 up to PLN 350 million, 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 entities. For agreements which are significant for the operations of the Midas Group entities entered into with third parties, a 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

Write-down of the value of the frequency reservations in the 2570-2620 MHz range by Aero2

On 12 February 2015, the Management Board of Aero2 made a decision made to write down the value of the frequency reservations in the 2570-2620 MHz range granted by the President of the Office of Electronic Communications to Aero2 in the reservation decision of 10 November 2009 and the amended decision of the President of the OEC of 4 September 2012. The write-down of the carrying amount of non-current assets (the "Write-down") was made in the consolidated financial statements of the Midas Group for 2014 and therefore encumbered the consolidated operating results of the Group for the fourth quarter of 2014. As a consequence of the write-down (as a result of which the value of the aforementioned assets will be zero zlotys), the consolidated operating result of the Group for 2014 will be encumbered by PLN 126.4 million, and the consolidated net result of the Group by PLN 104.9 million. The write-down is regarded as a one-off, non-cash event. The Management Board of the Company stresses that the event has no influence on operating activities, because as at today the frequency in the 2570-2620 MHz range is not being used to generate network capacity being made available to the Group's key customers. The Management Board of the Company also stresses that the event described is not identical to a waiver of the right to the frequency described by Aero2 or a withdrawal of that company's right to it. The write-down concerns the book value, in the consolidated financial statements of the Group, of the frequency reservation of Aero2 in the 2570-2620 MHz range, and was being made mainly in connection with the failure to meet the obligation described in part II item 2 of the reservation decision of 10 November 2009, subsequently amended by the decision of the President of the OEC of 4 September 2012, and as a result of a periodic assessment of the current possibilities of using the frequency reservation. The Company reported on this development in Current Report No. 2/2015.

The Management Board of the Company also announces that under the analyses being performed concerning the forms of the Company's involvement in "Project 800", the effective possibility of managing a band in the 2570-2620 MHz range is also being considered.

Agreement with Sferia concerning the 800 MHz band in the LTE technology

On 26 February 2015 the Supervisory Board of the Company consented to the conclusion of an Infrastructure Supply Agreement (the "Supply Agreement"), and thereby fulfilled the final condition precedent contained in the Framework Agreement described in Current Report No. 55/2012. At the same time, the Supervisory Board of the Company consented to the conclusion of a wholesale telecommunications network access agreement (the "Wholesale Agreement"). The Company reported on those events in Current Report No. 3/2015. In view of the foregoing, on 3 March 2015, the companies Aero2 and Mobyland concluded the Supply Agreement and the Wholesale Agreement with Sferia (Current Report No. 5/2015).

Under the Supply Agreement, Aero2 makes a telecommunications network available to Sferia for the purpose of Sferia providing services based on the 800 MHz band in LTE technology. The Agreement was concluded for a period of at least six months. In the case where cooperation is not extended, Sferia will be obliged to buy back devices and to return Aero2's outlays incurred in constructing the telecommunications network in the 800 MHz band. Under the Wholesale Agreement, Mobyland acquires, for its own benefit or that of its customers, telecommunications services created by Sferia in LTE technology in the 800 MHz band. The remuneration resulting from the conclusion of the above agreements is in the form of a lump sum, whose total value (together with other settlements with Sferia for the last 12 months) does not exceed the threshold of 10 per cent of the Company's equity.

Assuring the optimal reach of the LTE800 network may require a total of more than 5,000 stations to be constructed and started up. The deadline for the start-up of the LTE800 network will depend, however, on a number of conditions, including the technical conditions for the construction of the network. As at 30 June 2015, the Midas Group had approximately 2,000 stations operating in the LTE800 technology.

Understanding with Polkomtel regarding new terms and conditions of continued cooperation

On 3 March 2015, Mobyland signed an understanding (the "Understanding") with Polkomtel and accepted the order submitted by Polkomtel for data transmission services ("Order 4"). The Company reported on this development in Current Report No. 4/2015.

The Understanding concluded established new conditions of cooperation between Mobyland and Polkomtel:

• The new rate for data transmission services will be PLN 2.40 net for 1 GB.

• The new rate was applied to both newly ordered data packages and to packages which have not been used but were partially paid for under the previous order described in Current Report No. 4/2014.

• The new conditions of cooperation entered into force on 1 January 2015, and the order placed for data transmission services will be in effect for 4 years.

• In the case where Mobyland starts up services on further of its own frequencies or on those to which it obtains a right of use, Mobyland will increase the scope of data transmission services provided to Polkomtel.

On the date of concluding the Understanding, the understanding of 27 March 2014 ceased to be valid, on which the Company reported in Current Report No. 4/2014.

At the same time, Mobyland accepted Order 4 placed by Polkomtel, under which Polkomtel undertook to purchase 1,571.68 million GB at a unit price of PLN 2.40 net for 1 GB. The total value of the order is PLN 3,772.04 million of which PLN 144.56 million resulting from a surplus pre-paid by Polkomtel and actual use under the previous order will be calculated as an advanced payment against Order 4.

Order 4 will be paid by Polkomtel in the following manner:

a) PLN 119.25 million net - for the first quarter of 2015, in 3 equal monthly instalments

b) PLN 132.00 million net - for the second quarter of 2015, in 3 equal monthly instalments

c) PLN 245.00 million net - for the third quarter of 2015, in 3 equal monthly instalments

d) PLN 354.00 million net - for the fourth quarter of 2015, in 3 equal monthly instalments

e) PLN 989.31 million net - for 2016, in 12 equal monthly instalments

f) PLN 880.00 million net - for 2017, in 12 equal monthly instalments

g) PLN 907.92 million net - for 2018, in 12 equal monthly instalments

As a result of Mobyland accepting Order 4, the total value of orders and agreements submitted and concluded from and including 17 December 2014 to 3 March 2015 by entities from the Midas Capital Group in relation to Polkomtel and other entities from the Cyfrowy Polsat Capital Group amounts to PLN 3,772.23 million.

Supreme Administrative Court (SAC) judgement on the tender for the reservation of the 2.6 GHz frequency

On 9 April 2015, the SAC dismissed Milmex's cassation appeal. This development was described in detail in item 5 hereof and in Current Report No. 7/2015.

Submission by Aero2 Sp. z o.o. of further orders for the services provided by Polkomtel, whose total value exceeds 10 per cent of the equity of Midas S.A.

On 22 April 2015, Polkomtel accepted two more orders from Aero2 for services to be provided by Polkomtel to Aero2, including SITE and SITE transmission services (the "Orders"). As a result of accepting the Orders, the total value of orders submitted and concluded since 3 March 2015 until and including 22 April 2015 by entities from the Midas Capital Group in relation to Polkomtel reached PLN 273 million. The Orders were submitted as part of implementing a cooperation agreement concerning mutual provision of telecommunications infrastructure services, concluded by Aero2 on 30 March 2012 with Polkomtel, which the Company reported in Current Report No. 22/2012 (the "Agreement"). The highest-value order was placed on 22 April 2015 and concerned SITE-type services. Its value, calculated on the basis of a 5-year period of providing the services covered by that order, was PLN 159 million (the "Order"). The SITE-type services covered by the above order will be provided under the conditions described in the Agreement in each place for a period of five years counting from the date on which Polkomtel announces its readiness to provide the services in a given place, in accordance with the provisions of the Agreement. The Company reported on this development in Current Report No. 8/2015.

The Framework Agreement with Ericsson Sp. z o.o. reaching the value of a significant agreement

On 23 April 2015, the Management Board of the Company became aware that following subsequent orders placed by Aero2 at Ericsson the accumulated value of orders under the Framework Agreement placed from 23 July 2012 until 23 April 2015 under the Framework Agreement for the delivery, integration and maintenance of the mobile access telecommunications network exceeded 10% of the Company's capitals. Thus, the Framework Agreement reached the status of a significant agreement. Detailed information about the terms and conditions of the Framework Agreement was provided in Current Report No. 35/2012. The Company reported on this development in Current Report No. 9/2015.

The Framework Agreement with Nokia Siemens Networks Sp. z o.o. reaching the value of a significant agreement

On 26 May 2015, the Management Board of the Company became aware that following subsequent orders placed by Aero2 at Nokia Siemens Networks the accumulated value of orders placed from 3 September 2012 until 26 May 2015 under the Framework Agreement for the delivery, integration and maintenance of the mobile access telecommunications network exceeded 10% of the Company's capitals. Thus, the Framework Agreement reached the status of a significant agreement. Detailed information about the terms and conditions of the Framework Agreement was provided in Current Report No. 39/2012. The Company reported on this development in Current Report No. 13/2015.

Submission by Aero2 Sp. z o.o. of further orders for the services provided by Polkomtel, whose total value exceeds 10 per cent of the equity of Midas S.A.

On 10 June 2015, Polkomtel accepted subsequent orders from Aero2 for services to be provided by Polkomtel to Aero2. As a result of accepting the Orders, the total value of orders submitted and concluded since 23 April 2015 until and including 10 June 2015 by entities from the Midas Capital Group in relation to Polkomtel reached PLN 323 million. The highest-value order was placed on 10 June 2015 and concerned SITE-type services. Its value, calculated on the basis of a 5-year period of providing the services covered by that order, was PLN 253 million (the "Order"). The Order was submitted as part of implementing a cooperation agreement concerning mutual provision of telecommunications infrastructure services, concluded by Aero2 on 30 March 2012 with Polkomtel, which the Company reported in Current Report No. 22/2012 (the "Agreement"). The SITE-type transmission services covered by the a/m Order will be provided under the conditions described in the Agreement in each place 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 Company reported on this development in Current Report No. 16/2015.

Amendment to terms and conditions of the credit agreement with Bank Pekao and modifications to the amounts of collaterals

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment ("Term Sheet") to the credit agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology ("Credit Agreement") entered into on 11 July 2014 between Bank Pekao and the Company together with its subsidiaries Aero2 and Mobyland. After acceptance of the proposed terms on 26 June 2015, the Company, together with Aero2 and Mobyland, entered into the annex to the Credit Agreement, amending the latter as follows:

1. Increasing the credit amount from PLN 200 million to PLN 350 million.
2. Extending the use of the credit by refinancing the existing credit from Alior Bank S.A. ("Alior Bank") in the amount of PLN 150 million.
3. Defining the credit availability period by the end of December 2015, including by the end of July 2015 for refinancing the credit from Alior Bank.
4. Credit repayment: in equal monthly instalments by the end of January 2016.
5. Legal collaterals: modification of the cash deposit conditions (DSRA) to PLN 20 million (currently deposited amount) instead of 10% of the actual commitment.
6. The Annex does not provide for any amendments to other terms and conditions of the Credit Agreement, including to the method how to calculate interest, contractual penalties, conditions or periods.

Raising the credit amount required increases to collaterals within 45 days of the date of the annex to the Credit Agreement. Therefore on 6 August 2015 the Company, Aero2 and Mobyland signed with Bank Pekao respective annexes to collateral agreements, described in the current report No. 28/2014. Amendments to registered pledges on Aero2 and Mobyland shares include increasing the maximum collateral amount to PLN 525 million. Amendments to Registered Pledge Agreements listed in the current report No. 28/2014 including increasing the maximum collateral amounts under registered pledges established on groups of movables and rights constituting an organised business whole with variable components of Mobyland and Midas to PLN 525 million, and of Aero2 to PLN 622 million. In addition, the Company, Aero2 and Mobyland submitted declarations of voluntary submission to enforcement under the procedure of Article 777 par. 1 pt. 5 of the Code of Civil Procedure up to PLN 525 million. Moreover, on 7 August 2015 in the District Court for the City of Warsaw in Warsaw, 11th Commercial Division – Register of Pledges motions to make appropriate changes to entries in the register of pledges were filed in performance of the provisions of the annex as to changes to collaterals required after increasing the credit amount. It was possible to raise the amount of the a/m collaterals thanks to the resolution of the Extraordinary General Meeting of the Company of 23 July 2015 granting consent to the Management Board for entering into respective agreements. The Company reported on those events in Current Reports No. 18/2015, 19/2015, 27/2015 and 29/2015.

Early repayment of the entire credit granted by Alior Bank

On 30 June 2015, the Company made an early repayment of the investment credit amounting to PLN 150 million granted by Alior Bank S.A. under the agreement signed on 28 February 2013 providing for final repayment on 3 April 2018. Such early repayment resulted from refinancing obtained from Bank Pekao. The Company reported on this development in Current Report No. 23/2015.

Meeting of the Company's bondholders

On 20 July 2015 (subsequent event) at the request of the Company the meeting of the bondholders of Midas was held and among others adopted resolutions on excluding the Leverage Ratio from one of the covenants under the bonds and on amending the contents of the definition of the Authorised Acquisition. The change to the definition of the Authorised Acquisition permitted to acquire directly or indirectly through the Company less than 100% of shares in a business carrying out the same or complementary activities to the core business of the Company. A justification for the a/m changes was published in the current report No. 24/2015. The content of all the resolutions was made public in the current Report No. 26/2015.

<u>Changes to entries over assets of a significant value in the pledge register</u>

On 21 August 2015 (subsequent event) the Company received a decision of the District Court for the City of Warsaw in Warsaw, 11th Commercial Division – Register of Pledges ("Court") of 11 August 2015 on a change in the registered pledge established for Bank Polska Kasa Opieki S.A. ("Bank") on 204,200 shares of Mobyland Sp. z o.o. ("Mobyland") with a nominal value of PLN 500 each, representing 100 per cent of the shares in the share capital of Mobyland, disclosed in the Company's books of account at a book value of PLN 178,770,000, including raising the maximum collateral up to PLN 525 million.
In addition the Company received a decision of the Court on making changes on 12 August 2015 to the entries of registered pledges established for the Bank on:
the group of movables and rights constituting an organised part of the Company's undertaking (other than shares) with the book value of PLN 179,000
the group of movables and rights constituting an organised part of Mobyland's undertaking (other than shares) with the book value of PLN 102.1 million
including increasing the maximum collateral amount to PLN 525 million.

Raising the a/m total collaterals to PLN 525 million results from the provisions of the annex to the collateral agreements to the credit agreement with the Bank, as described in sec. 10.1.

10.2 Other developments and agreements concluded by the Midas Group

On 2 January 2015, the companies Aero2 and Sferia terminated the following agreements by mutual consent:

- a cooperation agreement concluded on 8 January 2010 pertaining to the construction of a telecommunications network
- an agreement of 30 November 2011 on terms and conditions for the mutual use of telecommunications infrastructure or telecommunications network components.

Termination of the agreements will not have a significant effect on the operations of the Midas Capital Group (the effect of termination of the agreement of 30 November 2011 was described in Note 6 to the condensed consolidated quarterly report for the 3 month-period ended on 31 March 2015). The Midas Group will continue to cooperate with Sferia under the agreements described in item 10.1 above.

On 30 March 2015, the Company, together with Aero2 and Mobyland, as the borrowers, signed an annex to the credit agreement with Bank Pekao, described in detail in Current Report No. 16/2014 of 11 July 2014. The changes made in the annex were mainly of a formal nature and stemmed from the merger of Aero2 and CenterNet, registered on 31 December 2014.

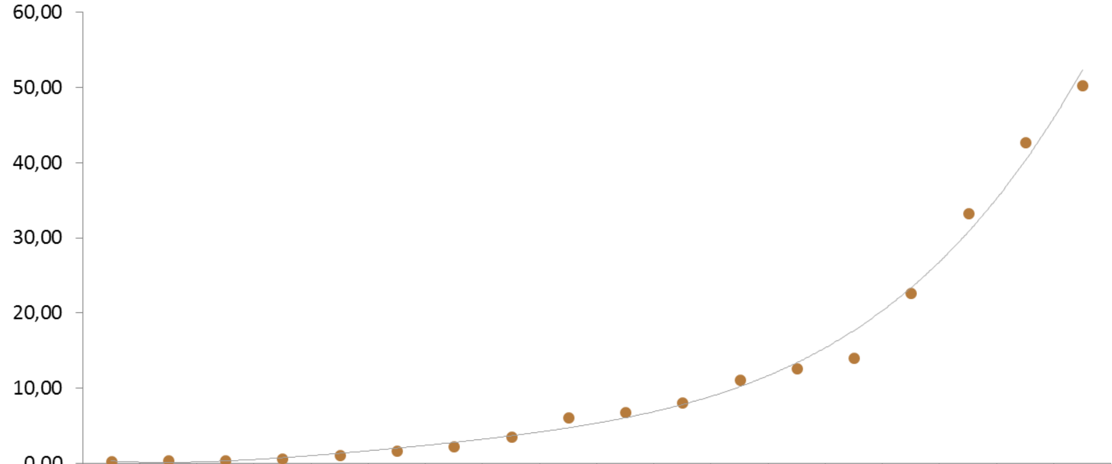
On 5 August 2015 the Company entered with NASK 4Innovation Sp. z o.o. into the agreement for sale of shares in AltaLog Sp. z o.o. ("AltaLog"). Under the agreement Midas acquired 3,630 shares in AltaLog representing a 66% share in the share capital of the a/m company and giving the right to 66% of votes on the general meeting. The acquisition of the shares in AltaLog was aimed at purchasing assets which may be complementary to the Midas Group's operations and may contribute to the implementation of its strategy.

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 others (as at the end of June 2015): (i) approximately 5,010 base stations operating on the basis of the HSPA+ technology (frequency band held by Aero2), and (ii) approximately 6,280 base stations operating in LTE technology. The above number of LTE stations comprises stations operating in all the frequencies available to the Midas Group companies.Compared to 31 March 2015, the number of base stations operating on the basis of the HSPA+ technology increased by approximately 70, while the number of base stations operating on the basis of the LTE technology increased by approximately 1,080. As at 30 June 2015, more than 99% of Poland's population had HSPA+ coverage, while 90% of the population had LTE coverage.

The Management Board of the Company would also like to note the quarterly usage (in million GB) of the data transfer packets ordered by Polkomtel, 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.



	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	Q3 2014	Q4 2014	1Q 2015	2Q 2015
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	22,7	33,3	42,7	50,3

On 24 June 2015, the Ordinary General Shareholders Meeting ("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 2014",
b) approving the "Financial Statements of Midas S.A. for the Year Ended 31 December 2014",
c) approving the "Report of the Management Board on the Operations of the Midas Capital Group in 2014",
d) approving the "Consolidated Financial Statements of the Midas Capital Group for the Year Ended 31 December 2014",
e) distributing the Company's 2014 net profit,
f) discharging the Company's Management Board members from liability in the performance of their duties in 2014,
g) discharging the Company's Supervisory Board members from liability in the performance of their duties in 2014,

The resolutions adopted by the OGM of the Company were presented in Current Report No. 17/2015.

In the opinion of the Management Board of the Company, referring to the first half of 2015, 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

1. Continued implementation of "Project 800" and long-term involvement therein.

   The implementation of "Project 800" will involve increasing the number of locations and base stations comprising the telecommunications network used by the Midas Group and further increases of that number in the future, which will have a significant effect on the Company's performance and cash flow level, particularly over the medium term, through increasing the Company's operating expenses and capital expenditures. The final cost of "Project 800" will depend on the quantity of bandwidth available and on the possible investments resulting from that availability.

2. Decisions of the President of the OEC 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 SAC of 8 May 2014 (described in detail in pt. 5 above).

   The Company notes that in line with the description of these proceedings set forth in section 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 OEC. The Management Board of the Company also wishes to note the resolutions, which are final and favourable for the Midas Group, concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges for Aero2 and Mobyland (also set forth in section 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 OEC, this may indirectly have an adverse effect on the financial result and operating activities of the Group.

3. 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 revenues from sales.

4. Increasing popularity of the 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 have a positive effect on the value of revenue from sales. However, at the time the next order or orders are being placed, if there is pressure from the Midas Group's customers for the reference rate for 1 MB of data to be reduced, the growth of revenue from sales will not be proportional to the increase in data usage for wholesale customers of the Midas Group. The Midas Group cannot rule out a scenario where the Midas Group's customers, in placing further order(s), may make their decisions conditional upon whether or not the settlement methodology has changed or the reference rate for 1 MB of data has been reduced (this has happened in the past and we cannot rule out that it may happen in the future, especially if data usage continues to increase at a steady pace).

5. Continued price increases in the tender for frequencies in the 800 MHz band conducted by the OEC

   In the opinion of the Management Board of the Company, due to the proposed acquisition by the Company of the right to the 800 MHz frequency, which does not include participating in the tender for the reservation of frequencies in the 800 MHz range, the price increase in the tender conducted by the President of the OEC will have a direct effect on the cost of obtaining access to the above frequencies, which could have a negative effect on the financial result of the Midas Group and make it necessary to amend the terms of the financing agreements.

As at the date hereof, the Management Board of the Company is not able to precisely estimate the potential future expenses related to obtaining access to subsequent frequency blocks.

The Company wishes here to emphasise that the occurrence of the factors described in points 2) to 5) above is largely not dependent on the Company, and therefore the Company has no certainty as to whether they will occur in the next quarter or half-year.

13 Information on the entity authorised to audit the financial statements

The interim condensed financial statements of the Company and the interim condensed consolidated statements of the Midas Group for the first half of 2015 were audited by Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw ("EY"). On11 May 2015, 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. 12/2015. Under the agreement, EY is to audit the legally required financial statements of the Company and the Midas Capital Group for the financial year 2015, and to review the interim condensed consolidated financial statements of the Midas Capital Group for the first half of 2015. The Agreement to audit the financial statements was concluded with EY for the period of review, audit and preparation of an opinion with the report.

The Company used the services of EY with respect to auditing financial statements of the Midas Capital Group and financial statements of the Company for the years 2004, 2005 and 2011, 2012, 2013 and 2014.

EY 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
President of the Management Board

Piotr Janik
Vice-President of the Management Board

Warsaw, 25 August 2015