



**MANAGEMENT REPORT
ON THE OPERATIONS OF
MIDAS CAPITAL GROUP
IN 2015**

Warsaw, 29 February 2016

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1 Organisation of 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 (formerly known as Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna, hereinafter, the “Company” or the “Issuer”), established on 15 December 1994 pursuant to the Act on National Investment Funds and their Privatisation of 30 April 1993 (the “NIF Act”), which, until 31 December 2012, operated under the provisions of that act and the Commercial Companies Code (the “CCC”). As of 1 January 2013, in connection with the entry into force of the Act Repealing the Act on National Investment Funds and Amending Certain Acts of 30 March 2012, the Company operated pursuant to the CCC and other legislation. The Company is registered in the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 0000025704. The registered office of the Company is in Warsaw.

On 31 October 2012, the Ordinary General Meeting of Shareholders of the Company adopted a resolution amending the Statute of the Company, under which the business name of the Company was changed to Midas Spółka Akcyjna, and the abbreviated name to Midas S.A. The amendment of the Statute entered into force as of 12 February 2013.

The Management Report on the operations of Midas Group in 2015 includes the period when the Midas Group comprised the Company, Aero 2 Sp. z o.o. (“Aero2”), Mobyland Sp. z o.o. (“Mobyland”), AltaLog Sp. Liffey Sp. z o.o. (“AltaLog”) and Sferia S.A. (“Sferia”).

1.1.1 Changes in the structure of the Midas Group

On 23 December 2015, transfer agreements were concluded for 1,834,405 shares of Sferia with a nominal value of PLN 100 each, representing 51% of the share capital and votes at the general meeting of Sferia, between Mr. Jacek Szymoński and Aero 2, in which the Company holds 100% of the shares, and between Bithell Holdings Limited and Aero2. The total price Aero2 paid to the Sellers amounted to PLN 121,900,000 derived from its own resources.

In connection, among others, with (i) the terms and conditions as well as contractual rights stipulated in the agreements for acquisition of 51% of the shares in Sferia and (ii) the Sellers’ representations made, the Group took control over Sferia and included Sferia in the perimeter of consolidation by the full method.

Besides that, in 2015 there were no major changes in the Midas Group’s structure. Described below are changes to the structure of the Midas Group made in 2015, which were of a formal nature and stemmed from the efforts of the Company’s Management Board to simplify the structure of the Midas Group or did not have any significant influence on the organisation of the Midas Group.

On 30 November 2015, the merger of Aero2 and Mobyland, in which the Company holds 100% of the shares in the share capital, was registered. The decision to conduct the merger of Aero2 and Mobyland reflected the belief of the Management Board of the Company that the merger was the fastest and most effective way to streamline the structure of the Midas Group. The merger did not materially affect the financial performance or operations of the Midas Group. The merger of Aero2 with Mobyland was effected by way of: (i) transferring all of the assets of Mobyland to Aero2 via universal succession, and (ii) dissolving the company Mobyland without liquidating it, in accordance with the provisions of the CCC. As a result of the merger, the share capital of Aero2 was increased from PLN 11,100,000 to PLN 113,200,000, i.e. by PLN 102,100,000, by creating 2,042,000 new shares with a nominal value of PLN 50 each. As a result of the merger, the Company, as the sole shareholder of Mobyland, received 2,042,000

new shares in the share capital of Aero2 in exchange for 204,200 existing shares in the share capital of Mobyland.

On 5 August 2015 the Company entered into an agreement with NASK 4Innovation Sp. z o.o. for the acquisition of shares in AltaLog. Under the agreement Midas acquired 3,630 shares in AltaLog representing a 66% share in the share capital of the aforementioned company and giving the right to 66% of votes at 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.

1.1.2 Entities subject to consolidation

In 2015, the following entities were subject to consolidation: Midas, Aero2, until 30 November Mobyland, since 5 August Altalog, and since 24 December Sferia.

1.2 Branches of the Company

The Company has no branches or establishments.

1.3 Changes in the principles of managing the Midas Group

In 2015, there were no major changes in the Midas Group's management principles.

1.4 Organisational or capital relations

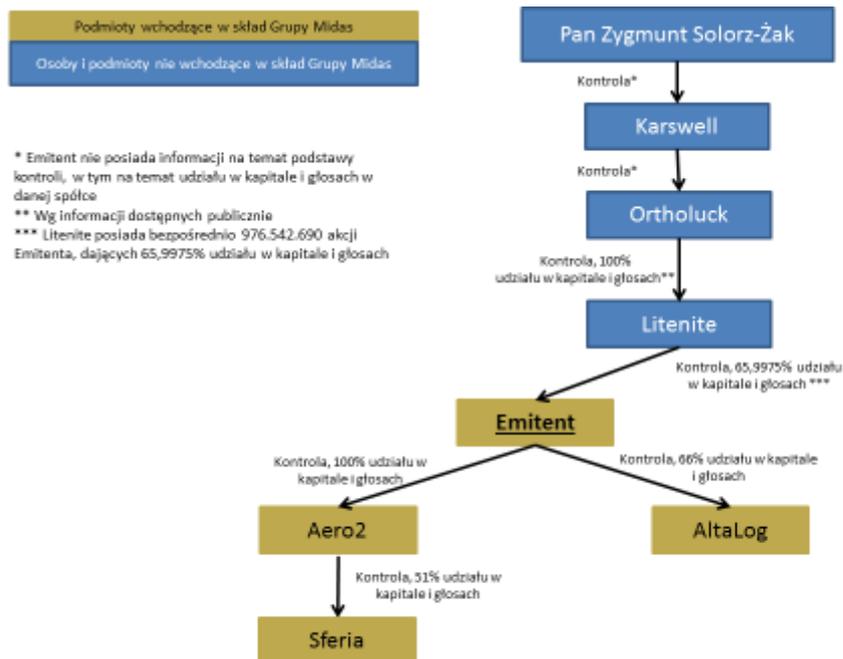
The Midas Group is a capital group as defined in IAS 27 "Consolidated and Separate Financial Statements", in which the Company is the parent and its subsidiaries (as defined in IAS 27) are Aero2, until 30 November Mobyland, since 5 August Altalog and since 24 December Sferia.

Midas Group companies are also a part of a capital group (the "ZSZ Group"), as defined in the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005 (hereinafter, the "Act on the Public Offering"), in which the parent (person controlling the Midas Group) is the Deputy Chairman of the Supervisory Board, Mr Zygmunt Solorz-Żak. Mr Zygmunt Solorz-Żak controls the Midas Group indirectly through the following entities: Karswell Limited with its registered office in Nicosia, Cyprus ("Karswell"), Ortholuck Limited with its registered office in Nicosia, Cyprus (a subsidiary of Karswell, "Ortholuck"), and Litenite Limited with its registered office in Nicosia, Cyprus (a subsidiary of Ortholuck, "Litenite"). To the best knowledge of the Company, as at the date hereof:

- 1) Mr Zygmunt Solorz-Żak holds shares in Karswell but the Company is not aware of what stake Mr Zygmunt Solorz-Żak holds in the capital of Karswell,
- 2) Ortholuck holds a 100% stake in Litenite,
- 3) Mr Zygmunt Solorz-Żak, Karswell and Ortholuck do not directly hold any shares of the Company (information based on the notification made pursuant to Article 69 of the Act on the Public Offering, received by the Company from Mr Zygmunt Solorz-Żak).

The Company does not possess any other information on how Mr Zygmunt Solorz-Żak exercises control over Karswell, Ortholuck and Litenite.

The diagram below shows information available to the Company (as at the date of publication of this report) on entities which are parents to the Company, other entities through which Mr Zygmunt Solorz-Żak holds shares in the parents of the Company, as well as information about the Midas Group.



Podmioty wchodzące w skład Grupy Midas	Entities making up the Midas Group
Osoby i podmioty nie wchodzące w skład Grupy Midas	Persons and entities that are not part of the Midas Group
* Emitent nie posiada informacji na temat podstawy kontroli, w tym na temat udziału w kapitale i głosach w danej spółce	* The Issuer has no information about the basis of control, including on a share in the capital and voting rights in a given entity
** Wg. informacji dostępnych publicznie	** Based on publicly available information
*** Litenite posiada bezpośrednio 976,542,690 akcji Emitenta, dających 65,9975% udziału w kapitale i głosach	*** Litenite directly holds 976,542,690 shares of the Issuer providing a 65.9975% stake in the capital and voting rights
Kontrola *	Control *
Kontrola, 100% udziału w kapitale i głosach	Control, 100% stake in the capital and voting rights
Kontrola, 65,9975% udziału w kapitale i głosach ***	Control, 65.9975% stake in the capital and voting rights ***
Emitent	Issuer
Kontrola, 51% udziału w kapitale i głosach	Control, 51% stake in the capital and voting rights
Kontrola, 66% udziału w kapitale i głosach	Control, 66% stake in the capital and voting rights

1.5 Deposits and capital expenditures made within the Midas Group

The investments carried out in 2015 were a key element of the Midas Group's business development in the telecommunications sector. A capital investment essential from the perspective of the Midas Group was the acquisition of 1,834,405 shares in Sfera further described in section 2.4.1. The Midas Group's 2015 capital investments primarily included investing into further expansion of the telecommunications infrastructure, carried out by Aero2. The primary component of these expenditures was investments in base stations and transmission centres. The above investments of Aero2 were largely carried out under Project 4100, described in the Issue Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012 (available on the Company's website at http://www.midas-sa.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny, hereinafter, the "Prospectus"), and as part of the performance by Aero2 of the agreement for network supply to Sferia of 3 March 2015, the conclusion of which was disclosed by the Company in Current Report 5/2015.

2 Operations of the Midas Group

2.1 Principal products, goods and services

The business activities carried out by the Midas Group are treated by the Management Board of the Company as one consistent operating segment including telecommunications activities set out below in more detail – providing telecommunications services, mainly by using the wholesale model. In 2015, revenue from telecommunications services provided by the Group accounted for 97% of the overall sales revenue (99% in 2014). Information about the Group's sales revenue was published in Note 11.1 to the Consolidated financial statements of the Midas Capital Group for the year ended 31 December 2015.

Telecommunications activity

The Group's core business in 2015 was the provision by Aero2 and Mobyland, and after 30 November 2015 in connection with the merger of Aero 2 and Mobyland, the provision by Aero2, of telecommunications services including wholesale wireless data transmission services and the provision by Aero2 of voice services and data transmission services for individual clients. The wholesale wireless data transmission services are delivered on the basis of: (i) the frequency ranges reserved for Aero2 and Mobyland, and after 30 November 2015 for Aero2, in the Wholesale Agreement as described in section 2.4.1 of this report, 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. ("Polkomtel"). It should also be noted that, due to the frequency reservation obtained in the 2600 MHz range, Aero2 is required to provide Free Internet Access (hereinafter "FIA").

Wholesale wireless data transmission

In September 2010, CenterNet, in cooperation with Mobyland, launched the first commercial LTE 1800 network in Poland on the 1800 MHz band with a channel width of 19.8 MHz. CenterNet and Mobyland, each individually, held a reservation for 9.8 MHz. Between their reserved bands there is a 0.2 MHz wide interval. Together, this gives a continuous duplex bandwidth of 19.8 MHz which consists of two reservation bands and an "interval" band the use of which is authorised by the President of the Office of Electronic Communications (the "President of the OEC") under individual radio licences. The LTE 1800 technology is significantly faster than other data transmission technologies currently available in Poland (such as UMTS, HSPA and HSPA+), enabling high-speed transfer of large portions of data to be made in an efficient and economically effective way with the best possible use of the frequency. The telecommunications infrastructure for the LTE 1800 network is supplied by Aero2 and was launched at all locations that previously supported the CenterNet GSM 1800 and Mobyland GSM 1800 networks.

On 3 March 2015, Mobyland (currently Aero2) concluded the wholesale telecommunications network access agreement with Sferia. Under this agreement, Mobyland became authorised to acquire, for its own benefit or that of its customers, telecommunications services created by Sferia in LTE technology based on a duplex channel 5 MHz wide in the 800 MHz band (“Wholesale Agreement”). On 3 March 2015 Sferia entered into an agreement with Aero2 under which Aero2 made the telecommunications network available to Sferia for the purpose of providing services based on the 800 MHz band in LTE technology (“Supply Agreement”).

Based on its own frequency in the 900 MHz band and its own infrastructure, Aero2 generates an Evolved HSPA (HSPA+) technology capacity for this band. A part of the capacity of the network is used to provide FIA, in accordance with the obligations arising from the decision on the reservation of the frequency in the 2600 MHz band for Aero2. The solution applied (HSPA+) provides mobile high-speed Internet access allowing data download at speeds of up to 21 Mbps and data upload at speeds of up to 5.7 Mbps. Currently, in certain locations, data transfer speed is at 28.8 Mbps, with other locations at 21 Mbps. In locations where data transmission occurs at the speed of 28.8 Mbps, state-of-the-art MIMO (Multiple Input, Multiple Output) technology is used to provide users with a higher level of services and a better transfer quality.

Analyses are currently still under way of the effectiveness of managing the bandwidth in the 2570-2620 MHz range designated for the provision of telecommunications services in the broadband wireless networks of Aero2, based on the frequency reservation held since November 2009 (taking into account the change of September 2012).

Within the scope of all of the above-described networks, the risk regarding significant suppliers should be noted, as set forth in section 2.8.1 hereof, as should the risk of findings concerning the harmful effects of wireless communications technology on human health, as described in section 2.8.2 hereof.

The offering of the Midas Group for wholesale data transmission using the LTE 1800, LTE 800 and HSPA+ 900 networks is addressed to retail operators, i.e. entities with large subscriber bases expressing an interest in providing subscribers with mobile broadband Internet access services. The Group, based on its frequencies, generates capacity and sells it to the above retail operators. From the perspective of the Group, such a model seems to be very attractive because the Group thus avoids costly expenses associated with finding retail customers (advertising, subsidising receivers, etc.). In addition, a well defined portfolio of customers in the segment of large and stable retail operators permits the application of wholesale terms and conditions of sales, i.e. long-term orders for large data transfer volumes. As at the date of publication hereof, the Group’s key customer for wholesale wireless data transfer is Polkomtel, and through its intermediacy, Cyfrowy Polsat S.A. (“Cyfrowy Polsat”).

Free Internet Access

Due to the obligation imposed on Aero2 by the decision of the President of the OEC on reservation of the frequency in the 2600 MHz band for Aero2, Aero2 provides Free Internet Access (“FIA”) on the terms and conditions specified in the above decision and in its operating rules, as approved by the President of the OEC. Basically, the obligation of Aero2 is to dedicate, for the purposes of FIA, up to 20 per cent of the capacity of the networks operating on the reserved 900 MHz and 2570-2620 MHz range frequencies, provided that a single session under such free access should not be longer than 60 minutes, and the free Internet downlink speed per user should be no more than 512 kbps. The group of people able to take advantage of FIA is not limited; it is necessary to apply for and obtain a SIM card from Aero2 and the deposit for the SIM card amounts to PLN 20.

Offer for individual clients as part of the “wRodzinie” project

Aero2, as a mobile operator, offers individual clients a wide range of telecommunications services such as domestic voice traffic, international roaming and SMS messaging and data transmission. As at the end of December 2015, Aero2 was serving a total of more than 24,000 pre-paid users. In providing services, Aero2 uses domestic and international roaming provided by Polkomtel.

The offer based on the wRodzinie brand is targeted towards groups of older people. As a part of its offer, the Group provides prepaid mobile telephone services including voice service, SMS messaging, data transmission and international calls. Sales of starter kits and top-ups are carried out through the call centre, the online store and Polish Post Office outlets, and top-ups are sold through Polish Post Office locations and the retail chains of Żabka, BluePay, Liberty Poland and the LEW Group with shops located throughout the country.

Aero FIA service

Aero FIA is a pre-paid data transmission service addressed to customers using FIA. As part of the service the Company offers data packages without a 60-minute limit on sessions and without the need to verify using a CAPTCHA code. In order to utilise the Aero FIA offer, a user must have an FIA card. The offer solely concerns data transmission services, and the Company does not sell equipment under it. The target group comprises persons looking for the cheapest mobile Internet offer for whom price and quality of services is a priority when choosing an offer.

Sferia telecommunications services

Sferia provides comprehensive post-paid telecommunications services for the segment of individual as well as business clients. There are 3 variants for the delivery of telephone services: nomadic (fixed) telephony, nomadic-mobile telephony and mobile telephony. All fixed numbers operating in Sferia network are nomadic numbers, permitting one to make calls within the zone of authorised access (using the advantage of wireless solutions over wire ones) in the area of each of the numbering zones in the entire country. Internet access services are available under the mobile variant only.

The range of telecommunications services includes telephone services, SMS messages, data transmission, international calls and additional services (including but not limited to voice calls on a nomadic number, blocked calls). Sales are made through the Corporate Showrooms, Call Centers and the order form available at www.sferia.pl.

Sferia's telecommunications services are provided mainly using domestic and international roaming delivered by Aero2, for the provision of which Aero2 uses wholesale services offered by Polkomtel.

The Group's radio network

According to the data of the OEC, as at 25 February 2016:

- a) Aero2 held 5,149 radio licences issued by the President of the OEC for 1800 MHz LTE,
- b) Aero2 held 480 radio licences issued by the President of the OEC for 1800 MHz GSM,
- c) Aero2 held 5,767 radio licences issued by the President of the OEC for 900 MHz UMTS,
- d) Aero2 held 119 radio licences issued by the President of the OEC in the 2600 MHz LTE band,

e) Sferia held 4,042 radio licences issued by the President of the OEC in the 800 MHz LTE band.

Aero2 also holds radio band licences.

Aero2 cooperates with Polkomtel with respect to broadcasting Aero2's radio signal and the associated transmission using Polkomtel's equipment, pursuant to a cooperation agreement pertaining to the provision of mutual services using telecommunications infrastructure.

2.2 Key sales and supply markets

The Midas Group operates on the market of telecommunications services in Poland. Thanks to the frequency reservations held, the Midas Group is able to provide nationwide mobile telecommunications services, and in particular, wholesale model-based wireless data transmission services.

In 2015, the Midas Group's main customers for wholesale wireless data transmission services were Polkomtel and Cyfrowy Polsat through Polkomtel. The share of Polkomtel in the overall sales revenue was approx. 92%. The Management Board of the Company notes the customer risk described in section 2.8.1 hereof. Polkomtel is an entity controlled by Cyfrowy Polsat, and is thus indirectly controlled by Mr Zygmunt Solorz-Żak (a detailed description of the shareholding structure of Cyfrowy Polsat can be found at <http://www.grupapolsat.pl/pl/lad-korporacyjny/akcjonariat>).

In 2015, the primary sources of supply of telecommunications equipment in LTE and HSPA+ technology for Aero2, and therefore for the Group, were Nokia Solutions and Networks Sp. z o.o. (formerly Nokia Siemens Networks Sp. z o.o.) and Ericsson Sp. z o.o. The total share of those entities was 92% of the expenditures incurred in 2015 for telecommunications devices in LTE and HSPA+ technology. The stake of the above key suppliers (calculated on the basis of the value of orders placed) in 2015 represented respectively approx. 54% and 46% of the total value of orders placed by those entities. The Management Board of the Company notes the risk of significant suppliers, described in section 2.8.1 hereof. Neither Nokia Solutions nor Networks Sp. z o.o. and Ericsson Sp. z o.o. are formally related to the Midas Group.

2.3 Important events, achievements and failures of the Midas Group affecting its business operations

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 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 126,400,000, and the consolidated net result of the Group by PLN 104,900,000. 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.

Agreement with Sferia concerning the 800 MHz band in 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 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). That Agreement is described in detail in section 2.4.1 below.

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 Understanding concluded established new conditions of cooperation between Mobyland and Polkomtel. At the same time, Mobyland accepted Order 4 placed by Polkomtel, under which Polkomtel undertook to purchase 1,571,680,000 GB at a unit price of PLN 2.40 net for 1 GB. The total value of Order 4 is PLN 3,772,040,000. The Company reported on this development in Current Report No. 4/2015. The Understanding and Order 4 are described in detail in section 2.4.1 below.

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

On 9 April 2015, the SAC dismissed the cassation appeal of Milmex Systemy Komputerowe sp. z o.o. This development is described in detail in section 6 hereof and in Current Report No. 7/2015.

Submission by Aero2 of further orders for services provided by Polkomtel whose total value exceeds 10% of the equity of Midas

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 from 3 March 2015 to 22 April 2015 inclusive by entities from the Midas Capital Group in relation to Polkomtel reached PLN 273,000,000. Those orders are described in detail in section 2.4.1 below.

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 of further orders for services provided by Polkomtel whose total value exceeds 10% 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 from 23 April 2015 from 10 June 2015 inclusive by entities from the Midas Capital Group in relation to Polkomtel reached PLN 323,000,000. Those orders are described in detail in section 2.4.1 below.

Amendment to terms and conditions of the loan agreement with Bank Pekao and modifications to the amounts of collateral

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment to the loan agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology ("Loan Agreement") entered into on 10 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 Loan Agreement, among others increasing the amount of the loan. Raising the loan amount required increases to collateral within 45 days of the date of the annex to the Loan Agreement, which entailed changes to the pledge register. The Loan Agreement, changes to the collateral and changes to entries in the pledge register have been described in detail in section 2.4.1 hereinbelow.

Changes to entries over assets of a significant value in the pledge register

On 21 August 2015 the Company received a decision of the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges (the "Court") of 11 August 2015 on a change in the registered pledge established for Bank Polska Kasa Opieki S.A. (the "Bank") on 204,200 shares of Mobyland with a nominal value of PLN 500 each, representing 100% 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 525,000,000.

Furthermore, the Company received the Court's decision to enter in the pledge register, on 12 August 2015, the changes to the registered pledge established in favour of the Bank, on the group of movables and rights constituting an organised part of the Company's undertaking (other than shares) with a book value of PLN 179,000 and on the group of movables and rights constituting an organised part of Mobyland's undertaking with a book value of PLN 102,100,000 involving increasing the maximum collateral amount to PLN 525,000,000.

On 28 August 2015 the Company received the decision of the Court of 18 August 2015 on a change in the registered pledge established for the Bank, constituting collateral for the loan, on the set of movable goods and rights constituting an organised business whole with variable composition, owned by Aero 2.

The change consists in the increase of the maximum collateral amount from PLN 396,700,000 to PLN 622,000,000. The book value of the aforementioned set as at 30 June 2015 was PLN 858,300,000.

On 10 September 2015 the Company received the decision of the Court of 3 September 2015 on a change in the registered pledge established for the Bank, constituting collateral for the loan, on 221,000 shares of a nominal value of PLN 50 each, held in Aero 2 and constituting 99.5% of the interest in Aero2's share capital. The change consists in the increase of the maximum collateral amount from PLN 300,000,000 to PLN 525,000,000. Furthermore, the Management Board states that there was also a change in the registered pledge established for the Bank, constituting collateral for the loan, on 1,000 shares of a nominal value PLN 50 each, held by the Company in Aero2 and constituting 0.5% of the interest in Aero2's share capital. The change consists in the increase of the maximum collateral amount from PLN 300,000,000 to PLN 525,000,000. The book value of 100% of the interest in Aero2 as at 30 June 2015 was PLN 787,000,000.

Raising the aforementioned total collateral results from the provisions of the annex to the collateral agreements of the Loan Agreement with the Bank, as described in Current Report No. 29/2015.

Early repayment of the entire loan granted by Alior Bank

On 30 June 2015, the Company made an early repayment of the investment loan amounting to PLN 150,000,000 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 at the request of the Company, a meeting of 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 content of the definition of the Authorised Acquisition. The change to the definition of the Authorised Acquisition permitted acquiring, directly or indirectly, by the Company, less than 100% of the shares in a business carrying out the same or complementary activities to the core business of the Company. Justification for the aforementioned changes was published in Current Report No. 24/2015. The content of all the resolutions was made public in Current Report No. 26/2015.

Conclusion of agreements for acquisition of a controlling interest in Sferia S.A.

On 8 December 2015 the Company's Management Board made a decision on starting negotiations aimed at the acquisition of shares of Sferia S.A. ("Sferia") by the Company or another company belonging to the Midas Capital Group. On 23 December 2015, the final terms and conditions were determined and transfer agreements were concluded for 1,834,405 shares of Sferia with a nominal value of PLN 100 each, representing 51% of the share capital and votes at the general meeting of the company under which Aero2 was the buyer. Details of transactions concluded were presented in Current Report No. 33/2015 and in section 2.4.1 below.

Submission by Aero2 of orders for the services provided by Polkomtel which make the total value of mutual settlements exceed 10% of the equity of Midas

On 29 December 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 from 11 June 2015 to 29 December 2015 inclusive, between entities from the Midas Capital Group and Polkomtel reached PLN 143,700,000, and therefore exceeded 10% of the equity of Midas. Those orders are described in detail in section 2.4.1 below.

Recognition of deferred income tax assets in Aero2

During the reporting period, the Group's companies received individual interpretations as to the method for settlement of revenue from data transmission and made adjustments to CIT-8 tax returns. Therefore, the Group made appropriate tax settlements and thus the total amount of PLN 476,515,000 as at 31 December 2015 constituting deferred income from data transmission services was recognised for CIT purposes. As at the balance sheet date this amount constitutes a temporary difference between the carrying amount and the tax value of the balance of deferred income, so deferred income tax was accrued thereon at PLN 90,538,000. Details concerning recognition of deferred income tax assets were shown in Note 12.3 (deferred income tax) of the consolidated financial statements of the Midas Group for 2015.

2.4 Information on agreements entered into by Midas Group companies

This section lists agreements entered into in the normal course of business of the Company and other Midas Group companies.

For agreements which are significant for the operations of the Midas Group companies entered into with third parties, a full description of their respective terms and conditions or references to current reports dedicated thereto are provided.

2.4.1 Agreements which are significant for the operations of the Midas Group

Agreements entered into by the Company

Amendment to terms and conditions of the loan agreement with Bank Pekao and modifications to the amounts of collateral

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment to the loan agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology ("Loan Agreement") entered into on 10 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 Loan Agreement, amending the latter as follows:

1. Increasing the loan amount from PLN 200,000,000 to PLN 350,000,000.
2. Extending the use of the loan by refinancing the existing loan from Alior Bank S.A. ("Alior Bank") in the amount of PLN 150,000,000.
3. Defining the loan availability period by the end of December 2015, including by the end of July 2015 for refinancing the loan from Alior Bank.
4. Loan repayment: in equal monthly instalments by the end of January 2016.
5. Legal collateral: modification of the cash deposit conditions (DSRA) to PLN 20,000,000 (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 Loan Agreement, including to the method of how to calculate interest, contractual penalties, conditions or deadlines.

Raising the loan amount required increases to collateral within 45 days of the date of the annex to the Loan Agreement. Therefore on 6 August 2015 the Company, Aero2 and Mobyland signed, with Bank Pekao, respective annexes to collateral agreements, described in Current Report No. 28/2014. Amendments to registered pledges on Aero2 and Mobyland shares include increasing the maximum collateral amount to PLN 525,000,000. Amendments to Registered Pledge Agreements listed in Current Report No. 28/2014 include 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 525,000,000, and of Aero2 to PLN 622,000,000. 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 525,000,000. Moreover, on 7 August 2015 in the District Court for the City of Warsaw in Warsaw, Division XI Commercial – 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 collateral required after increasing the loan amount. It was possible to raise the amount of the aforementioned collateral 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.

Amendments to terms and conditions for the issue of bonds

On 20 July 2015 at the request of the Company, a meeting of 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 content of the definition of the Authorised Acquisition. The change to the definition of the Authorised Acquisition permitted acquiring, directly or indirectly, by the Company, less than 100% of the shares in a business carrying out the same or complementary activities to the core business of the Company. Justification for the aforementioned changes was published in Current Report No. 24/2015. The content of all the resolutions was made public in Current Report No. 26/2015. Information on agreements entered into by the Company.

Agreements entered into by subsidiaries of the Issuer with entities from outside the Midas Group

Agreement with Sferia concerning the 800 MHz band in LTE technology

On 26 February 2015 the Supervisory Board of the Company consented to the conclusion of a Supply Agreement for the infrastructure, 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 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 a 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 in the last 12 months preceding the execution of the aforementioned agreements) does not exceed the threshold of 10% of the Company's equity.

Understanding with Polkomtel regarding new terms and conditions of continued cooperation

On 3 March 2015, Mobyland signed an understanding with Polkomtel and accepted the order submitted by Polkomtel for data transmission services. 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 is 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 a 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 1,571,680,000 GB at a unit price of PLN 2.40 net for 1 GB. The total value of the order is PLN 3,772,040,000, of which PLN 144,560,000 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 119,250,000 net - for the first quarter of 2015, in 3 equal monthly instalments
- b) PLN 132,000,000 net - for the second quarter of 2015, in 3 equal monthly instalments
- c) PLN 245,000,000 net - for the third quarter of 2015, in 3 equal monthly instalments
- d) PLN 354,000,000 net - for the fourth quarter of 2015, in 3 equal monthly instalments
- e) PLN 989,310,000 net - for 2016, in 12 equal monthly instalments
- f) PLN 880,000,000 net - for 2017, in 12 equal monthly instalments
- g) PLN 907,920,000 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 3,772,230,000.

Submission by Aero2 of further orders for services provided by Polkomtel whose total value exceeds 10% of the equity of Midas

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 from 3 March 2015 to 22 April 2015 inclusive by entities from the Midas Capital Group in relation to Polkomtel reached PLN 273,000,000. 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 159,000,000 (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.

Submission by Aero2 of further orders for services provided by Polkomtel whose total value exceeds 10% of the equity of Midas

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 from 23 April 2015 to 10 June 2015 inclusive by entities from the Midas Capital Group in relation to Polkomtel reached PLN 323,000,000. 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 253,000,000 (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 on in Current Report No. 22/2012 (the "Agreement"). The SITE-type transmission services covered by the aforementioned 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.

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.

Conclusion of agreements for acquisition of a controlling interest in Sferia S.A.

On 8 December 2015 the Company's Management Board made a decision on starting negotiations aimed at the acquisition of shares of Sferia S.A. ("Sferia") by the Company or another company belonging to the Midas Capital Group. The Company intended to acquire shares allowing acquisition of control over Sferia and therefore obtaining access to frequencies in the 800 MHz range, which would enable the Midas Group to maintain the highest level of services rendered to companies from the Cyfrowy Polsat Capital Group during the validity of Order 4, which was mentioned by the Company in Current Report No. 4/2015, namely until the end of 2018.

On 23 December 2015, the final terms and conditions were determined and transfer agreements were concluded for 1,834,405 shares of Sferia with a nominal value of PLN 100 each, representing 51% of the

share capital and votes at the general meeting of the company, between Mr. Jacek Szymoński ("Seller 1") and Aero 2 Sp. z o.o. as well as Bithell Holdings Limited ("Seller 2", and jointly with Seller 1 – "Sellers"), and Aero2 ("Agreements"). The total price Aero2 paid to the Sellers amounted to PLN 121,900,000 derived from own resources of Aero2. Pursuant to the concluded Agreements, if Sferia obtains financial compensation due to any dispute concerning a delay of the right to effectively use the frequencies held by the company, the purchase price may be increased by the amount arising from that compensation proportional to the shareholding held by the Sellers before the share transfer transaction.

Submission by Aero2 of orders for the services provided by Polkomtel which make the total value of mutual settlements exceed 10% of the equity of Midas

On 29 December 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 from 11 June 2015 to 29 December 2015 inclusive, between entities from the Midas Capital Group and Polkomtel, reached PLN 143,700,000, and therefore exceeded 10% of the Company's equity. The value of orders placed by Aero2 and accepted by Polkomtel amounts to PLN 110,000,000, and the value of orders placed by Polkomtel and accepted by Aero2 amounts to PLN 33,700,000.

The highest-value order was placed on 29 December 2015 and concerned RAN-type services. Its value, calculated on the basis of a 5-year period of providing the services covered by that order, amounts to PLN 100,800,000. 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 RAN-type transmission services covered by the aforementioned order will be provided under the conditions described in the Agreement in each location for a period of five years counting from the date on which Polkomtel announces its readiness to provide the services in a given location, in accordance with the provisions of the Agreement. The Order does not regulate the issue of compensation and contractual penalties – the general terms and conditions of the Agreement will apply in this respect. The other terms and conditions of the Order do not differ from those commonly applied to transactions of this kind.

2.4.2 Key transactions with related parties not concluded on an arm's length basis

The Midas Group did not enter into any essential transactions with related parties not contracted on an arm's length basis.

2.4.3 Loan agreements concluded and terminated

Amendment to terms and conditions of the loan agreement with Bank Pekao and modifications to the amounts of collateral

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment to the loan agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology ("Loan Agreement") entered into on 10 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 Loan Agreement, amending the latter as follows:

1. Increasing the loan amount from PLN 200,000,000 to PLN 350,000,000.

2. Extending the use of the loan by refinancing the existing loan from Alior Bank S.A. ("Alior Bank") in the amount of PLN 150,000,000.
3. Defining the loan availability period by the end of December 2015, including by the end of July 2015 for refinancing the loan from Alior Bank.
4. Loan repayment: in equal monthly instalments by the end of January 2016.
5. Legal collateral: modification of the cash deposit conditions (DSRA) to PLN 20,000,000 (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 Loan Agreement, including to the method of how to calculate interest, contractual penalties, conditions or deadlines.

Raising the loan amount required increases to collateral within 45 days of the date of the annex to the Loan Agreement. Therefore on 6 August 2015 the Company, Aero2 and Mobyland signed, with Bank Pekao, respective annexes to collateral agreements, described in Current Report No. 28/2014. Amendments to registered pledges on Aero2 and Mobyland shares include increasing the maximum collateral amount to PLN 525,000,000. Amendments to Registered Pledge Agreements listed in Current Report No. 28/2014 include 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 525,000,000, and of Aero2 to PLN 622,000,000. 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 525,000,000. Moreover, on 7 August 2015 in the District Court for the City of Warsaw in Warsaw, Division XI Commercial – 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 collateral required after increasing the loan amount. It was possible to raise the amount of the aforementioned collateral 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 loan granted by Alior Bank

On 30 June 2015, the Company made an early repayment of the investment loan amounting to PLN 150,000,000 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.

Partial repayment of the loan granted by Plus Bank S.A.

On 31 March 2015 the Group repaid the principal amount of the loan granted by Plus Bank S.A. in the amount of PLN 2,500,000 (PLN 41,101,000 still outstanding).

2.4.4 Borrowings and sureties granted and sureties and guarantees received

In 2015 the Company granted a long-term borrowing to Aero2 in the amount of PLN 5,000,000 (the amount of PLN 5,000,000 was obtained from the loan granted by Alior Bank and was transferred directly to Aero2's account).

Details of the borrowing granted are presented in the table below:

Company	Amount of borrowing	Date borrowing granted	Date borrowing repaid	Interest rate and other conditions of the borrowing
Aero2	5,000	24.04.2015	30.06.2015	cost of loan debt to Alior (WIBOR 1M plus margin)

The above loan was granted for the purpose of financing the expansion and maintenance of the telecommunications network of the Midas Group.

Sureties obtained from subsidiaries and affiliates

In 2015 the Company did not obtain sureties from subsidiaries and affiliates.

2.5 Employment information

The following table shows the number of employees (on a FTE basis) employed in the Midas Group under employment contracts and those cooperating with the Midas Group based on civil law contracts by employees of each Midas Group company as at 31 December 2014 and 31 December 2015.

Employing Midas Group company	31 December 2014	31 December 2015
Midas	3.27	1.27
CenterNet	8.38	-
Mobyland	2.18	-
Aero2	64.97	69.53
Altalog		3.97
Sferia		67.48
Total	78.8	142.25

2.6 Development of the Midas Group

2.6.1 Description of the Midas Group's development direction policy

The main business purpose of the Company, as stated in its strategy updated in 2011, is to be the most modern broadband Internet access operator in Poland based on LTE/HSPA+ technologies, with its own technical telecommunications infrastructure which, in combination with a unique market position held by the Midas Group, among others, thanks to an effective combination of 1800 MHz frequencies, will contribute to real opportunities in terms of further development and strengthening of the Midas Group's market position, and will thus create value for the shareholders of the Company.

The Midas Group currently has frequency resources including 800 MHz, 900 MHz, 1800 MHz and 2600 MHz frequencies together with a telecommunications infrastructure allowing it to provide services based on the HSPA+ and LTE technologies. In the opinion of the Company's Management Board, commencement by competing providers to offer LTE-based services is an important external factor for the growth of the business of the Midas Group.

In implementing its strategy, the Midas Group was the first operator in Poland to provide telecommunications services based on the LTE/HSPA+ technologies, which today allows for radio data

transfer at maximum download speeds of up to 150 Mbps and maximum upload speeds of up to 50 Mbps. The justification in investing in the development of advanced technologies is confirmed by the growth of Internet services visible on other markets, as shown by operators introducing offers of large and unlimited data packages. As a result of these developments, Internet access using LTE technology is rapidly becoming more popular, and end users can use mobile Internet with the freedom formerly only available via landline access.

The strategy adopted by the Company, presented in Current Report No. 60/2011 and elsewhere, is being implemented through:

- 1) Acquisitions of telecommunications assets holding frequencies or new concessions for frequencies necessary to pursue the strategy.
- 2) The construction of a nationwide telecommunications network based on the HSPA+ and LTE technologies. Ultimately, the Midas Group plans to use approximately 4800 LTE-technology base stations, of which approximately 4600 will support the HSPA+ technology as well.
- 3) Wholesale sale of high quality telecommunications services, in particular Internet access, to retail operators with their own large customer bases.
- 4) Implementation of a cost-effective business model through:
 - a. outsourcing services to the best providers of services in terms of the price-to-quality ratio,
 - b. maintenance agreements with infrastructure suppliers generating the lowest expenses,
 - c. use of synergies within the Midas Group and the ZSZ Group,
 - d. building a flat and flexible goal-oriented organisational structure.

The Midas Capital Group consistently pursues its strategy aimed at further development of the telecommunications infrastructure. As of the date of publication of the report, the Midas Group is implementing stage III of Project 4100 (described in detail in the Company's issue prospectus of 8 February 2012), and at the same time in performance of the provisions of the Supply Agreement the Midas Group is developing the telecommunications network in the 800 MHz range. The Management Board of the Company announces that under the analyses being performed the effective possibility of using the band in the 2570-2620 MHz range is also being considered.

Thanks to the cooperation with Polkomtel for shared use of the telecommunications infrastructure, the Midas Group effectively generates cost synergies. Those synergies include network maintenance expenses and possibilities for a joint expansion of the telecommunications network carried out at lower expenses compared to the independent expansion and maintenance of this network, as well as a relatively faster pace of such projects.

In 2015, business as well as market environments of the Midas Group were significantly changing. There was a noticeable growth in the consumption of telecommunications services based on broadband data transmission, the auction of 800 MHz range frequencies conducted by the President of the OEC was finished, and competition between operators as to Internet access services intensified.

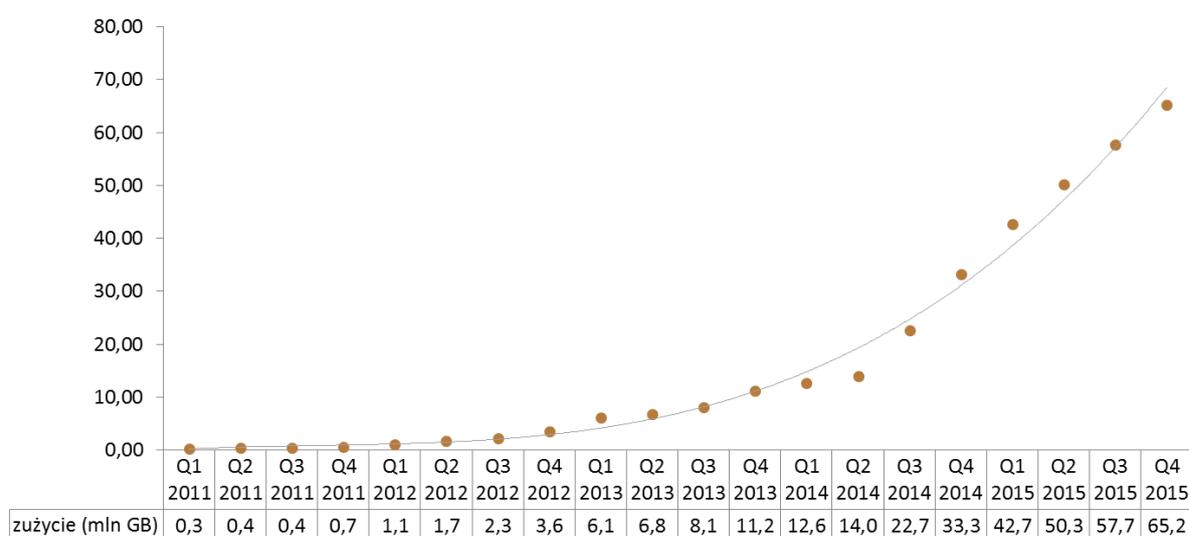
In March 2015 the Midas Group accepted a new Polkomtel order for wholesale data supply.

In March 2015, Midas Group companies entered into the Supply Agreement and the Wholesale Agreement with Sferia, and thus the Midas Capital Group initiated the development of the LTE800 network, and was able to offer its clients additional network capacity generated in the 800 MHz range and to extend the coverage of LTE technology-based services.

In December 2015, Aero2 entered into agreements for the acquisition of 1,834,405 shares in Sferia with a nominal value of PLN 100 each, representing 51% of the capital and voting rights at the General Meeting of Sferia, and thus assured access to 800 MHz frequencies, which will enable the highest level of services rendered to companies from the Cyfrowy Polsat Capital Group to be maintained during the validity of Order 4. Sferia is a telecommunications operator holding frequency reservations covering a block with a width of 2x5MHz in the range of 800 MHz ("Reservation 800"), which is valid until 31 December 2018. In the opinion of the Management Board of Midas, renewal of the validity of Reservation 800 for subsequent periods with the prices implied by the declared high amounts for the 800 MHz band at the auction ended in October 2015 is not economically justified. By analogy, the Midas Group will not be interested in obtaining access to the band in the range of 800 MHz from entities which obtained access to the 800 MHz band at the current high levels of prices, unless it is conducted on the basis of technological and services equivalence.

As at 31 December 2015, the Midas Group had a modern telecommunications network including, among others (as at the end of December 2015): approximately 5,170 base stations operating on the basis of the HSPA+ technology (frequency band held by Aero2), and approximately 7,590 base stations operating in LTE technology (including approx. 3,290 LTE800 stations), included in the telecommunications network used by Midas Group in cooperation with Polkomtel. As at the date of publication of this report, the telecommunications network of the Midas Group provided HSPA+ coverage for approximately 99% of the population and LTE coverage for approximately 97% of the population. The growth in population coverage using LTE technology is the result of a further stage in the expansion and optimisation of the network, and the current data on coverage are presented in accordance with binding market practice.

The Management Board of the Company also draws attention to the following graph (in million GB) summarising the trend. The Management Board of the Company has a favourable opinion of the rate of growth in data usage.



Zużycie (mln GB)	Usage (GB million)
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2.6.2 Midas Group's development prospects

According to the Management Board of the Company, the following factors could affect the results of the Midas Group:

1) Project 800

In December 2015, Aero2 acquired 1,834,405 shares in Sferia with a nominal value of PLN 100 each, representing 51% of the capital and voting rights at the General Meeting of Sferia, and thus ensured access to 800 MHz frequencies, which will enable the highest level of services rendered to companies from the Cyfrowy Polsat Capital Group to be maintained during the validity of Order 4. In the opinion of the Management Board of Midas, renewal of the validity of Reservation 800 for subsequent periods with the prices implied by the declared high amounts for the 800 MHz band at the auction ended in October 2015 is not economically justified. By analogy, the Midas Group will not be interested in obtaining access to the band in the range of 800 MHz from entities which obtained access to the 800 MHz band at the current high levels of prices, unless it is conducted on the basis of technological and services equivalence, which would mean raising the number of locations and base stations included in the telecommunications network currently used by the Midas Group, which might affect the level of generated results and financial cash flows of the Company.

2) Decisions of the President of the OEC concerning the tender for two frequency reservations in the 1710-1730 MHz range and the 1805-1825 MHz range, resulting from the judgement of the SAC of 8 May 2014 (described in detail in section 6.1 below).

The Company notes that in line with the description of these proceedings set forth in section 6 hereof, it is currently unable to predict the direction or scope of further actions in this case that may be taken 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, in the matter concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges for CenterNet and Mobyland (also set forth in section 6 hereof). The Company assesses 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) 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, as well as allocated frequencies from the 800 MHz range.

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

4) The 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).

The Company wishes here to emphasise that the occurrence of the factors described in items 2) to 4) 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.

2.7 Evaluation of feasibility of investment plans

In accordance with its strategy, the Company intends to invest financial funds in telecommunications and IT projects, and in the further development of the Midas Group in particular. As at 31 December 2015, the Group had cash resources in the amount of PLN 144,128,000 which will be used among others for the aforementioned investments. As at the date hereof, the Management Board does not see any real threat to the feasibility of investment plans, but it draws attention to the risks associated with financing, as described in section 2.8 hereof.

2.8 Risks and dangers

2.8.1 Risks related to the Midas Group's activities

Risk associated with the Midas Group's strategy

The Midas Group pursues its operating 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, in particular with respect to the further expansion of the telecommunications infrastructure by Aero2, will bring positive results in the time frame anticipated, or that, if they do not, there will be no negative impact on the operations of the Group or its financial position or results achieved.

Financing risk

In view of the above, the Midas Group procured financing in the form of a bank loan granted pursuant to the loan agreement concluded on 10 July 2014 with Bank Pekao and subsequently amended under the annex of 26 June 2015. The above loan, 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 and conditions. The Company is unable to guarantee that these terms and conditions 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 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 refinancing 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 section 2.6.1 hereof.

Competition risk

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

It is also necessary to consider cooperation among the Group's competitors: T-Mobile Polska and 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 companies (i.e. P4 Sp. z o.o. ("P4") and T-Mobile Polska) obtained new frequency reservations in the 1800 MHz range in the first half of 2013, which created additional possibilities of competing with the Group. Entities other than the Group companies (i.e. P4, T-Mobile Polska and Orange Polska) obtained new frequency reservations in the 800 MHz band and in the 2600 MHz range. 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 and 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.

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 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.

Risk of departure of key management personnel and difficulty in recruiting new well-qualified management 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 significant negative impact on the operating activities and financial results of the Group.

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 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 an inability or limited ability of Aero2 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.

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 what is 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 Polkomtel's securing 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.

Risk of loss of frequency reservations

Aero2 holds two frequency reservations in the 1800 MHz band, frequency reservations in the 2600 MHz band and the 900 MHz band. A loss by Aero2 of its frequency reservations will prevent Aero2 from providing telecommunications operator services, including in particular from delivering LTE technology-based services requiring the use of both 1800 MHz or HSPA+ frequencies owned by Aero2, which will ultimately adversely affect the operating activities and financial performance of the Group.

Possible loss of frequency reservations by Aero2 may be caused in particular by a reversal or amendment of the decision of the President of the OEC 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 (currently Aero2) – due to possible invalidation of the tender for frequencies reserved for CenterNet and Mobyland.

The 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) court and administrative proceedings related to the existence of prerequisites for ascertaining a breach by Aero2 of its obligations specified in such decisions. In such cases, the provisions of the Telecommunications Law give the President of the OEC the possibility of imposing financial penalties on an entity enjoying a frequency right.

If, following the loss by Aero2 of a frequency reservation (1800 MHz), 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 company or companies that previously held that frequency reservation.

Sferia holds frequency reservations in the 800 MHz range valid until 31 December 2018. However, until the final closing of the proceedings described in section 6, the possibility cannot be excluded that the judgements would be modified in a manner unfavourable for Sferia as part of the proceedings currently pending, which might result in a change to the reservation decision disadvantageous for Sferia or in a withdrawal of the same.

In the event of the 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. A possible action against the State Treasury may be a long-term and complex one.

Risk of maintaining the changes in rates for terminating connections in mobile networks (MTR) and introducing other changes to the rules of cooperation with other mobile telephony 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.

By the judgement of 19 January 2015, XVII AmT 69/13, the OCCP Court dismissed the 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 OCCP Court partially ruled in favour of an appeal by Mobyland and reversed 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 and the President of the OEC filed an appeal against this judgement, while Mobyland appealed against the part in which the appeal was dismissed. By the judgement of 14 October 2015, the Appeal Court in Warsaw admitted the appeal of the President of the OEC and reversed the judgement of the Court of first instance to the extent of sections 1 and 3, i.e. in the part where the decision of the President of the OEC on imposing the obligation on Mobyland to apply fees in a respective amount was reversed, and in the part where mutual costs of the proceedings were waived between the parties, and forwarded the case for re-examination by the Court of the first instance. The Appeal Court also dismissed in its entirety the appeal by Mobyland. Aero 2 – acting as the legal successor of Mobyland – filed a cassation appeal against the aforementioned judgement of the Appeal Court which is awaiting examination.

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

There is also the risk of changes to other terms of cooperation between Aero2 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 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 by 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, 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.

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.

Risk in connection with a failure to implement the business model

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

1. the Group, under which the infrastructural operator (Aero2) develops the telecommunications infrastructure and generates the LTE capacity (800 MHz and 1800 MHz), HSPA+ capacity (900 MHz) and LTE capacity (2600 MHz) and sells the HSPA+/LTE capacity wholesale to entities having large customer bases,
2. entities having large customer bases engaged in retail selling.

This model entails the following risks:

1. the risk that Aero2 will not complete the development of its infrastructure on time;
2. the risk 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 fulfilment of either of the above risks could have a significant negative impact on the operating activities and financial results of the Midas Group.

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

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

Risk of poor performance of the telecommunications network in the border zone along the eastern border of Poland

The Group's telecommunications network is built nationwide on the basis of Aero2's infrastructure. It is the result of the demand for optimal coverage with the Group's services of the highest possible number of end users for services of entities using wholesale telecommunications services delivered by the Group, as well as of the obligation to provide territorial or population coverage for the 900 MHz and 1800 MHz frequency held by Aero2.

In continuing the development of the telecommunications infrastructure along Poland's eastern border, Aero2 discovered that for certain base stations of the Group located near the eastern border 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 substantial 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.

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. Such a situation already took place in 2015 and the Management Board does not exclude the possibility that the optimisation process (consolidation of the telecommunications network and replacement of the telecommunications devices (SWAP) on base stations) will be continued in the future.

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 and 1800 MHz frequencies which are at the disposal of the Group, compared to the individual base stations of the Group.

Taking account of the dynamic changes in conditions on the telecommunications services market, including the factors related to the assignment by the President of the OEC of frequencies in the 800 MHz and 2600 MHz ranges, the Group is continually analysing 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.

Risks associated with the cooperation with Polkomtel for the further development 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 currently planned, may be significantly 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.

Risk related to high debt

The Issuer notes that in the event of a Bond issue and also through the conclusion of the investment loan with Bank Pekao in the amount of PLN 350,000,000 as set forth in section 2.4.1 hereof, the level of interest debt increased significantly. In addition, in a case where further debt financing is obtained, where such financing, in the Company's opinion, is granted under conditions more beneficial or making it possible to implement the Midas Group's strategy in a more flexible way, the level of interest debt will also increase. There will therefore be marked growth in the risk of insolvency of the Company towards its creditors, particularly banks or bondholders. There is, after all, a possibility that Midas Group companies may be unable to service such a high debt or fulfil certain other covenants. As a result, there is a risk that in the future 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, might 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 collateral established (if any), or may not obtain the expected rate of return on the investment.

2.8.2 Risks related to the Midas Group's environment

Risks associated with the macroeconomic situation

The Midas Group's financial position is dependent on the economic situation in Poland and worldwide. Financial results generated by the Midas Group are influenced by the GDP growth rate, inflation, interest rates, unemployment, 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.

Risks associated with a changing legal environment (including tax)

Some risk to the Company's operations may come from changes in laws or different interpretations of the law. Possible changes, in particular, in provisions relating, among others, to business activities, telecommunications, environmental protection, intellectual property, labour law, social security law and commercial law, may lead to negative consequences for the Midas Group's operations. New regulations may entail interpretation issues, inconsistent court rulings, adverse interpretations adopted by public authorities, a lack of cohesiveness 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 Sferia 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 the 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 significant negative impact on the operating activities and financial results of the Midas Group.

Risk associated with changes in foreign exchange rates

The Group also incurs costs in foreign currencies, but their share in the Group's overall costs in 2015 was not significant. However, a higher share of expenses denominated in foreign currencies in the overall expenses incurred by the Group could be expected in subsequent periods because expenses associated with the expansion of the Group's telecommunications infrastructure may be denominated in EUR or in any other foreign currency. In the case of supplies and services provided by Ericsson and Nokia Solutions and Networks, in accordance with the provisions of the relevant agreements, their prices are denominated in euros (EUR) or US dollars (USD) and will be converted into 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 significant adverse effect on the operating activities and financial performance of the Group.

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

There are studies indicating the alleged adverse impact on human health of electromagnetic waves emitted by devices used in 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 a 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-mentioned circumstances may have a significant negative impact on the operating activities and financial results of the Group.

Risk associated with frequency resources used in wireless communication

Frequency resources used in wireless communication under the technologies applied by Group companies and their current or future competitors are scarce. Therefore, obtaining reservations of such frequencies by the Group's competitors may weaken the Group's competitive position and make catching up at least difficult, which may eventually have 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 the distribution by the President of the OEC of frequencies in the 800 MHz and 2600 MHz bands.

Information about the risk involved for the Group in making the above frequency reservations is also set out in section 2.8.1 above.

3 Financial position and assets of the Midas Group

3.1 Principles for the preparation of annual consolidated financial statements

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") and the IFRS as adopted by the EU (the "EU IFRS"). As at the date of adoption of this report for publication, taking into account the EU process of implementing the IFRS standards, the IFRS differ from the EU IFRS. The Company has made use of the opportunity arising when applying the IFRS as adopted by the EU, of applying IFRIC 21 only from annual periods beginning from 1 January 2015, and amendments to IFRS 2 and IFRS 3 which are part of the Amendments resulting from a review of IFRS 2011-2013 from annual periods beginning from 1 January 2016.

The EU IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (the "IASB").

The consolidated financial statements were prepared in accordance with the historical cost principle, except for items evaluated in the financial statements at fair value – the early bond repurchase option.

The Management Report on the operations of the Midas Capital Group in financial year 2015 was prepared in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the law of a non-member state (as amended).

3.2 Description of key economic and financial figures

Statement of financial position

In 2015, there were changes in the value of the investment portfolio, further described in section 3.6.

The balance of receivables at the end of 2015 was PLN 142,762,000 as compared to PLN 189,297,000 at the end of the previous year. The change resulted mainly from a decrease in the Group's VAT receivables and from the exclusion of receivables from Sferia after its inclusion in the full consolidation perimeter.

Cash amounted to PLN 144,128,000 at the end of 2015 as against PLN 53,450,000 at the end of 2014. The change results mainly from realised cash flows on operating activities in connection with the delivery of Order 4 by the Group (Polkomtel).

The equity on the balance sheet date was PLN 310,211,000 and, compared to the end of 2014, it was down by PLN 132,058,000 of which PLN 105,808,000 constituted a decrease resulting from the net loss for 2015 (key factors affecting the net profit are described below).

The liabilities amounted to PLN 1,427,668,000 as at 31 December 2015 and increased by PLN 475,317,000 compared to the end of 2014. The increase results mainly from a growth in the value of deferred income following the delivery of Order 4 (Polkomtel) and from third party financing obtained (investment loan) for the expansion of the Group's telecommunications network.

Statement of comprehensive income

In 2015, the Midas Group recognised sales revenue in the amount of PLN 577,877,000 as compared to PLN 430,536,000 for the previous year, which represented an increase of PLN 147,341,000.

This growth was mainly due to the increasing amount of data transmission services ordered by wholesale customers of the Group resulting from such factors as the growing popularity of LTE technology, and to the consistently expanding coverage of the telecommunications network utilised by the Group. The Management Board of the Company points out that revenue in the fourth quarter of 2015 increased by approximately 12.3% compared to the revenue achieved in the third quarter of 2015.

In 2015, financial income totalled PLN 9,195,000 compared with PLN 9,505,000 in 2014. In 2015 operating expenses (including other operating expenses) reached PLN 769,120,000 compared with PLN 718,382,000 in the previous year. The growth in costs results from consistently expanding the number of base stations, and as this number grows, the cost of maintenance and operation of the Group's telecommunications network continues to increase. The most significant items under operating expenses in 2015 were: PLN 176,092,000 in amortisation and depreciation, PLN 535,953,000 for the telecommunications network, PLN 27,389,000 in taxes and fees, and PLN 7,163,000 in wages and salaries.

The total loss for 2015 equalled PLN 105,815,000 as compared with the loss of PLN 320,857,000 a year before. Principal factors affecting the difference in the results generated in the current year and in the past year were a revaluation write-down made in 2014 for the 2600 MHz frequency held by Aero2 and a recognition of the deferred tax assets in Aero2 in 2015.

Statement of cash flows

In 2015, net cash flows from operating activities amounted to PLN 276,770,000 as against PLN - 37,434,000 in the previous year.

In 2014 net cash flows from investing activities amounted to PLN -351,905,000 as against PLN -121,131,000 in the previous year. The main factor affecting cash flows in 2015 was the acquisition of property, plant and equipment as part of the expansion of the Group's telecommunications network and the acquisition of subsidiaries Sferia and AltaLog.

In 2015 net cash flows from financing activities amounted to PLN 165,813,000 as against PLN 111,768,000 in the previous year. A principal factor affecting cash flows from financing activities in 2015 was the use of the investment loan from Bank Pekao.

3.3 Financial and non-financial indicators

	2015	2014
liquidity – liquidity ratio I		
$\frac{\text{total current assets}}{\text{current liabilities}}$	0.42	0.73
liquidity – liquidity ratio III		
$\frac{\text{cash}}{\text{current liabilities}}$	0.21	0.15
	2015	2014
liabilities repayment period		
$\frac{\text{trade liabilities x 365 days}}{\text{value of goods and materials sold + cost of products sold}}$	46 days	79 days
debt to assets ratio (%)		
$\frac{(\text{total equity and liabilities} - \text{equity}) \times 100}{\text{total assets}}$	82.2%	68.3%

3.4 Description of the structure of assets and liabilities in the consolidated balance sheet

Compared to 2014, the balance sheet total increased by PLN 343,259,000 (increase of 24.61%) in 2015. As at 31 December 2015 the assets consist of: property, plant and equipment with a value of PLN 553,442,000 (which represent 31.85% of assets), intangible assets with a value of PLN 684,118,000 (which represent 39.37% of assets). The growth in the value of the property, plant and equipment was 18.32% compared to the previous year, and the growth in intangible assets compared to the previous year was 18.55%.

The Midas Group's current assets increased by PLN 26,497,000 (10.13% increase) compared to 2014. Current assets constitute 16.58% of total assets. Other assets of the Midas Group represent 12.2% of total assets.

The balance of receivables at the end of 2015 was PLN 142,762,000 as compared to PLN 189,297,000 (decrease by 24.58%) in the previous year. The change resulted mainly from a decrease in VAT receivables. Receivables represent 8.21% of the total assets.

Cash amounted to PLN 144,128,000 at the end of 2015 as against PLN 53,450,000 (increase by 169.65%) in 2014. Cash represents 8.29% of the total assets.

The equity on the balance sheet date was PLN 310,211,000 and, compared to the end of 2014, it was down by PLN 132,058,000. At the end of 2015, the equity equalled 17.85% of total liabilities.

The liabilities amounted to PLN 1,427,668,000 as at 31 December 2015 and increased by PLN 475,317,000 compared to the end of 2014 (growth by 149.91%). That increase results mainly from third party financing obtained (counted during the period of the bond discount and investment loan drawn down) for the expansion of the Group's telecommunications network and from the growth in the value of deferred income. As at the end of 2015 liabilities equalled 82.15% of the total balance of equity and liabilities.

3.5 Significant off-balance sheet items

As at 31 December 2015 there were no significant off-balance sheet items. A detailed description of the contingent debts of the Midas Group was included in Note 31 to the Consolidated financial statements of the Midas S.A. Capital Group.

3.6 Changes in the Issuer's investment portfolio

In 2015, there were no significant changes in the Company's investment portfolio, except changes associated with the acquisition of shares in AltaLog, the acquisition of shares in Sferia and the combination of Mobyland with the acquiring company Aero2 which changes are described in detail in section 1.1.1 of this report.

3.7 Differences between actual financial results and any previously published forecasts

The Management Board of the Company did not publish any forecasts for 2015.

3.8 Financial instruments

3.8.1 Financial instruments employed

The main financial instruments used by the Company include bonds, loans, borrowings, cash and short-term deposits. Such financial instruments are aimed at sourcing funding for the Midas Group's operations.

The Company does not use financial derivatives in its operating activities. As described in Note 18 to the consolidated financial statements, the Company, at the moment of initial disclosure of a liability from a bond, identified an embedded derivative (an option for early redemption) in accordance with the definition in IAS 39 and disclosed it appropriately in the financial statements.

3.8.2 Financial risk management objectives and methods

Financial risk is associated with unexpected changes in cash flows arising, among others, from operating activities of the Midas Group. Key risks of the Company's financial instruments include interest rate risk,

price risk, liquidity risk, currency risk and credit risk. Policies for managing each of the above financial risks are presented in Note 34 to the 2015 Financial statements of the Midas Capital Group.

3.9 Current and forecast financial position

The Management Board of the Company considers the Group's current financial position to be good. In addition, in connection with the signing, in June 2015, of an annex to the loan agreement with Bank Pekao (described in detail in section 2.4.1 hereof), the Management Board of the Company believes that its financial position will not significantly deteriorate in the future. The Management Board of the Company also draws attention to the signing of a further order for data transmission services with the Cyfrowy Polsat Group which, given the scale thereof, together with financing available, provides the Midas Group with the possibility of financing its planned investments and securing its liquidity condition.

Regardless of the foregoing, the Company's Management Board emphasises the financing risk and risk related to high debt, as set forth in section 2.8.1 hereof.

3.10 Events and factors largely affecting operating and financial results

3.10.1 Important events during the financial year

In 2015, events with a significant impact on the Group's performance were:

- The conclusion of the Understanding with Polkomtel and the submission of Order 4 by Polkomtel,
- Conclusion of the Supply Agreement and Wholesale Agreement,
- Aero2's submission of orders under the cooperation agreement within the scope of mutual services using the telecommunications infrastructure with Polkomtel.
- The submission of further orders as part of the construction of the network
- Recognition of deferred income tax assets in Aero2

The above events are described in detail in section 2.3 hereof.

3.10.2 Extraordinary factors and events

According to the Management Board of the Company, in 2015, apart from the factors described in section 3.10.1 above, there were no extraordinary factors or events having a significant impact on the result attained.

3.10.3 Evaluation of events and factors affecting the results

In the opinion of the Management Board of the Company, the above factors and events contributed to the implementation of the strategy of the Company and the Midas Group. In particular, the acceptance of Order 4 and the available investment loan permitted the Midas Group to finance current activities and further growth, among others, by development of the telecommunications network as part of the so-called Project 4100. Thanks to the Wholesale Agreement, the Midas Group was able to provide its clients with additional capacity generated within the 800 MHz frequency and increase the coverage of the LTE-based services which, together with subsequent submitted orders for network construction, allowed the Midas Group to deliver telecommunications services for wholesale wireless data transmission.

3.11 Evaluation of the management of financial resources

The investment loan at Bank Pekao, as well as proceeds from accepted orders from Polkomtel, permitted the Midas Group in 2015 to have available funds to guarantee that all current and planned expenses

related to the activities and investments of the Company and the Midas Group are properly settled. The balance of available cash made it possible to flexibly settle its ongoing liabilities. The Group's liquidity management was focused on a detailed analysis of the turnover of receivables, the ageing analysis of the Group's liabilities and a constant monitoring of bank accounts. Furthermore, the Management Board of the Company safely and relatively attractively invested cash surpluses in bank deposits. In view of the foregoing, the Management Board of the Company has not identified any threats to financial resource management.

3.12 Entity authorised to audit financial statements

The entity authorised to audit and review financial statements of the Company and of the Midas Group, in accordance with the resolution of the Supervisory Board of 11 May 2015, is the company Ernst & Young Audyt Polska sp. z o.o. with its registered office in Warsaw ("E&Y"). E&Y is entered in the list of entities authorised to audit financial statements, kept by the National Council of Statutory Auditors under number 130. The Company reported on the appointment of the entity authorised to audit and review the financial statements of the Company and the Midas Group in Current Report No. 12/2015.

The financial statements of the Company and the consolidated financial statements of the Midas Group for 2015 were audited by E&Y under an agreement entered into on 21 July 2015 for the period of the review/audit together with the auditor's opinion and report.

Detailed information is found below on the fees (in PLN '000) for the entity authorised to audit financial statements in 2015 (as well as in 2014):

	2015	2014
Compulsory audit of the consolidated financial statements	331	285
Other evidencing services, including the audit of the financial statements		25
Tax advisory services	-	-
Other services	230	43
Total	561	353

4 Statement of compliance with corporate governance principles in 2015

4.1 Description of corporate governance principles applicable to the Issuer

In 2015, the Issuer was subject to the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies" attached to Resolution No. 19/1307/2012 of the Supervisory Board of the WSE of 21 November 2012. This document contains the rules of corporate governance the Issuer volunteered to apply.

The Best Practices of WSE Listed Companies are available at https://www.gpw.pl/dobre_praktyki_spolek_regulacje

Starting from 1 January 2016, the Issuer is subject to the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies 2016" adopted under Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 13 October 2015. This document contains the rules of corporate governance the Issuer volunteered to apply.

The Best Practices of WSE Listed Companies 2016 are available at https://www.gpw.pl/lad_korporacyjny_na_gpw.

4.2 Description of the scope of the Issuer's departures from applicable corporate governance principles

In 2015, the Issuer applied the principles of corporate governance contained in the “Best Practices of WSE Listed Companies” with the following exceptions:

Section I “Recommendations for Best Practice for Listed Companies”:

- principle 5) “A company should have a remuneration policy and rules of defining the policy. (...)”.

On 12 December 2013, the Extraordinary General Meeting of the Company adopted a resolution on awarding remuneration to members of the Company’s Supervisory Board for their service. On this basis, members of the Company’s Supervisory Board receive remuneration for participating in each meeting of the Supervisory Board, but do not receive monthly remuneration. On the other hand, under the resolution of the Company’s Supervisory Board, Management Board members appointed for a new term on 14 December 2014 are entitled to monthly remuneration. In view of the foregoing, the Company did not apply the principle stated in section I.5 of the Best Practices of WSE Listed Companies.

- principle 9) “The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies’ business activity.”

Appointments and dismissals of members of the Supervisory Board, and indirectly also members of the Management Board, are at the sole discretion of the General Meeting of the Company. The Management Board of the Company does not have control over what candidatures to the Supervisory Board are submitted by the shareholders of the Company entitled to participate in the General Meeting, or what candidatures to the Management Board are proposed by members of the Supervisory Board. In view of the foregoing, the Company did not apply the principle stated in section I.9 of the Best Practices of WSE Listed Companies.

- principle 12) “A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a proxy, outside the venue of the General Meeting, using electronic communication means.”, and

- principle 10) from section IV “Best Practices of Shareholders”: “A company should enable its shareholders to participate in a General Meeting of Shareholders using electronic communication means through: 1) real-time broadcast of General Meetings, 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.”

Under the Statute, the Company may allow participation in the General Meeting of Shareholders using electronic means of communication on the terms set out in the Rules of Procedure of the General Meeting of Shareholders. The Rules of Procedure of the General Meeting state that the Company may enable shareholders to participate in a General Meeting of Shareholders using electronic means of communication through: 1) real-time broadcast of General Meetings, 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting, and 3) exercising voting rights personally or by proxy during the General Meeting. In the assessment of the Management Board of the Company, the above principle was not applied due to the

risk of a technical and legal nature entailed by the possibility of shareholders authorised to take part in the General Meeting being improperly identified, and also the risk of an infringement of security and the flow of electronic communications, as well as resolutions adopted being contested. In particular, in the Management Board of the Company's opinion, there exists a real risk of technical disruptions occurring which could significantly hinder or prevent continuous bilateral communication with shareholders located in a place other than the location of the meeting.

Section II "Best Practice for Management Boards of Listed Companies":

Principle 1. A company should operate a corporate website and publish on it, in addition to information required by legal regulations:

- principle 1.7) "(...) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions."

There are no detailed records kept in the Company as to the course of the General Meeting, including all statements and questions. Participants of the General Meeting, pursuant to the provisions of the Commercial Companies Code, have the right to make statements in writing which are attached to minutes.

- principle 3) "Before a company executes a significant agreement with a related party, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. (...)."

and

- principle 9) from section III "Best Practice for Supervisory Board Members": "Execution by the company of an agreement/transaction with a related party which meets the conditions of section II.3 requires the approval of the Supervisory Board."

Pursuant to the Statute, in addition to the matters specified in the Act, in other provisions of the Statute or in resolutions of the General Meeting, powers and duties of the Supervisory Board include, but are not limited to:

1) granting consent to the Company to conclude a material agreement with a related party (the above obligation does not apply to routine transactions concluded on market terms in the ordinary course of business conducted by the Company with a subsidiary in which the Company holds a majority shareholding) or a parent; a related party is defined as in the Regulation of the Minister of Finance issued on the basis of Article 60 par. 2 of the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005; further, it is accepted that granting borrowings or other types of debt financing towards the above entities falls within the limits of the ordinary business of the Company;

2) granting consent to the Company to draw down liabilities where the value of a single transaction or of the total number of transactions concluded in a given financial year with a single entity exceeds 20% of the Company's net assets, determined on the basis of the most recent separate financial statements published in an interim report.

The Company applied this principle to the extent resulting from the above provisions of the Statute.

4.3 Description of the principal characteristics of internal audit and risk management systems in place in the Midas Group in reference to the process of the preparation of financial statements

The Management Board of the Company is responsible for the system of internal control and supervision over the preparation of financial statements in the parent, while in the subsidiaries the Management Boards of the same are responsible for this. Interim reports are prepared and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the law of a non-member state. Also the Supervisory Board of the Company and supervisory boards of its subsidiaries assess financial statements of respectively the Company and the subsidiaries in respect of their compliance with the accounting books and documents, as well as with the facts. The results of such assessment of the Company's financial statements are included by the Supervisory Board of the Company in its annual report.

The basic systems of internal control in relation to the process of preparing the financial statements of the Group are:

- 1) internal division of responsibilities in the preparation of financial statements;
- 2) ongoing internal supervision over accounting duties;
- 3) preparation and internal distribution (the Management Board, the Supervisory Board) of interim financial reports containing balance sheets, profit and loss accounts, cash flow statements of the Company's subsidiaries and consolidated accounts for the entire Midas S.A. Capital Group;
- 4) internal procedures and regulations relating, among other things, to concluding significant transactions and obligations (in accordance with the Statute and rules of procedure of the Company's management and supervisory bodies);
- 5) internal review and approval of financial statements prior to their publication;
- 6) periodic review and audit of financial statements by an auditor

Reviews are carried out by the auditor for semi-annual financial statements, whereas annual separate and consolidated reports are subject to audits.

Within the Company's Supervisory Board, there is an Audit Committee composed of: Mr Andrzej Abramczuk, Mr Mirosław Mikołajczyk and Mr Andrzej Chajec. In the Company's opinion, Mr Mirosław Mikołajczyk and Mr Andrzej Chajec meet the criteria set out in Article 86 par. 4 of the Act on Auditors and their Self-government, Entities Authorised to audit Financial Statements and Public Supervision of 7 May 2009, i.e. they satisfy independence conditions specified in the Act, and are qualified in the field of accounting as corporations where they acted or act as members of the management board, prepared financial statements, and pursuant to the Accounting Act, the obligations of such individuals as members of the management board included ensuring the preparation of such statements and approving the same. The composition of the Audit Committee is also, in the opinion of the Company, consistent with the provisions of Annex I and Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive directors (...), and the Best Practices of WSE Listed Companies 2016. Specific tasks of the Audit Committee are described in section 4.8.2 hereof.

4.4 Share capital

4.4.1 Structure of the share capital

As at 31 December 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 have been paid in full and registered with the National Court Register.

4.4.2 Large shareholders

The table below shows the structure of shareholders of the Company which, as at 31 December 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. This structure is valid as at the date of submitting this annual report, i.e. as at 29 February 2016. 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 the Public Offering and pursuant to Article 160 of the Act on Trading in Financial Instruments of 29 July 2005 (hereinafter the "Act on Trading").

Name of the Company's shareholder	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. 40/2013 of 12 December 2013.

4.4.3 Shareholders of the Company with special control rights, restrictions to voting rights and to transferability of the Company's shares

There are no securities carrying any special control rights over the Company and there is no preference as to the voting rights attached to shares of the Company or shareholders of the Company. As at the date of

publication of this report, there are no restrictions on exercising voting rights or on transferring the ownership right to the Company's securities.

4.4.4 Direct shareholding and rights thereto held by persons managing and supervising the Issuer's business

The following table summarises direct shareholding in the Company by managing and supervising persons as at the end of the reporting period, i.e. as at 31 December 2015. In the period from 31 December 2015 until the date of publishing this report, i.e. 29 February 2016, there were no changes in the number of shares in the Company held by the managing and supervising persons in the Company.

Name and surname	Position	Number of shares in the Company as at 31 December 2015	Nominal value of shares held in the Company (PLN)
Wojciech Pytel	Chairman of the Supervisory Board	none	N/A
Zygmunt Solorz-Żak (*)	Deputy Chairman of the Supervisory Board	none	N/A
Andrzej Abramczuk	Secretary of the Supervisory Board	none	N/A
Andrzej Chajec (**)	Member of the Supervisory Board	none	N/A
Krzysztof Majkowski	Member of the Supervisory Board	none	N/A
Mirosław Mikołajczyk	Member of the Supervisory Board	none	N/A
Wiesław Walendziak	Member of the Supervisory Board	none	N/A
Krzysztof Adaszewski	President of the Management Board	none	N/A
Piotr Janik	Vice-President of the Management Board	none	N/A

(*) Mr Zygmunt Solorz-Żak holds indirectly, through entities directly or indirectly controlled, 976,542,690 shares in the Company having a nominal value equal to PLN 97,654,269.00. Information on this subject is contained in section 4.4.2 hereof.

(**) A person closely related to Mr Andrzej Chajec, as defined in Article 160 par. 2 pt. 1 of the Act on Trading in Financial Instruments, holds 250 shares in the Company (of a nominal value of PLN 25).

4.4.5 Agreements which may affect proportions of shares held by the existing shareholders and bondholders

As at 31 December 2015, there was the agreement entered into in December 2011 between Ortholuck holding 100% of the shares in Litenite, and LTE Holdings, a subsidiary of Polkomtel; LTE Holdings acquired from Ortholuck 49% of the shares in Litenite (Current Report No. 6/2012 of 7 February 2012). Under the aforementioned agreement, the remaining 51% stake in Litenite held by Ortholuck was encumbered by a pledge in favour of Polkomtel and the laws of Cyprus governed and applied to such pledge (the "Polkomtel Pledge"). In a case where certain events take place, including, for example, violations of the obligations between Ortholuck and LTE Holdings under the respective agreement between such entities on which the Company has and had no further information or a possible

bankruptcy of Litenite or its subsidiaries, then Polkomtel, under the Polkomtel Pledge, would be entitled, among other things, to exercise corporate and property rights on pledged shares in Litenite, including voting rights, and would obtain the right to sell such shares. In addition, under the Polkomtel Pledge, Ortholuck was obliged not to dispose of or encumber the pledged shares in Litenite, except for encumbering them with another pledge, on certain terms and conditions, as collateral for financing obtained by Litenite or its subsidiaries. Such other pledge would take precedence over the Polkomtel Pledge. In addition, LTE Holdings was contractually reserved an option to purchase from Ortholuck, at market price, the remaining 51% stake in Litenite (the "Call Option").

If there were circumstances permitting Polkomtel to exercise its rights under the Polkomtel Pledge, as referred to above, and Polkomtel actually exercised the same, it would take control of the Company. However, if there were circumstances enabling the Call Option to be exercised and LTE Holdings actually exercised it, Polkomtel would also take control over the Company.

Moreover, Ortholuck was contractually reserved a return option to purchase from LTE Holdings the 49% stake in Litenite, previously sold by Ortholuck (the "Return Option"). The Return Option would be exercisable under circumstances stipulated in the respective agreement and involving a debt ratio provided that there are also no grounds to exercise the Call Option. The Return Option could expire and could not be exercisable in the event that LTE Holdings exercises the Call Option or Polkomtel exercises its above rights under the Polkomtel Pledge.

Based on information provided by Cyfrowy Polsat in Current Report 1/2016, as a result of the subsidiaries of Cyfrowy Polsat discharging their liabilities and repayment of the debt, collateral established in connection with contracting the debt was released, and, among others, the LTE Side Agreement of 9 November 2011 and the LTE Call Back Option of 6 February 2012 were terminated, the expiration of the LTE Call Option agreement of 6 February 2012 was acknowledged, and shares in Litenite Limited representing 49% of the share capital of that company, transferred as collateral to LTE Holdings Limited, were transferred back to Ortholuck Limited.

To the best knowledge of the Company, as at the date of publication of this report, there are no other arrangements under which the control of the Company might potentially change in the future.

4.4.6 Employee stock plan

The Company does not operate any employee stock plan.

4.4.7 Acquisition of own shares

The Company did not acquire its own shares in 2015 and, at the date of publication of this report, did not hold any own shares.

4.5 Principles of amending the Company's Statute

Pursuant to the CCC, the Company's Statute is amended by a resolution of the General Meeting and an entry in the National Court Register. Pursuant to applicable provisions of the Company's Statute, resolutions of the General Meeting on amendments to the Company's Statute (including the issue of new shares) are adopted by a majority of 3/4 (three quarters) of the votes. Furthermore, resolutions on amending the Statute of the Company, increasing shareholder benefits or restricting rights accorded personally to individual shareholders require the consent of all shareholders concerned.

4.6 Procedures applicable to general meetings and their principal competences and description of shareholders' rights and methods of their exercise

Pursuant to Article 399 of the CCC, the General Meeting is convened by the Management Board. The Supervisory Board has the right to convene the Ordinary General Meeting (the "OGM") if the Management Board fails to do so within the period specified in the CCC or in the Statute (pursuant to Article 23 par. 4 of the Statute – within two weeks of the date when a respective request is made by the Supervisory Board) – and the Extraordinary General Meeting (the "EGM") if the Supervisory Board considers it advisable.

Shareholders representing at least half of the share capital or at least half of the total votes in the company may convene the Extraordinary General Meeting. Shareholders appoint the chairman of such a meeting. In addition, pursuant to Article 400 of the CCC, the Issuer's shareholder or shareholders, representing at least one twentieth of the share capital, may request that the Extraordinary General Meeting be convened and that specific items be placed on the agenda of the next General Meeting. Such a request must be submitted in writing or electronically to the Management Board.

Pursuant to Article 24 of the Statute and Article 401 of the CCC, the Supervisory Board or a shareholder or shareholders representing at least 1/20 of the share capital may request that specific items be placed on the agenda of the next General Meeting. Such a request should be submitted to the Management Board no later than twenty-one (21) days before the date scheduled for the General Meeting. The request should include a justification or draft resolution on the proposed agenda item. The request may be made in writing (and sent to the Company's address) or as a PDF file sent to the Company's email address: wz@midas-sa.pl. The Management Board of the Company is obliged immediately, but not later than eighteen (18) days before the date scheduled for the general meeting, to announce any changes to the agenda introduced at the request of the shareholders.

A shareholder or shareholders representing at least 1/20 (one twentieth) of the share capital may, before the date of the General Meeting, submit to the Company in writing (sent to the address of the Company) or as an electronic document saved in PDF format sent to the email address of the Company: wz@midas-sa.pl, draft resolutions relating to items to be placed on the agenda. The Company immediately publishes draft resolutions on its website. A shareholder or shareholders submitting draft resolutions must present a certificate issued by an appropriate body acknowledging the right to participate in the OGM and identifying them as shareholders of the Company.

A request to convene the EGM and place certain items on the agenda, presented by authorised persons, may be rejected only for legitimate reasons and justified in detail. If a motion concerns placing the election of members of the Supervisory Board in accordance with Article 385 par. 3 of the CCC on the agenda, it cannot be rejected under any circumstances. The General Meeting of Shareholders convened upon the motion of authorised entities, or a General Meeting of Shareholders whose agenda contains specific items placed thereon as a result of such a motion, may be cancelled only with the consent of those who brought the motion. In other cases, the General Meeting may be cancelled if holding the meeting is subject to extraordinary obstacles or is obviously pointless.

Such cancellation and possible postponement of the General Meeting take place the same way as when convening the Meeting, reducing as much as possible any negative consequences of the changes for the Company and the shareholders. The cancellation and postponement of the General Meeting should be made immediately after the conditions justifying such cancellation or postponement emerge, but no later than seven days before the date of the General Meeting. If the cancellation or postponement of the General Meeting cannot be made within the time limit referred to in the preceding sentence, the General Meeting should be held unless the circumstances show that it is impossible or excessively difficult, in

which case such cancellation or postponement can be made at any time before the date of the General Meeting. The cancellation or postponement of the General Meeting is made by a notice published on the Company's website together with a statement of reasons and in compliance with any other requirements of the applicable laws. The power to cancel the General Meeting will be vested only in the body or person that has convened the General Meeting.

The General Meeting meets as an ordinary or extraordinary meeting. The Ordinary General Meeting is convened each year no later than on the last day of June.

Pursuant to Article 402¹ of the CCC, a general meeting of a public company is convened by a notice posted on the company's website and as prescribed for the distribution of current information in accordance with the provisions of the Act on the Public Offering. The notice should be made at least twenty-six days before the date of the general meeting.

Pursuant to Article 402² of the CCC, every notice on a general meeting of a public company should include at least:

- 1) the date, time and place of the general meeting together with a detailed agenda,
- 2) a precise description of the procedures for participating in the general meeting and exercising voting rights, and in particular information on:
 - a. shareholders' rights to request that specific items be placed on the agenda of the general meeting,
 - b. shareholders' rights to submit draft resolutions on items brought to the agenda of the general meeting or items to be placed on the agenda before the date of the general meeting,
 - c. shareholders' rights to submit draft resolutions on items placed on the agenda during the general meeting,
 - d. procedures for exercising voting rights by proxy, including, in particular, forms used for proxy voting purposes and procedures for notifying the company electronically of the appointment of that proxy,
 - e. options and procedures for participation in the general meeting using electronic communication means,
 - f. procedures for taking the floor during the general meeting using electronic communication means,
 - g. procedures for exercising voting rights by correspondence or using electronic communication means,
- 3) the registration date for participation in the general meeting, as referred to in Article 406¹ of the CCC,
- 4) information that the right to participate in the general meeting is vested only in persons who are shareholders of the company on the registration date for participation in the general meeting,
- 5) an indication of where and how a person entitled to participate in the general meeting can obtain the full text of the documentation to be presented to the general meeting and draft resolutions or,

if no resolutions are scheduled to be adopted, comments of the management board or the supervisory board of the company, relating to items brought to the agenda of the general meeting or items to be placed on the agenda before the date of the general meeting,

- 6) reference to the website where respective information on the general meeting is published.

A public company operates its own website and publishes the following information from the date of convening the general meeting:

- 1) notice on convening a general meeting,
- 2) information on the aggregate number of shares in the company and the number of votes from such shares as at the date of notice, and, if shares are of different categories, also information about individual categories of shares and respective numbers of votes from shares of each category,
- 3) documentation to be presented to the general meeting,
- 4) draft resolutions or, if no resolutions are scheduled to be adopted, comments of the management board or the supervisory board of the company, relating to items brought to the agenda of the general meeting or items to be placed on the agenda before the date of the general meeting,
- 5) forms permitting the exercise of voting rights by proxy or by correspondence, if they are not sent directly to all the shareholders.

If the forms referred to in item 5 above cannot, for technical reasons, be made available on the website, the public company indicates on this site how and where to get the forms. In such a case, the public company sends the forms free of charge to each shareholder at his/her/its request. The forms should contain the proposed wording of the resolutions of the general meeting and should make it possible:

- 1) to identify the shareholder casting the vote and his/her/its proxy if the shareholder exercises voting rights by proxy,
- 2) to cast the vote as defined in Article 4 par. 1 pt. 9 of the CCC,
- 3) to lodge an objection by the shareholders voting against the resolution,
- 4) to place instructions on how to vote in respect of each of the resolutions over which the proxy is supposed to vote.

The General Meeting may also adopt resolutions without being formally convened, if the entire share capital is represented and none of those present object either to holding the General Meeting or to placing particular items on the agenda. The General Meeting can only adopt resolutions on items on the agenda.

Written draft resolutions under the agenda provided for in the notice on the Meeting are prepared by the Management Board and published on the Company's website. Draft resolutions to be presented to the General Meeting together with relevant documents, and the opinion of the Supervisory Board in a case when the Management Board requested such opinion, should be made available by the Management Board on the Company's website from the date of convening the General Meeting and in the registered office of the Company to all the shareholders, so that the shareholders have an opportunity to read and evaluate them. Draft resolutions prepared by shareholders should be promptly published on the Company's website, stating the date they were received and details of the shareholder who prepared each draft resolution.

Resolutions of the General Meeting are adopted by an absolute majority of votes, and in cases where provisions of the Act require a qualified majority, by a majority required by the CCC.

All shareholders are entitled to attend the General Meeting in person or by proxy. Unless provisions of the CCC stipulate otherwise, the General Meeting may pass resolutions regardless of the number of shareholders present and the amount of share capital represented.

In particular, shareholders of the Company can use e-mail to inform the Company about granting or cancelling a power of attorney for participation in the General Meeting of Shareholders in electronic form. Every power of attorney granted should be notified to the Company using electronic communication means while making best efforts to allow effective verification of the validity of the power of attorney. Together with the electronic power of attorney notice, the shareholder shall send the following in PDF format: scan of the power of attorney, scan of ID, passport or another document permitting identification of the shareholder as the principal and the power of attorney established, e-mail address and telephone number of the shareholder and the proxy; the proxy is not released from the obligation to submit, when drawing up the list of persons entitled to participate in the General Meeting, any documents for his/her identification. Rules applicable to identifying shareholders apply *mutatis mutandis* to notices served on the company on revocation of the power of attorney.

The agenda of the General Meeting is determined by the party convening the General Meeting. A shareholder or shareholders representing at least one twentieth of the share capital can request specific items to be placed on the agenda of the next General Meeting. Such request must be submitted in writing or electronically to the Management Board.

Pursuant to Article 420 par. 1 of the CCC, voting is public at the General Meeting. Secret ballot voting is pursued during elections and for votes on recalling members of the Issuer's governing bodies or liquidators, with respect to actions being brought against them, as well as in personal matters. Apart from this, such secret ballot voting should be administered at the request of at least one of the shareholders present or represented at the General Meeting.

Pursuant to Article 29 par. 1 of the Statute, the General Meeting is opened by the Chairman or Deputy Chairman of the Supervisory Board, and then, from among the persons entitled to attend the General Meeting, the Chairman of the General Meeting is elected. In the absence of those persons, the General Meeting is opened by the President of the Management Board or any person designated by the Management Board.

A resolution on abandoning a matter included in the agenda of the General Meeting may only be adopted for valid reasons. Detailed reasons should be given when filing a request in that respect. Removal from the agenda or abandonment of an item placed on the agenda at the request of the shareholders requires a resolution of the General Meeting, upon the prior consent of all shareholders present who made such a request, supported by 75% of the votes at the General Meeting.

4.7 Description of rules for appointment and dismissal of managing persons and their rights

4.7.1 Supervisory Board

The Supervisory Board consists of from five to seven members appointed for a joint three-year term of office. The mandate of each member of the Supervisory Board appointed or co-opted before the expiry of the term of the Supervisory Board expires together with the expiry of such term.

Members of the Supervisory Board are appointed and recalled by the General Meeting. As replacement for a resigning or deceased member, before the expiry of the mandate, the Supervisory Board may co-opt a member of the Supervisory Board. Only the members of the Supervisory Board elected or approved by the General Meeting vote on resolutions on co-opting a member of the Supervisory Board. Co-opted members of the Supervisory Board are presented for approval at the next General Meeting.

In addition to the matters specified in applicable laws, in other provisions of the Statute or in resolutions of the General Meeting, the powers and duties of the Supervisory Board include:

- a) evaluation of the financial statements for the previous financial year;
- b) evaluating the report of the Management Board on the operations of the Company;
- c) submitting to the General Meeting a written report on the results of the activities referred to in items (a) and (b);
- d) assessing motions of the Management Board on distributing profits or covering losses;
- e) entering into contracts with members of the Management Board and specifying the principles of their remuneration, as well as appointing, suspending or dismissing individual members of or the entire Management Board;
- f) entrusting members of the Supervisory Board with duties of the Management Board in the event that the entire Management Board is dismissed or when the Management Board is otherwise not able to work;
- g) granting consent to the Company to purchase or sell real estate, rights of perpetual usufruct or share in real estate;
- h) granting consent to the Company to conclude a material agreement with a related party (the above obligation does not apply to routine transactions concluded on market terms in the ordinary course of business conducted by the Company with a subsidiary in which the Company holds a majority shareholding) or a parent company; a related party is defined as in the Regulation of the Minister of Finance issued on the basis of Article 60 par. 2 of the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005; further, it is accepted that granting borrowings or other types of debt financing towards the above entities falls within the limits of the ordinary business of the Company;
- i) granting consent to the Company to draw down liabilities where the value of a single transaction or of the total number of transactions concluded in a given financial year with a single entity exceeds 20% of the Company's net assets, determined on the basis of the most recent separate financial statements published in an interim report;
- j) submitting a concise evaluation of the situation of the Company to the Ordinary General Meeting of Shareholders, including an evaluation of the internal control system and risk management system of the Company;
- k) appointing a certified auditor to audit the financial statements of the Company.

Rights to make decisions on issues or redemption of shares are reserved for the General Meeting of the Company.

4.7.2 Management Board

The Management Board consists of one to three members, including the President of the Management Board, appointed for a joint two-year term. The Supervisory Board determines, within the above limits, the number of members of the Management Board and appoints the President and other members of the Management Board. The Supervisory Board or the General Meeting may dismiss the entire Management Board or its individual members, including the President of the Management Board, before the expiry of their term.

The Management Board exercises all its powers within the scope of managing the Company, except for powers reserved by law and the Statute for other bodies of the Company. Operating procedures for the Management Board, as well as duties that can be assigned to its individual members, may be defined in detail in the Rules of Procedure of the Management Board, adopted by the Management Board.

Resolutions of the Management Board require activities going beyond the ordinary management duties and, in particular:

- 1) defining strategies and key operating objectives of the Company as well as financial, pay and personnel policies of the Company,
- 2) approval of the Company's financial statements,
- 3) drafting business plans and financial plans for the Company,
- 4) adopting the Rules of Procedure of the Management Board,
- 5) entering into agreements on joint business with third parties (consortium agreements),
- 6) carrying out legal transactions whose value is higher than 15% of the Company's net assets as at the date of the balance sheet for the last financial year,
- 7) subscribing for shares or holdings in another company,
- 8) convening the General Meeting and setting its agenda,
- 9) granting sureties or guarantees, assuming debts, establishing mortgages or pledges,
- 10) purchasing or disposing of real estate or shares therein.

4.8 *Composition, changes and operating procedures applicable to managing, supervising and administration bodies of the Company*

4.8.1 Supervisory Board

As at 31 December 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 2015, no decisions were taken concerning the composition of the Supervisory Board.

The operating procedures for the Supervisory Board are governed by the provisions of the CCC, the provisions of the Statute, in particular Articles 16-22 and the Rules of Procedure of the Supervisory Board. The provisions of Articles 381-392 of the CCC apply accordingly to all matters not settled in the Statute.

Each member of the Supervisory Board is obliged to provide the Company with his/her statement on the number of shares held in the Company, their percentage share in the share capital and the resulting number of votes, within 4 days of being appointed to the Supervisory Board, and also each time of being requested to do so by the Company's Management Board. Within 4 days after acquiring or disposing of shares in the Company, a member of the Supervisory Board is obliged to notify the Company of such. The relevant letter should contain information on the number of shares in the Company acquired or disposed of, their percentage share in the share capital, and the number of votes resulting from those shares, as well as the number of currently held shares and number of votes. The above provision shall apply mutatis mutandis to the acquisition and disposal of shares in the Company's parents or subsidiaries as well as to transactions with such entities insofar as they are relevant to the financial position of the member of the Supervisory Board. Members of the Supervisory Board should refrain from taking any action which could lead to a conflict of interests with the Company. Members of the Supervisory Board are obliged to immediately inform the Chairman of the Supervisory Board about a conflict of interests and are required to abstain from voting on these matters. A member of the Supervisory Board cannot resign from performing this function during the term if it could prevent effective work of the Supervisory Board and, in particular, if this could prevent timely adoption of any significant resolution.

Pursuant to Article 17 par. 1 of the Statute and section 4 of the Rules of Procedure of the Supervisory Board, the Supervisory Board elects from among its members the Chairman and Deputy Chairman of the Supervisory Board. The Chairman of the Supervisory Board manages its work, convenes meetings of the Board and presides over them, represents the Supervisory Board in dealings with the Management Board and in external relations. In the absence of the Chairman of the Supervisory Board at the meeting of the Supervisory Board or in the event of his/her inability to perform his/her functions in the period between meetings (prolonged illness, trips), the Chairman of the Supervisory Board is replaced by the Deputy Chairman, and in the absence of the Deputy Chairman or his/her inability to perform his/her functions, by another member of the Supervisory Board elected by members of the Supervisory Board. Pursuant to Article 18 par. 1 of the Statute, the Supervisory Board meets at least once every quarter.

Subject to the provisions of Articles 19.2 and 19.3 of the Statute, the Supervisory Board makes decisions by an absolute majority of the votes cast if at least half of its members attend the meeting, and all its members have been invited to the meeting as stipulated in the Statute. The Supervisory Board may adopt valid resolutions also in cases when despite the failure to serve notice on individual members, they are present at the meeting of the Supervisory Board and agree to participate in the meeting.

Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by voting in writing through any other member of the Supervisory Board. A written vote cannot relate to items placed on the agenda during a meeting of the Supervisory Board. The Supervisory Board may adopt resolutions in writing (by circulation) and also by means of direct remote communication. In particular, members of the Supervisory Board may vote on resolutions by sending fax messages or via e-mail. Resolutions adopted this way are valid provided that all the members of the Supervisory Board are

previously notified about the content of the resolution as stipulated in Article 19.1 of the Statute. Adopting resolutions as specified in Article 19.2 and 19 par. 3 of the Statute cannot apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, to the appointment of a member of the Management Board or to the dismissal and suspension of such persons.

The Supervisory Board performs its duties collectively, although it may delegate its members to carry out particular supervisory actions individually.

After setting the date of a meeting, the Chairman of the Supervisory Board informs the Management Board about the meeting, obligates it to provide the required documents, and informs it of the duty of employees or other persons to attend in order to report on the merits of matters which are the subject of the meeting. The Chairman of the Supervisory Board may authorise a Supervisory Board member to carry out the aforementioned entitlements and, where Supervisory Board working groups are formed, their chairmen are also authorised within the scope of activity of the group to obligate the Management Board to prepare materials for meetings and to ensure the presence of employees or other persons whose attendance is necessary due to the scope of matters to be discussed at the Supervisory Board meeting. In the event that a resolution on delegating members of the Supervisory Board to perform specific supervisory activities is adopted, the delegated member of the Supervisory Board may, to the extent of his/her assignment, request access to files and documents regardless of expected topics of the next meeting of the Supervisory Board, and may also require the presentation of individual documents to the Supervisory Board, if they are associated with the planned agenda of the next meeting.

The Supervisory Board may establish permanent and ad hoc working teams from among its members. A resolution establishing any such team defines competences and its operating procedures, and can also authorise individual team members to perform control activities within the scope of the team's responsibilities. Working teams of the Supervisory Board, as well as members of the Supervisory Board delegated to perform specific supervisory activities, notify the Supervisory Board about the results of their work at the meeting of the Supervisory Board, but cannot issue any recommendations or opinions for the Management Board.

Members of the Supervisory Board carry out their duties in person, although the Supervisory Board may adopt a resolution commissioning the preparation of an expert opinion or analysis in connection with the performance of supervisory duties to persons from outside the Supervisory Board. Terms and conditions for the execution of such orders in accordance with any resolution adopted in that respect are agreed by the Chairman of the Supervisory Board or another member of the Supervisory Board indicated in the resolution, who informs the Management Board about the need to enter into a mandate contract or a contract for specific work on behalf of the Company to the extent respectively agreed.

4.8.2 Audit Committee

There is an Audit Committee established in the Company unless the General Meeting delegates its responsibilities to the Supervisory Board consisting of five members, and in addition, the Supervisory Board may appoint other committees, including a nomination and remuneration committee.

Under the Rules of Procedure of the Supervisory Board, the following permanent committees may work within the Supervisory Board: the Audit Committee and the Remuneration Committee which submit annual reports on their activities to the Supervisory Board. Those reports are made available to shareholders of the Company. The Committees are appointed by the Supervisory Board from among its members. The Committees are made up of 3 to 5 members. The work of each Committee is managed by its chairman. All members of the Supervisory Board may participate in meetings of a given Committee.

The Audit Committee consists of at least two independent members (who are not members of the Supervisory Board) and at least one member who has qualifications and experience in the field of accounting or finance. The Audit Committee's task is to advise the Supervisory Board on the proper implementation of the principles of budgetary and financial reporting, as well as on internal control at the Company and cooperation with the Company's certified auditors. In particular, the Audit Committee is responsible for:

- a) monitoring the work of the Company's certified auditors and presenting to the Supervisory Board recommendations on the choice and remuneration of the Company's certified auditors,
- b) discussing with the Company's certified auditors, before the commencement of the annual audit of the financial statements, the nature and scope of the audit, and monitoring the coordination of work between the Company's certified auditors,
- c) reviewing interim and annual financial statements of the Company (separate and consolidated), with a particular focus on: (i) any changes to accounting standards, principles and practices, (ii) major areas of judgement, (iii) significant post-audit adjustments, (iv) going concern statements, (v) compliance with applicable accounting regulations,
- d) discussing any problems or reservations that might result from the audit of the financial statements,
- e) analysing letters to the Management Board prepared by the certified auditors of the Company, and the independence and objectivity of their audit and the responses of the Management Board,
- f) issuing opinions on yearly and long-term financial plans,
- g) giving opinions on the dividend policy, profit distribution and securities issues,
- h) reviewing the management accounting system,
- i) reviewing the internal control system, including control mechanisms in the area of finance, operations, compliance, risk and management assessment,
- j) analysing reports by the Company's internal auditors and the main reservations of other internal analysts, and responding to the Management Board with regard to those reservations, together with assessing the degree of independence of the internal auditors and issuing opinions on the Management Board's plans for hiring or dismissing persons in charge of organisational units responsible for internal audit,
- k) annually reviewing the internal audit programme, coordinating the work of internal and external auditors and examining conditions of the internal auditors' work,
- l) cooperating with organisational units of the Company responsible for auditing and control, and periodically evaluating their work,
- m) considering all other issues related to auditing at the Company, which the Audit Committee or Supervisory Board draw attention to,
- n) informing the Supervisory Board about any material issues in respect of the activities of the Audit Committee.

The composition of the Audit Committee as at the date hereof was as follows:

- Mr Andrzej Abramczuk
- Mr Mirosław Mikołajczyk
- Mr Andrzej Chajec

4.8.3 Remuneration Committee

The Remuneration Committee is responsible for helping achieve the strategic goals of the Company by presenting the Supervisory Board with opinions and motions on structuring management, including on organisational solutions, the remuneration system, and the choice of staff having qualifications appropriate to building the success of the Company. The Committee's responsibilities include in particular: (a) initiating reviews of and giving opinions on systemic solutions for appointment of members of the Management Board, (b) reviewing the Company's management system solutions proposed by the Management Board and designed to ensure efficiency, consistency and safety and security of the Company's management, (c) periodically reviewing and recommending rules for accepting incentive schemes for members of the Management Board and senior executives, in accordance with the interests of the Company, (d) periodically reviewing the system of remuneration of members of the Management Board and executives reporting directly to members of the Management Board, including manager's contracts and incentive schemes, (e) presenting opinions to the Supervisory Board on justifications for performance-based remuneration in the context of the assessment of the degree of implementation of specific tasks and objectives of the Company, (f) assessing the human resources management system in the Company.

The composition of the Remuneration Committee as at the date hereof was as follows:

- Mr Andrzej Chajec
- Mr Krzysztof Majkowski
- Mr Wiesław Walendziak

4.8.4 Management Board

As at 31 December 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 2015, no decisions were taken concerning the composition of the Management Board.

The operating procedures for the Management Board are governed by the provisions of the CCC, the provisions of the Statute, in particular Articles 12-15 of the Statute, and the Rules of Procedure of the Management Board. The provisions of Articles 368-380 of the CCC apply accordingly to all matters not settled in the Statute.

Subject to the following sentence, in order to make declarations of will and sign on behalf of the Company, two members of the Management Board acting jointly or one member of the Management Board acting jointly with a registered holder of a commercial power of attorney are required. In the case of a single-member Management Board, the sole member may act individually in making declarations of will and signing on behalf of the Company. The following, among others, require the consent of the Supervisory Board:

- a) conclusion by the Company of a material agreement with a related party (the above obligation does not apply to routine transactions concluded on market terms in the ordinary course of business conducted by the Company with a subsidiary in which the Company holds a majority shareholding) or a parent company; a related party is defined as in the Regulation of the Minister of Finance issued on the basis of Article 60 par. 2 of the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005; further, it is accepted that granting borrowings or other types of debt financing towards the above entities falls within the limits of the ordinary business of the Company;
- b) granting consent to the Company to draw down liabilities where the value of a single transaction or of the total number of transactions concluded in a given financial year with a single entity exceeds 20% of the Company's net assets, determined on the basis of the most recent separate financial statements published in an interim report.

In agreements between the Company and members of the Management Board, and in disputes with them, the Company is represented by the Supervisory Board. By way of a resolution, the Supervisory Board may authorise one or more members of the Supervisory Board to perform such legal duties.

Members of the Management Board acquiring shares in the Company or its subsidiaries or parents should treat them as long-term investments.

4.9 Remunerations of managing and supervising persons

The table below shows the value of salaries, bonuses or benefits from their functions in 2015, separately for each of the Issuer's managing and supervising persons.

Name and surname	Position	Gross value of remuneration (PLN '000)
Krzysztof Adaszewski	President of the Management Board ¹	1,043.6
Piotr Janik	Vice-President of the Management Board ²	890.8
Wojciech Pytel	Chairman of the Supervisory Board	25.9
Zygmunt Solorz-Żak	Deputy Chairman of the Supervisory Board	12.5
Andrzej Abramczuk	Secretary of the Supervisory Board ³	25.7
Andrzej Chajec	Member of the Supervisory Board	11.9
Krzysztof Majkowski	Member of the Supervisory Board	14.2
Mirosław Mikołajczyk	Member of the Supervisory Board	12.9
Wiesław Walendziak	Member of the Supervisory Board	10.3

(¹) the value of remuneration takes account of remuneration in the amount of PLN 521,100 from employment agreements in the companies Midas, Aero2 and Mobyland, PLN 521,800 of bonuses paid in 2015 and PLN 700 in the form of non-cash benefits obtained in Aero2.

(²) the value of remuneration takes account of remuneration in the amount of PLN 466,700 from employment agreements in the companies Midas, Aero2, Mobyland and AltaLog, PLN 417,400 of bonuses paid in 2015 and PLN 6,700 in the form of non-cash benefits obtained in the Company

(³) the value of remuneration takes account of remuneration in the amount of PLN 11,500 from civil law agreements in the companies Aero2 and Mobyland

Apart from the above remuneration for serving on bodies of the Company shown in the table, in 2015 none of the managing or supervising persons received:

- remuneration, awards or benefits, including under incentive or bonus schemes based on the capital of the Issuer, including schemes based on preferred bonds, convertible bonds, subscription warrants (in cash, in kind or in any other form whatsoever),
- remuneration or awards received for functions on the authorities of subordinated entities.

4.10 Agreements with managing persons providing for compensation in the event of their resignation or dismissal without cause or when their dismissal or termination results from a merger of the Company following acquisition

In 2015, no agreements with managing persons providing for compensation in the event of their resignation or dismissal without cause or when their dismissal or termination results from a merger of the Company following acquisition were effective.

5 Remuneration policy

The remuneration system adopted by the Company is based on appropriate resolutions of the Company's governing bodies. On 12 December 2013, the Extraordinary General Meeting of the Company adopted a resolution on awarding remuneration to members of the Company's Supervisory Board for their service. On this basis, members of the Company's Supervisory Board receive remuneration for participating in each meeting of the Supervisory Board, but do not receive monthly remuneration. On the other hand, under the resolution of the Company's Supervisory Board, Management Board members appointed for a new term on 14 December 2014 are entitled to monthly remuneration. During the last financial year there were no significant changes in the remuneration policy.

Information about the remuneration of each of the members of the Management Board and on non-financial pay components is available in section 4.9 of this report. Variable components of the remuneration of the members of the Management Board are subject to relevant decisions of the Supervisory Board. In the Company's opinion the remuneration policy in place sufficiently secures a long-term growth of value for the shareholders and stability of the business operations.

As at the date of publication of this report, Mr. Krzysztof Adaszewski has employment contracts with the Company and Aero2 providing for 6-month periods of notice. The agreements in question do not include any additional terms and conditions related to any other termination benefits.

As at the date of publication of this report, Mr. Piotr Janik has employment contracts with the Company, Aero2, Sferia and AltaLog providing for 6-month periods of notice. The agreements in question do not include any additional terms and conditions related to any other termination benefits.

6 Other information

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

In 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% 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, and from 30 November 2015 Aero 2 as a legal successor of Mobyland (depending on the proceedings) and Sferia 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 reverse the previous resolutions that directly concern frequency reservations for CenterNet and Mobyland or frequency reservations granted to Aero2 and Sferia.

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).

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

In the matter concerning a reversal 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 SAC judgement was issued following the dismissal of the cassation appeals filed by the President of the OEC and the Issuer's subsidiaries: 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, reversing 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 reversed 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's (currently Aero2) and Mobyland's (currently Aero 2) 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 taken 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. That 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 SAC judgement of 29 May 2014 is binding, and means that those frequency reservations are final. The decisions may only be reversed 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.

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

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.

Proceedings related to Sferia's frequencies in the 816-821 MHz and 857-862 MHz range

Sferia obtained radio frequency reservations until 31 December 2018 based on the decision of the President of the Office for Telecommunication and Post Regulation ("President of the OTRP") of 31 December 2003 (LR 7346/03), as subsequently by the decisions of the President of the OTRP of 19 August 2004 (LR 4269/04), 29 September 2004 (DZC-WDO-5106-9/04(4)) and 20 October 2005 (DZC-WAP-5106-1/05(5)) as well as decisions of the President of the Office of Electronic Communications ("President of the OEC") of 10 July 2007 (DZC-WAP-5106-1/05(35)), 15 October 2008 (DCZ-WAP-5106-1/05(112)), 19 March 2009 (DCZ-WAP-5106-1/05(140)), 27 December 2013, (DZC-WAP-5174-16/13(62) and 26 September 2014, (DZC-WAP-5174-16/13(137)).

In the context of this report, of key importance were the last two above-mentioned decisions of the President of the OEC, i.e. the decisions of 27 December 2013 and 26 September 2014 under which, in exchange for the frequency reservations in the 824-830 MHz and 869-875 MHz range made by the decision of the President of the OTRP of 20 October 2005, the President of the OEC allocated to Sferia the frequencies from the 816-821 MHz and 857-862 MHz range ("800 MHz Range").

Three operators, i.e. T-Mobile Polska S.A. ("T-Mobile"), Orange Polska S.A. ("Orange") and P4 Sp. z o.o. ("Play") as well as the French Chamber of Industry and Trade ("FIPH"), took a number of legal actions aimed at preventing the use by Sferia of the new range of frequencies, as further described below:

- a. Proceedings court case No. II C 184/14 held before the Regional Court in Warsaw based on the claim of T-Mobile for acknowledging the invalidity of the settlement entered into by and between the State Treasury and Sferia together with its shareholders in order to evade compensation claims related to the discrimination of Sferia. The proceedings are pending. As part of the proceedings, by the decision of

24 February 2015 court case No. I Acz 119/15, the Court finally dismissed the motion by T-Mobile for an injunction in the form of the prohibition for Sferia to use the frequencies from the 800 Mhz range due to the fact that the complainant failed to show legal interest in having such an injunction granted.

b. Proceedings court case No. VI SA/WA 4043/14 held before the Province Administrative Court in Warsaw, based on the complaint by Orange on reversing the decisions of the President of the OEC replacing the frequencies reserved for Sferia with the frequencies from the 800 MHz range (Decisions of 27 December 2013 and 26 September 2014), together with a motion to suspend the enforceability of the decisions. By the ruling of 11 January 2016 the Court rejected the motion by Orange for suspending the enforcement of the decision appealed against. By a separate decision issued on the same date, the Court suspended the proceedings until the complaints filed by Orange and Play against the judgements of the Province Administrative Court in Warsaw of 19 May 2015 are examined by the SAC.

c. Proceedings court case No. II GSK 3393/15 held before the Supreme Administrative Court in Warsaw, based on the complaint by Orange on reversing the unfavourable judgement of the Province Administrative Court in Warsaw of 19 May 2015, court case No. VI SA/WA 3939/14, dismissing the complaint by Orange against the decision of the President of the OEC on the inadmissibility of an appeal/motion for re-examination of the decision of the President of the OEC of 27 December 2013 (DZC-WAP-5174-16/13(62)). In the judgement challenged by Orange, the Province Administrative Court in Warsaw acknowledged that Orange did not have the status of the party to the proceedings in the proceedings for replacement of Sferia's frequency reservations.

d. Proceedings court case No. VI SA/WA 4106/14 held before the Province Administrative Court in Warsaw, based on the complaint by Play on reversing the decisions of the President of the OEC replacing the frequencies reserved for Sferia with the frequencies from the 800 MHz range, together with a motion to suspend enforceability of the decisions. Sferia filed a reply to the complaint and a motion to suspend the enforceability of the decision. By the ruling of 11 January 2016 the Court rejected the motion by Play for suspending enforcement of the decision appealed against. By a separate decision issued on the same date, the Court suspended the proceedings until the complaints filed by Orange and Play against the judgements of the Province Administrative Court in Warsaw of 19 May 2015 are examined by the SAC.

e. Proceedings court case No. II GSK 3252/15 held before the Supreme Administrative Court in Warsaw, based on the complaint by Play on reversing the unfavourable judgement of the Province Administrative Court in Warsaw of 19 May 2015, court case No. VI SA/WA 3793/14, dismissing the complaint by Play against the decisions of the President of the OEC refusing to admit Play to the proceedings for replacement of Sferia's frequencies with the frequencies from the 800 Mhz range. On 10 December 2015 Sferia filed a pleading with a detailed presentation of the party's position. Currently, the date for hearing the case has not yet been determined.

f. Proceedings court case No. VI SA/WA 4095/14 held before the Province Administrative Court in Warsaw, based on the complaint by FIPH on reversing the decision of the President of the OEC replacing the frequencies reserved for Sferia with the frequencies from the 800 MHz range. By the decision of 30 October 2015 the Court suspended the proceedings until the complaints filed by Orange and Play against the aforementioned judgements of the Province Administrative Court in Warsaw of 19 May 2015 are examined by the SAC. What is essential is that earlier, during the proceedings conducted, the Court, in the ruling of 24 July 2015, rejected FIPH's motion to suspend the enforcement of the decision appealed against.

The Management Board of Sferia considers any claims under the aforementioned proceedings unjustified. At the current stage, all valid judgements of the Court are favourable for Sferia and acknowledge the legality of the decisions of the President of the OEC of 27 December 2013 and 26 September 2014.

However, until the final closing of the proceedings the possibility cannot be excluded that the judgements would be modified in a way unfavourable for Sferia as part of the currently pending proceedings.

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.

By the judgement of 19 January 2015, XVII AmT 69/13, the OCCP Court dismissed the appeal by CenterNet. Aero2, as the 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 OCCP Court partially ruled in favour of an appeal by Mobyland and reversed 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 and the President of the OEC filed an appeal against this judgement, while Mobyland appealed against the part in which the appeal was dismissed. By the judgement of 14 October 2015, the Appeal Court in Warsaw admitted the appeal of the President of the OEC and reversed the judgement of the Court of first instance to the extent of sections 1 and 3, i.e. in the part where the decision of the President of the OEC on imposing the obligation on Mobyland to apply fees in a respective amount was reversed, and in the part where mutual costs of the proceedings were waived between the parties, and forwarded the case for re-examination by the Court of the first instance. The Appeal Court also dismissed in its entirety the appeal by Mobyland. Aero 2 – acting as the legal successor of Mobyland – filed a cassation appeal against the aforementioned judgement of the Appeal Court which is awaiting examination.

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

6.2 Subsequent events

Until the date of publication of this report there were no significant events affecting the assessment of the Midas Group's operations.

6.3 Important achievements in the area of research and development

In 2015, the Midas Group did not conduct any research and development activities.

6.4 Environmental issues

The Group complies with all the obligations in the area of the protection of the natural environment. To the extent to which the Group entities create their own radio network infrastructure, there are issues of compliance of the devices of the base stations in the radio telecommunications networks with the requirements of applicable laws on the environment protection, especially in terms of not exceeding the limit values of electromagnetic fields associated with the operation of such stations. Pursuant to the

provisions of the Act on the Provision of Information about the Environment and its Protection, Public Participation in Environmental Protection and Environmental Impact Assessments and Secondary Regulations thereto of 3 October 2008, in particular the Regulation of the Council of Ministers of 9 November 2010 on projects likely to have significant effects on the environment, the implementation of the projects for the construction of devices in the base stations, depending on the capacity of the installed devices, may constitute a project significantly affecting the environment. In addition, the construction of these devices may be subject to certain environmental protection conditions in the Natura 2000 area. The foregoing may require an assessment of the environmental impact during the preparation for the construction of such devices, and when obtaining building permits, decisions on approval of the construction project, decisions to permit the use of, or change in the use of a building or a part thereof. Such environmental impact assessments are carried out when preparing reports on the project impact on the environment and when applying for decisions on the environmental conditions for the project.

The provisions of the above regulation stipulate that not all installations of base stations emitting electromagnetic fields with frequencies ranging from 0.03 MHz to 300000 MHz are classified as projects likely to always have a significant environmental impact. The classification of the base station as a project that could always significantly affect the environment depends on the proximity of places accessible to the public to antennas of the base stations and equivalent isotropic radiated power of such antennas. The construction of the stations which are not classified as projects likely to always significantly affect the environment and not located within the Natura 2000 area is subject to an environmental impact assessment only if competent authorities issue a decision requiring such an assessment.

Technologies currently used, in the opinion of the Issuer, allow for the expansion of the infrastructure of the radio telecommunications network in accordance with the applicable environmental protection standards, including in compliance with the threshold values of electromagnetic fields associated with the operation of base stations.

The Issuer believes that other environmental issues do not have a material impact on the Group's operations and its financial position and do not have a material impact on the Group's use of its property, plant and equipment.

6.5 *Charity and sponsoring policy*

In 2015, the Issuer did not carry out any sponsoring, charity or any other similar activities.

6.6 Registry, communication and address data

Registered name of the Issuer:	Midas Spółka Akcyjna The Issuer may use the abbreviated name Midas S.A.
Place of registration:	The Issuer is registered in the Commercial Register of the National Court Register kept by the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register.
Registration No.:	National Court Register 0000025704
Date established:	The Issuer was established on 15 December 1994 by the State Treasury represented by the Minister of Ownership Transformations (currently, the Minister of the State Treasury) as a sole shareholder company of the State Treasury.
Duration:	Unlimited
Registered office:	Warsaw
Legal form:	spółka akcyjna
Regulations applicable to the Issuer's operations:	The Issuer operates pursuant to and in accordance with the laws of Poland, in particular the provisions of the Commercial Companies Code as well as on the basis of its Statute.
Country of the registered office:	Republic of Poland
Address:	al. Stanów Zjednoczonych 61a 04-028 Warsaw
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SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski

President of the Management
Board

Piotr Janik

Vice-President of the
Management Board

Warsaw, 26 February 2016