



**MANAGEMENT REPORT
ON THE OPERATIONS OF
MIDAS S.A.
IN 2014**

Warsaw, 3 March 2015

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1 Description of the company Midas S.A.

1.1 Key information about Midas S.A.

Midas Spółka Akcyjna (formerly known as Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna, hereinafter, the “Company” or the “Issuer”) was established on 15 December 1994 pursuant to the Act on National Investment Funds and Their Privatisation of 30 April 1993 and, until 31 December 2012, operated under the provisions of that act, the Commercial Companies Code of 15 September 2000 (hereinafter, the “CCC”) and other regulations. As of 1 January 2013, in connection with the entry into force of the Act of 30 March 2012 Repealing the Act on National Investment Funds and their Privatisation and Amending Certain Acts, 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 000002570. 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.

1.1.1 The Company’s business activity

The Company’s business activity comprises (Polish Classification of Economic Activities code in brackets):

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

1.1.2 Changes in the structure of the Company

In 2014, the structure of the Company did not change.

1.2 Branches of the Company

The Company has no branches or establishments.

1.3 Changes in the principles of managing the Company

In 2014, there were no major changes in the way the Company was managed.

1.4 Organisational or capital relations

The Company is part of the capital group (the “Midas 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 CenterNet S.A. with its registered office in Warsaw (“CenterNet”), Mobyland Sp. z o.o. with its registered office in Warsaw (“Mobyland”), Conpidon Limited with its registered office in Nicosia (“Conpidon”), Aero2 Sp. z o.o. with its registered office in Warsaw (“Aero2”) and, up to 31 July 2013, Nova Capital Sp. z o.o. with its registered office in Warsaw (“Nova Capital”). Details of the holdings of

shares in subsidiaries are set forth in Note 5 to the Financial Statements of Midas S.A. for the year ended 31 December 2014.

On 24 April 2013, the Management Board of the Company resolved to carry out a cross-border merger (the “Merger”) of the Company and Conpidon Limited, in which the Company has 100 per cent of the shares in the share capital. The decision to conduct the Merger of the Company and Conpidon reflected the belief of the Management Board of the Company that the Merger was the fastest and most effective way to streamline the structure of the Midas Group. The long-term goal for the Merger was for the Company to directly hold 100 per cent of the shares in the share capital of Aero2, which was in line with the strategy of the Midas Group. The Merger of the Company with Conpidon was effected by way of: (i) transferring to the Company, as the sole shareholder of Conpidon, all of the assets of Conpidon, via universal succession, and (ii) dissolving Conpidon without liquidating it, in accordance with the provisions of the CCC, the Companies Law of Cyprus and the provisions of Directive 2005/56/EC of the European Parliament and of the Council. Following the Merger, the Company entered, as of the date of the merger, into any and all rights, obligations, assets and liabilities of Conpidon. Pursuant to the CCC, due to the fact that the Company held all of the shares in Conpidon, the Merger occurred without increasing the Company’s share capital, and the merger plan was not evaluated by an auditor. Detailed information about the Merger was published in Current Reports No. 14/2013 and 15/2013. On 17 May 2013, the Management Board of the Company prepared and published (Current Report No. 20/2013) a Management Report justifying the Merger. On 21 June 2013, the Ordinary General Meeting of Shareholders passed resolution No. 21/2013, pursuant to which it approved the Merger and authorised the Management Board of the Company to execute all actions required to perform the merger procedure, about which the Company reported in Current Report No. 28/2013. On 21 February 2014, the Merger was registered, and the Company thereby became the legal successor of Conpidon. The Company published information on the registration in Current Report No. 3/2014.

On 31 December 2014, the merger of Aero2 and CenterNet S.A. (“CenterNet”), in which the Company holds 100 per cent of the shares in the share capital, was registered. The decision to conduct the merger of Aero2 and CenterNet 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 CenterNet was effected by way of: (i) transferring all of the assets of CenterNet to Aero2 via universal succession, and (ii) dissolving the company CenterNet 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 11,050 thousand to PLN 11,100 thousand, i.e. by PLN 50 thousand, by creating 1,000 new shares with a nominal value of PLN 50 each. The premium on the new shares in Aero2 in the amount of PLN 144,895 thousand was allocated to the supplementary capital of Aero2. As a result of the Merger, the Company, as the sole shareholder of CenterNet, received 1,000 new shares in the share capital of Aero2 in exchange for 4,264,860 existing shares in the share capital of CenterNet.

The Company is 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 Offering”) in which the parent (person controlling the Company) is the Deputy Chairman of the Supervisory Board, Mr Zygmunt Solorz-Żak. Mr Zygmunt Solorz-Żak controls the Company 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 51 per cent stake in Litenite,

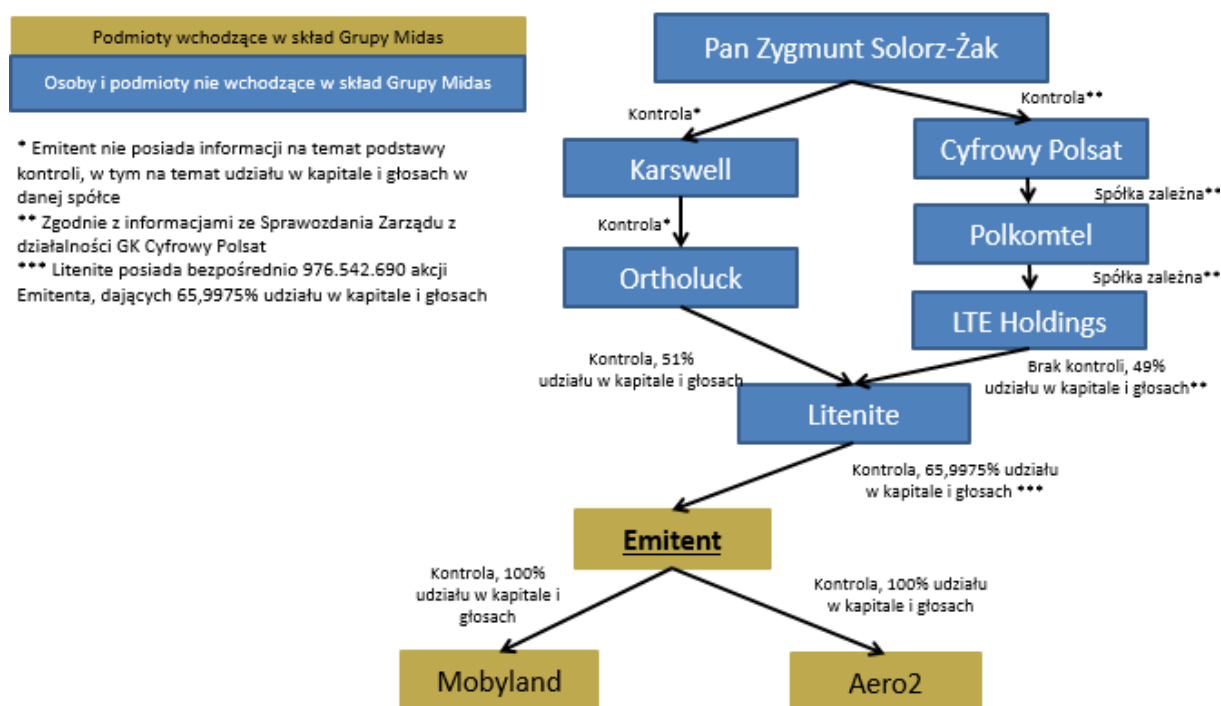
3) Mr Zygmunt Solorz-Żak, Karswell and Ortholuck do not directly hold any shares of the Company (information based on the notification made pursuant to Article 69 of the Act on the Public Offering received by the Company from Mr Zygmunt Solorz-Żak).

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

As at 31 December 2014, the ZSZ Group also includes subsidiaries of the Company – CenterNet, Mobyland, Conpidon, and Aero2 - and after 31 December 2014 Mobyland and Aero2.

In addition, 49 per cent of Litenite's shares are held by LTE Holdings Limited with its registered office in Nicosia, Cyprus ("LTE Holdings"), which is a subsidiary of Polkomtel Sp. z o.o. ("Polkomtel"), which in turn is controlled by Cyfrowy Polsat S.A. ("Cyfrowy Polsat"), and is therefore indirectly controlled by Mr Zygmunt Solorz-Żak.

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. In particular, the diagram takes account of the merger of the companies Aero2 and CenterNet, which was registered in the National Court Register on 31 December 2014.



1.5 Deposits and capital expenditures

The Company's primary investments are shares held in its subsidiaries, CenterNet, Mobyland and Aero2, and after 31 December 2014 Mobyland and Aero2, in which the Company holds a 100 per cent share in the capital and voting rights. The ownership structure in the Midas Group and any changes thereto that

occurred in 2014 are set forth in section 1.4 hereof. In 2014, the Company focused on providing the Midas Group with the right level of financing to carry out the strategy adopted by the Company. The Midas Group's capital expenditures 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").

2 Activities of the Company

The Company's core business is the activity of holding companies. The holding activities carried out by the Company in 2014 primarily involved coordinating the operations of the Midas Group. Those activities are conducted on the territory of Poland. In addition, in 2014 the Company pursued such activities as raising capital necessary for the implementation of the Midas Group's investment plans through starting up bank loans (further described in section 2.4.1 below).

2.1 Principal products, goods and services

Due to the nature of its operations, the Company practically does not manufacture products or goods and does not provide services. The principal products, goods and services manufactured by the Midas Group are described in detail in the Management Report on the activities of the Midas Capital Group in 2014.

2.2 Key sales and supply markets

The nature of the Company's activities does not allow for identification of key sales or supply markets. Nevertheless, subsidiaries belonging to the Midas Group operate on the market of telecommunications services in Poland. Thanks to its frequency reservations, the Midas Group is able to offer mobile services nationwide.

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

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

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

- a) Understanding ("CP Understanding") with Cyfrowy Polsat (hereinafter a "Party", and jointly with Mobyland, also the "Parties"),
- b) Understanding ("PLK Understanding") with Polkomtel (hereinafter a "Party", and jointly with Mobyland, also the "Parties").

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

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

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

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

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

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

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

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

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

agreement with the highest value is Order 3 of 27 March 2014, described in this report, the value of which is PLN 1,442.3 million.

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

- a) for January 2014 – in the amount of PLN 37,500,000.00 net – on the basis of an invoice issued within seven days of accepting Order 3,
 - b) for each month from February 2014 to December 2014 – in the amount of PLN 37,500,000.00 net,
 - c) for each month from January 2015 to December 2015 – in the amount of PLN 39,750,000.00 net,
 - d) for each month from January 2016 to December 2016 – in the amount of PLN 42,944,841.60 net,
- and to the remaining extent in accordance with the PLK Agreement.

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

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

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

The Management Board draws attention to the Understanding, signed after the balance sheet date, and to Order 4, submitted by Polkomtel and described in detail in section 5.2. In light of the new agreements, the above provisions on Order 3 and the above-described CP Understanding and PLK Understanding lose their validity, and the conditions described therein refer only to events in 2014. As from 1 January 2015, the provisions of the Understanding and Order 4 described in section 5.2 are in force.

On 31 March 2014, the Company and Sferia S.A. ("Sferia") concluded Annex No. 2 ("Annex No. 2") to the framework agreement of 21 December 2012 (hereinafter, the "Framework Agreement"; the Company reported on concluding the Framework Agreement in Current Report No. 55/2012), by virtue of which the deadline for concluding the Supply Agreement was again extended. In accordance with Annex No. 2, the new deadline for concluding the Supply Agreement expires on 31 December 2014. The justification for the aforementioned amendment cited in Annex No. 2 was failure by Sferia to obtain the radio permits required to use the radio equipment facilitating the provision of services at a level no worse than LTE in Poland, in numbers and locations justifying efficient economic commencement of the provision of services with the use of those permits and failure to obtain the right to utilise other frequencies necessary to that end. The other provisions of the Framework Agreement remain unchanged. At the same time the Company notes that, as at the date of publication of this report, the proceedings associated with Sferia obtaining the aforementioned rights had concluded with radio licences being obtained. The Company published information about the above issues in Current Report No. 5/2014 and 25/2014.

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

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

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

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

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

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

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

The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank's margin, will also be repaid in monthly periods. In the case set forth in the Agreement and related to the accounting revenue of Midas Capital Group entities generated until the end of 2015, the Bank will be entitled to shorten the Repayment Period so that it ends on the third anniversary of executing the Agreement, unless the Borrowers provide a solution acceptable to the Bank, which will require the Borrowers to obtain external assistance that will ensure timely debt repayment. For granting the Loan and for its early repayment, the Bank is also entitled to commission, the amount of which has been determined at a market level. The Agreement also defines events ("Events of Default") that will cause the Bank's margin to be increased by the amount specified in the Agreement. The higher margin for the Bank will be in effect until an Event of Default has been remedied by the Borrowers. The list of Events of Default defined in the Agreement is a standard list commonly used in these types of agreements. The Borrowers are jointly and severally liable for any amounts payable to the Bank under the Agreement.

The Loan is secured by: (a) a registered pledge for up to PLN 300 million over the shares of CenterNet, Aero2 and Mobyland; (b) a registered pledge for up to PLN 300 million over a pool of assets and rights owned by the Borrowers and treated as a single economic unit, but in the case of Aero2 up to PLN 396.7 million; (c) an assignment of rights under the insurance policies concluded by Aero2 concerning assets securing the Loan; (d) an assignment of receivables under the agreements on wholesale data transfer services concluded by Mobyland with Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.; (e) subordination of the receivables of an entity outside the Borrower's group (save for Alior Bank SA, Plus Bank SA and holders of the Company's series A bonds) providing financing for the Borrowers, with respect to the Bank's receivables from the Borrowers under the Finance Documents; (f) conditional powers of attorney authorising the Bank to act on behalf of the Borrowers (save for the Company) before the Polish Office of Electronic Communications; (g) powers of attorney for the Borrowers' bank accounts; (h) a declaration of submission to enforcement for up to PLN 300 million made by the Borrowers in favour of the Bank pursuant to Article 97 of the Banking Law of 29 August 1997; (i) a declaration by Mr Zygmunt Solorz-Żak on providing, within the scope of rights vested in shareholders of public companies, assistance throughout the term of the Agreement, which, in particular, involves making efforts to ensure that the Borrowers repay any and all of their obligations towards the Bank in a timely manner, remain in sound economic and financial standing, and obtain additional financing sufficient to satisfy their obligations towards the Bank in the event of a delay in their repayment. On 26 August 2014, the Extraordinary General Meeting of the Company adopted a resolution in which it agreed to the establishing of a limited right in rem over the Company's assets. Approval from the General Meeting will allow the Management Board of the Company to successfully establish the registered pledge over the Company's assets referred to in pt. (b) above.

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

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

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

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

- (i) a pledge on 221,000 shares of Aero2 representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer;
- (ii) a pledge on 4,264,860 shares of CenterNet representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer;
- (iii) a pledge on 204,200 shares of Mobyland representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer.

The decision concerning the intention to make use of the right to change security is the consequence of the agreement concluded by the Company on 10 July 2014 with Bank Pekao concerning investment loan for up to PLN 200 million (as described above). Under the provisions of the Agreement, one form of security for the Loan being granted is a registered pledge up to the amount of PLN 300 million on the shares of subsidiaries of the Issuer, i.e. Aero2, CenterNet and Mobyland. For that reason, in order to enable the aforementioned security for the Loan to be established, the Management Board of the Company decided to make use of the right to a Change of Security. The Management Board of the

Company issues a reminder that after the effective deletion of the aforementioned registered pledges from the register of pledges, described in Current Report No. 5/2013, the provisions of the BIC concerning calculation of the Amount for Payment (defined in Current Report No. 5/2013) will come into force, after the Issuer makes use of the right to a Change of Security, and also that the value of the discount rate will be increased by 1.7 percentage points, on the basis of which the theoretical value of the Bonds (TVB) is calculated. Moreover, in accordance with the provisions of the BIC, the Issuer is entitled to re-secure the Bonds by establishing a New Registered Pledge, but as at the publication hereof the Management Board of the Company is not able to predict whether and within what period of time it will exercise that right. The Company reported on this development in Current Report No. 18/2014.

On 23 September 2014, the Provincial Administrative Court in Warsaw (the “PACW”) issued a non-binding judgement in the case concerning a repeated tender, with respect to the assessment of the bid submitted by Polska Telefonia Cyfrowa Sp. z o.o. (currently: T-Mobile Polska S.A., hereinafter “T-Mobile Polska”), for two frequency reservations in the 1800 MHz band. In the judgement, the PACW revoked the decision of the President of the OEC of 28 November 2012 and the decision of the President of the OEC of 8 November 2013, on the basis of which the President of the OEC refused to invalidate the Repeated Tender. The judgement of the PACW was issued after considering the appeals brought by T-Mobile Polska and Orange Polska S.A. with its registered office in Warsaw. Detailed information about the above judgement is set forth in section 5 hereof. The Company reported on the above judgement in Current Report No. 24/2014.

On 6 October 2014 the Management Board of Sferia notified the Company that Sferia had obtained the decision of the President of the OEC of 26 September 2014 concerning a change of radio frequency reservations in the 816-821 MHz range and the 857-862 MHz range (the “Decision”). Pursuant to the notification received, the Decision was issued by a duly authorised administrative body and was in line with its powers, is final, and authorises Sferia to commence commercial use of the frequencies granted to it in the 816-821 MHz and 857-862 MHz ranges as of 1 January 2015. The receipt of the reservation decision concerning frequencies in the 816-821 MHz range and the 857-862 MHz range was one of the conditions precedent concluded with Sferia in the Framework Agreement (defined in Current Report No. 25/2014). The Company reported on this development in Current Report No. 25/2014.

On 25 November 2015 the companies belonging to the Midas Capital Group together with Cyfrowy Polsat and Polkomtel entered into negotiations concerning new terms of cooperation regarding telecommunications services connected with data transmission. Cyfrowy Polsat and Polkomtel indicated that their intention was that the new terms of cooperation should start to apply from 1 January 2015 and, among other things, cover both data packages purchased by Polkomtel under previously concluded agreements and potentially new data packages which could be acquired in the future. The Company reported on this development in Current Report No. 27/2014. The results of the negotiations were the Understanding and Polkomtel’s submission of Order 4, announced after the balance sheet date. Detailed information on this subject is contained in section 5.2 hereof.

On 25 November 2014, the Management Board of the Company announced that, after carrying out initial analyses, including with the participation of Polkomtel, the Midas Group did not take part in the auction announced by the President of the OEC for a reservation of frequencies in the 800 MHz and 2.6 GHz ranges (the “Auction”). In the Management Board’s assessment, the right to frequencies in the 800 MHz range can be obtained in a manner other than through direct participation in the Auction. The Management Board of the Company therefore continues to maintain its position expressed in QSr 3/2014, that in order to build long-term goodwill of the Company and remain competitive on the market for wholesale access to broadband telecommunications services, mainly by providing the Midas Group’s customers with complementary coverage in Poland with broadband Internet access services, the Midas

Group's strategy needs to be updated to include the need for the Midas Group to become involved in Project 800 (understood as an investment in infrastructure used in providing broadband mobile Internet access using frequencies in the 800 MHz range and obtaining the right to use frequencies in the 800 MHz range). According to the Company, the Midas Group's involvement in implementing Project 800 is eminently possible without taking part in the Auction. Detailed work is currently being carried out to update the Midas Group's strategy, in particular with respect to the model for implementing the strategy. At this point the Management Board draws attention to an event after the balance sheet date described in detail in section 5.2, the signing of agreements with Sferia.

On 25 November 2014, in order to establish collateral for the Loan as described in the Loan Agreement the Company and its subsidiaries Aero 2, CenterNet and Mobyland concluded the following package of agreements with Bank Pekao: 1) a registered pledge agreement on shares in CenterNet and shares in Aero2 and Mobyland, concluded by the Company with Bank Pekao, pursuant to which the Company establishes for the benefit of the Bank a registered pledge on all shares belonging to the Company and on shares in the above subsidiaries of Midas (the "Registered Pledge Agreement on Shares"), 2) a registered pledge agreements on sets of rights and assets concluded separately by each of the Borrowers with Bank Pekao, pursuant to which each of the Borrowers establishes for the benefit of the Bank a registered pledge on sets of rights and assets constituting an economic whole belonging to a given Borrower (the "Registered Pledge Agreement on Sets"), 3) a agreement on the assignment of rights from policies concluded by Aero2 with Bank Pekao, pursuant to which Aero2 transferred to the Bank on the date of the conclusion of the agreement its receivables resulting from insurance agreements within the scope of policies concerning assets constituting the subject of the security for the Loan (the "Policy Rights Assignment Agreement"), 4) an agreement on the assignment of rights from commercial agreements concluded between Mobyland and Bank Pekao, pursuant to which, on the date of the signing of the agreement, Mobyland transferred to the Bank its receivables resulting from agreements for the wholesale of data transmission services concluded by Mobyland with Cyfrowy Polsat and Polkomtel (the "Commercial Agreements Rights Assignment Agreement"), 5) an agreement concerning conditional powers of attorney of the OEC concluded by each of the Borrowers (except for the Company) with the Bank, pursuant to which each of the Borrowers (except for the Company) granted a power of attorney authorising the Bank to appear in the name of a given Borrower before the Office of Electronic Communications (the "Powers of Attorney Agreements"). The aforementioned agreements do not incorporate any provisions on contractual penalties or conditions precedent or subsequent. The Company assumed the criterion of 10 per cent of equity as the criterion for considering the agreements referred to in items 1)-4) above as significant. Apart from the issues described below, the clauses of the agreements concerned do not differ from those commonly used in agreements of such type. Terms and conditions of those agreements were described in detail in Current Report No. 28/2014. On 27 November 2014 the Bank (as defined in Current Report No. 29/2014) was provided with the set of agreements concluded on 25 November 2014 concerning the establishment of collateral for the Loan Agreement (described in Current Report No. 28/2014) as well as powers of attorney for accounts granted on 25 November 2014 to Bank Pekao authorising Bank Pekao to manage and make dispositions with regard to bank accounts that are open and maintained for a given Borrower. Moreover, each Borrower (as defined in Current Report No. 28/2014) filed a declaration with Bank Pekao (signed on 25 November 2014) on voluntary submission to enforcement up to the amount of PLN 300 million pursuant to Article 97 of the Banking Law of 29 August 1997. In connection with the above, with respect to providing the Bank with the aforementioned duly executed Security Documents (defined in Current Report No. 16/2014), there has been partial fulfilment of the condition precedent under the Agreement, described in Current Report No. 16/2014 as: "(c) providing the Bank with the Finance Documents as defined in the Agreement, i.e. in particular: duly executed documents on establishing collateral for the Loan (the "Security Documents"), proof of payment and filing with competent courts of motions to register collateral for the Loan, proof of

delivery of any notices under the Security Documents, excerpts from the register of pledges and the register of fiscal pledges confirming that no registered pledges (other than as defined in the Agreement) or fiscal pledges have been established over the Company's assets or the assets and shares of the other Borrowers". The Company reported on this development in Current Report No. 29/2014.

On 3 December 2014, the District Court for the City of Warsaw, Division XI Commercial - Pledge Registers (the "Court") issued a decision to the companies Aero2 and CenterNet on the entry in the pledge register of: 1) a pledge on a set of moveable goods and rights constituting part of the business of Aero2, disclosed as at 30 September 2014 in the books of account of the Company at a book value of PLN 435.4 million, and constituting collateral on a liability up to the amount of PLN 396.7 million, 2) a pledge on a set of moveable goods and rights constituting part of the business of CenterNet, disclosed as at 30 September 2014 in the books of account of the Company at a book value of PLN 141.2 million and constituting collateral on a liability up to the amount of PLN 300.0 million. The subject of the Pledge was acknowledged to be assets of a significant value, as their book value exceeds 10 per cent of the Company's equity. There are no connections between the Company and persons managing or supervising the Company on the one hand, and the Bank and the persons managing the Bank on the other. The Company reported on this development in Current Report No. 31/2014.

On 8 December the Bank (as defined in Current Report No. 30/2014) was provided with relevant copies, marked as received by the relevant register court, of completed and paid-for motions for the entry in the pledge register of registered pledges on shares and ownership interests in subsidiaries of Midas, and on collections of assets and rights constituting a whole (described in Current Report No. 28/2014). In connection with the provision of the above documents, with respect to providing the Bank with proof that motions for registration of the security over the Loan have been duly paid for and submitted, there has been partial fulfilment of the condition precedent under the Agreement, described in Current Report No. 16/2014 as: "(c) providing the Bank with the Finance Documents as defined in the Agreement, i.e. in particular: duly executed documents on establishing collateral for the Loan (the "Security Documents"), proof of payment and filing with competent courts of motions to register collateral for the Loan, proof of delivery of any notices under the Security Documents, excerpts from the register of pledges and the register of fiscal pledges confirming that no registered pledges (other than as defined in the Agreement) or fiscal pledges have been established over the Company's assets or the assets and shares of the other Borrowers". The Company reported on this development in Current Report No. 30/2014.

On 9 December 2014, the Supervisory Board of the Company, acting in accordance with the Statute of the Company, appointed the following Members of the Management Board for a new, two-year term of office beginning on 16 December 2014: Mr Krzysztof Adaszewski, entrusting him with the function of President of the Management Board of the Company, and Mr Piotr Janik entrusting him with the function of Vice-President of the Management Board of the Company. At the same time, the Supervisory Board, acting in accordance with the Statute of the Company, adopted a resolution pursuant to which, as of 10 December 2014, Mr Wiesław Waldendziak was co-opted to the Supervisory Board and entrusted with the role of Member of the Supervisory Board of the Company. In accordance with the Rules of Procedure of the Supervisory Board of the Company, the co-opted member of the Supervisory Board will be presented for approval at the next General Meeting. The Company reported on this development in Current Report No. 32/2014.

On 5 December 2014, the District Court for the City of Warsaw in Warsaw, Division XI Commercial - Pledge Registers (the "Court") issued a decision on the entry into the pledge register of a pledge established for the benefit of Bank Pekao on 221,000 shares in Aero2 of a nominal value of PLN 50 each, constituting 100 per cent of the shares in the share capital of Aero2, disclosed as at 30 September 2014 in the books of account of the Company with a book value of PLN 548,444 thousand and constituting

security of liabilities up to the amount of PLN 300 million, and on 8 December 2014 the Court issued a decision on the entry into the pledge register of a pledge established for the benefit of the Bank on 4,264,860 shares in CenterNet of a nominal value of PLN 17.30 each, constituting 100 per cent of the share capital of CenterNet, disclosed as at 30 September 2014 in the books of account of the Company with a book value of PLN 238,989 thousand and constituting security of liabilities up to the amount of PLN 300 million. The Company reported on this development in Current Report No. 33/2014.

On 9 December 2014, the Court issued a decision on the entry into the pledge register of a pledge established for the benefit of Bank Pekao on 204,200 shares in Mobyland of a nominal value of PLN 500 each, constituting 100 per cent of the shares in the share capital of Mobyland, disclosed as at 30 September 2014 in the books of account of the Company with a book value of PLN 178,770 thousand and constituting security of liabilities up to the amount of PLN 300 million. The subject of the pledge was acknowledged to be assets of a significant value, as their book value exceeds 10 per cent of the Company's equity. Furthermore, also on 15 December 2014, the Company received the Court's decision to enter in the pledge register, on 9 December 2014, the pledge, established in favour of the Bank, on a collection of moveable goods and rights constituting part of the business of Mobyland, disclosed as at 30 September 2014 in the Company's books of account at a book value of PLN 102.1 million, and constituting collateral on a liability stemming from the above loan for up to PLN 300.0 million. The Company reported on this development in Current Report No. 34/2014.

On 17 December 2014, as a result of Polkomtel accepting further orders placed by Aero2 for services provided by Polkomtel for Aero2, including RAN- and SITE-type services, the total value of orders and agreements submitted and concluded since 8 April 2014 inclusive by entities from the Midas Capital Group in relation to Polkomtel reached PLN 294 million, and therefore exceeded 10 per cent of the Company's equity. The highest-value order was placed on 16 December 2014 and concerned RAN-type services. Its value, calculated on the basis of a 5-year period of providing the services covered by that order, was PLN 76 million. The RAN-type services covered by the order will be provided on the terms 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 (defined in Current Report No. 35/2014). 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. Other terms and conditions of the Order do not differ from those commonly applied to transactions of this kind. The Company reported on this development in Current Report No. 35/2014. The above order was submitted as part of implementing a cooperation agreement concerning mutual provision of telecommunications infrastructure services (the "Agreement"), concluded by Aero2 on 30 March 2012 with Polkomtel, which the Company reported in Current Report No. 22/2012 of 30 March 2012.

On 23 December 2014, Aero2 and Sferia concluded an understanding by virtue of which the deadline for concluding the Supply Agreement as described in Current Report No. 55/2012 was again extended. The new deadline for concluding the Supply Agreement therefore expires on 31 March 2015. The change in question is due to a failure by Sferia to obtain, as on the day of concluding the Understanding, the radio permits required to use the radio equipment facilitating the provision of services at a level no worse than LTE in Poland, in numbers and locations justifying efficient economic commencement of the provision of services with the use of those permits, and failure to obtain the right to utilise other frequencies necessary to that end. The Company reported on this development in Current Report No. 36/2014. It is important to note that the Supply Agreement was signed on xx March 2015 (a post-balance sheet date event) and is described in detail in section 5.2 hereof.

On 23 December 2014, Bank Pekao confirmed the correctness of all of the remaining documents provided, as described in Current Report No. 16/2014. As a result of providing the aforementioned documents, all Conditions Precedent were met (defined in Current Report No. 16/2014). The Company reported on this development in Current Report No. 37/2014.

2.4 Information on agreements entered into by the Company

2.4.1 Agreements of significant importance for the Company's business operations

Conclusion of Annex No. 2 to the framework agreement with Sferia S.A.

On 31 March 2014, the Company and Sferia concluded Annex No. 2 ("Annex No. 2") to the framework agreement of 21 December 2012 (hereinafter, the "Framework Agreement"; the Company reported on concluding the Framework Agreement in Current Report No. 55/2012), by virtue of which the deadline for concluding the Supply Agreement was again extended. In accordance with Annex No. 2, the new deadline for concluding the Supply Agreement expires on 31 December 2014. The justification for the aforementioned amendment cited in Annex No. 2 was failure by Sferia to obtain the radio permits required to use the radio equipment facilitating the provision of services at a level no worse than LTE in Poland, in numbers and locations justifying efficient economic commencement of the provision of services with the use of those permits and failure to obtain the right to utilise other frequencies necessary to that end. The other provisions of the Framework Agreement remain unchanged. At the same time the Company notes that the proceedings associated with Sferia obtaining the aforementioned rights are on-going and that, as at the date of publishing this interim report, have not yet seen binding and final outcomes. At the same time the Company notes that, as at the date of publication of this report, the proceedings associated with Sferia obtaining the aforementioned rights had concluded with radio licences being obtained. The Company published information about the above issues in Current Report No. 5/2014 and 25/2014.

Conclusion of a loan agreement with Bank Polska Kasa Opieki S.A. to finance the expansion of the LTE and HSPA+ telecommunications network.

On 10 July 2014, the Company, together with its subsidiaries: Aero2, CenterNet and Mobyland, concluded an agreement with Bank Pekao concerning investment loan for up to PLN 200 million for the purpose of expanding the LTE and HSPA+ telecommunications network (the "Agreement"). That Agreement and details on the circumstances in which it was concluded are described in section 2.3 hereof. The Company published information on the conclusion of the Agreement in Current Report No. 16/2014.

Concluding a package of significant agreements in connection with establishing security for a loan agreement with Bank Polska Kasa Opieki S.A.

On 25 November 2014, in order to establish collateral for the Loan as described in the Agreement, the Company and its subsidiaries Aero 2, CenterNet and Mobyland concluded the following package of agreements with Bank Pekao: 1) registered pledge agreements on shares in CenterNet and shares in Aero2 and Mobyland, concluded by the Company with Bank Pekao, pursuant to which the Company establishes for the benefit of the Bank a registered pledge on all shares belonging to the Company and on shares in the above subsidiaries of Midas; 2) registered pledge agreements on sets of rights and assets concluded separately by each of the Borrowers with Bank Pekao, pursuant to which each of the Borrowers establishes for the benefit of the Bank a registered pledge on sets of assets and rights constituting an economic whole belonging to a given Borrower; 3) an agreement on the assignment of rights from policies concluded by Aero2 with the Bank, pursuant to which Aero2 transferred to the Bank on the date of the conclusion of the agreement its receivables resulting from insurance agreements within the scope of

policies concerning assets constituting the subject of the security for the Credit; 4) an agreement on the assignment of rights from commercial agreements concluded between Mobyland and the Bank, pursuant to which, on the date of the signing of the agreement, Mobyland transferred to the Bank its receivables resulting from agreements for the wholesale of data transmission services concluded by Mobyland with Cyfrowy Polsat and Polkomtel; 5) agreements concerning conditional powers of attorney of the OEC concluded by each of the Borrowers (except for the Company) with Bank Pekao, pursuant to which each of the Borrowers (except for the Company) granted a power of attorney authorising Bank Pekao to appear in the name of a given Borrower before the Office of Electronic Communications. The aforementioned agreements do not incorporate any provisions on contractual penalties or conditions precedent or subsequent. The Company assumed the criterion of 10 per cent of equity as the criterion for considering the agreements referred to in items 1)-4) above as significant. The terms and conditions of those agreements are described in section 2.3 hereof and in Current Report No. 28/2014.

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

The Company or its subsidiaries did not enter into any key transactions with related parties not contracted on an arm's length basis.

2.4.3 Loan agreements concluded and terminated

Loan with Bank Polska Kasa Opieki S.A.

On 10 July 2014 the Company and its subsidiaries signed a loan agreement with Bank Pekao (described in section 2.3) concerning investment loan up to PLN 200 million. Interest on the loan is calculated on the basis of the 1M WIBOR rate plus the bank's margin. Repayment of the loan will be made in a maximum of 48 monthly instalments beginning on 31 August 2015. As at the date of publication of this report, the Company had drawn down part of the loan, in the amount of PLN 23.44 million.

2.4.4 Borrowings and sureties granted and sureties and guarantees received

Borrowings granted to subsidiaries

During the 12-month period ended 31 December 2014, the Company granted borrowings with a total value of PLN 149,000 thousand of which:

- to Aero2, short-term loans in the amount of PLN 15,000 thousand and long-term loans in the amount of PLN 99,000 thousand,
- to Mobyland, short-term loans in the amount of PLN 35,000 thousand.

Details of the borrowings 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
Mobyland	30,000	2014-01-15	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears – WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Aero2	20,000	2014-01-08	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	15,000	2014-06-12	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-03-25	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears – WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Aero2	10,000	2014-04-04	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-05-20	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)

Aero2	10,000	2014-07-11	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-10-31	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-12-01	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	9,000	2014-12-29	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	5,000	2014-09-12	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears – WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Mobyland	5,000	2014-09-25	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears – WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Aero2	5,000	2014-12-22	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)

All of the above borrowings are secured by an own in blanco promissory note.

The borrowings were granted for the purpose of financing the expansion and maintenance of the telecommunications network of the Midas Group, conducted as part of the normal operations of the Midas Group.

Sureties obtained from subsidiaries and affiliates

In 2014 the Company did not obtain sureties from subsidiaries and affiliates.

2.5 Employment information

As at 31 December 2014, the number of persons (in full time equivalents) employed in the Company under employment contracts and those working with the Company under civil law contracts was 3.27. Similarly, as at 31 December 2013, the Company had 4.17 such employees.

2.6 Growth of the Company

2.6.1 Description of its 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 has frequency resources including 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 the 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 aptness of 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 Group has a modern telecommunications network including, among other things (as at the end of December 2014): (i) approximately 720 “proprietary” base stations used by the Midas Group and operating in the HSPA+ technology (in the frequency band owned by Aero2) and approximately 720 base stations operating in the LTE technology (in the frequency band owned by Aero2 and Mobyland), as well as (ii) approximately 4180 base stations operating in the HSPA+ technology (in the frequency band owned by Aero2) and approximately 3430 base stations operating in the LTE technology (in the frequency band owned by Aero2 and Mobyland) incorporated into the telecommunications network used by the Midas Group in cooperation with Polkomtel.

Due to the expansion of the telecommunications network being under way, the Management Board of the Company assessed the status of Phase II of the expansion of the telecommunications network, which is one of the stages of Project 4100, described in the Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012. Project 4100 envisions adding approximately 4100 LTE base stations to the telecommunications network of the Midas Group (also approximately 3900 HSPA+ base stations), of which approximately 3400 LTE base stations would be added as part of Phase II of the network expansion (approximately 3200 HSPA+ base stations). As at 30 June 2014, Phase II of the network expansion was completed with respect to approximately 3200 LTE base stations, and approximately 3220 HSPA+ base stations, which ensured achieving the following target population coverages for the entire Midas Group: 66 per cent for LTE and 99 per cent of Poland’s population for HSPA+, and allowed for optimal fulfilment of the assumptions for Phase II of the network expansion.

For these reasons, the Management Board of the Company decided to conclude Phase II of the network expansion and to move over the base stations not completed during that phase (i.e. approximately 200 LTE base stations) for completion in Phase III of the network expansion, provided that their implementation in that phase is commercially justified. As at the date of publication of this report, Phase III of the network expansion is currently under way, where current assumptions do not take account of the effect of the Company's involvement in "Project 800". In the event of the Company's permanent involvement in "Project 800", the assumptions for Phase III will be adapted to the method of implementing the Midas Capital Group's strategy.

The Management Board of the Company also announces that, referring to previously published information on the level of financing required to implement Phase III of the expansion of the telecommunications network (up to PLN 364 million), the amount of PLN 200 million resulting from the investment loan obtained from Bank Pekao is currently sufficient for that purpose. Such a reduction in the amount of financing stems from lower-than-estimated prices of telecommunications equipment and reallocating some expenditures from CAPEX to OPEX, with no significant change to the number of base stations commissioned as part of Phase III.

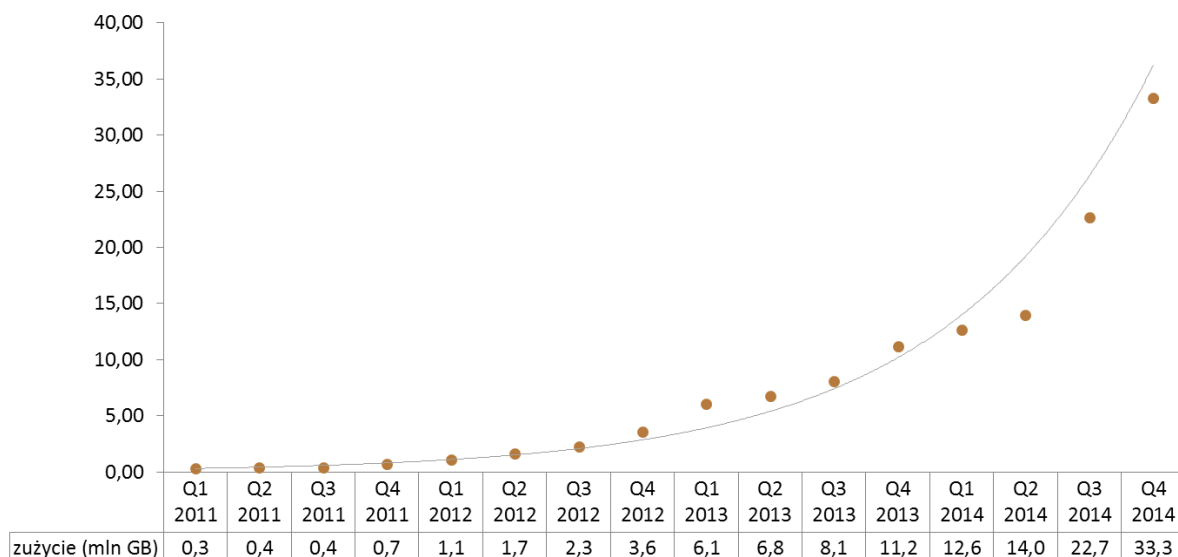
At the same time, the Management Board announces that, given the implementation of "Project 800", in updating its strategy the Midas Group will increase the number of locations and base stations comprising the telecommunications network it currently uses, and this will have a significant effect on the Company's performance and cash flow level, particularly over the medium term, through increasing the Company's operating expenses and capital expenditures in connection with developing the LTE 800 network and obtaining the right to the 800 MHz frequency.

In the Company's assessment, as at the date of publication of this report, the Understanding, the accepted Order 4 (a post-balance sheet date event) and the financing obtained permit the Company to finance involvement in "Project 800".

The final cost of "Project 800" will depend on the quantity of bandwidth available in the 800 MHz range and on the possible investments resulting from that availability.

Thanks to such cooperation with Polkomtel regarding shared use of the telecommunications infrastructure, there is a possibility for further expansion of the telecommunications network carried out at lower expenses of such expansion compared to the independent expansion of this network, and it is also relatively faster. As at the date of publication of this report, the telecommunications network of the Midas Group provided coverage for approximately 99 per cent of the population in HSPA+ technology and coverage for approximately 80 per cent of the population in LTE technology. 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. In December alone, usage exceeded 12 million GB.



2.6.2 Development prospects of the Company

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

- 1) A reduction in the rate resulting from the submission of Order 4

The Company estimates that this factor may have an adverse effect on the rate of growth of revenues from sales. A reduction in the rate may, however, lead to increased data usage among Group customers.

- 2) “Project 800”

Accounting for the implementation of Project 800 in the update of the Midas Group’s strategy will increase the number and location of base stations comprising the telecommunications network currently being utilised by the Midas Group. That decision may have a significant effect on the Company’s performance and cash flow level, particularly over the medium term, through increasing the Company’s operating expenses and capital expenditures in connection with developing the LTE 800 network and obtaining the right to the 800 MHz frequency. The final cost of “Project 800” will depend on the quantity of bandwidth available and on the possible investments resulting from that availability.

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

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

- 4) 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 5.1 below).

The Company notes that in line with the description of these proceedings set forth in section 5 hereof, it is currently unable to predict the direction or scope of further actions in this case that may be undertaken in the future by the President of the OEC. The Management Board of the Company also wishes to note the resolutions, which are final and favourable for the Midas Group, concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges for Aero2 and Mobyland (also set forth in section 5 hereof). The Company expects that, in the event that rulings unfavourable for the Group are included in any future decisions issued by the President of the OEC, this may indirectly have an adverse effect on the financial results and operating activities of the Group.

- 5) The increasing popularity of LTE and the corresponding increased usage of data transmission services ordered by wholesale customers of the Group.

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

The Company wishes here to emphasise that the occurrence of the factors described in items 3) to 5) above is largely not dependent on the Company, and therefore the Company has no certainty as to whether they will occur in the next quarter.

2.7 Evaluation of feasibility of investment plans

In accordance with its strategy, the Company intends to invest any obtained funds in telecommunications and IT projects, and in the further development of the Midas Group in particular. Therefore, significant negative cash flows might be expected in the medium term in association with the costs of the projects carried out by the Midas Group. As described in detail in section 2.6.1 of this report, those investments concern the expansion of the Midas Group's telecommunications network and are financed out of funds from bank loans, bond issues and own cash flows from operations. As at 31 December 2014, the Group had cash resources in the amount of PLN 53,450 thousand, as well an unused line of credit in Alior Bank in the amount of PLN 5 million (as at the date of publication of this report, PLN 5 million), and an unused credit line with Bank Pekao in the amount of PLN 177 million (as at the date of publication of this report, PLN 177 million) which will be designated for the implementation of the above 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.

At the same time, the Management Board draws attention to the understanding signed after the balance sheet date with the company Polkomtel and to the order for data transmission services placed by Polkomtel. In the Company's assessment, as at the date of publication of this current report, the Understanding, the accepted Order 4 and the financing obtained permit the Company to finance its investment plans.

2.8 Risks and threats

2.8.1 Risks associated with the Company's business operations

Risk associated with the Midas Group's strategy

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, and in particular the one concerning 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 operating activities of the Group or its financial position or results achieved. The Management Board draws attention to the risk of its involvement in "Project 800" not achieving success in the case where it does not obtain rights to enough frequency resources in the 800 MHz band.

Financing risk

Due to its strategy being tightly connected with the telecommunications industry, Midas Group already incurs and will incur in the future significant investment expenditures relating to the continuation of its operations in that industry, in particular, for further expansion of the telecommunications infrastructure by Aero2. In view of the above, the Midas Group procured additional financing in the form of bank loan granted pursuant to the loan agreement concluded on 10 July 2014 with Bank Pekao. The above loan, the investment loan from Alior Bank (granted under the agreement of 28 February 2013) and the financing based on the series A bonds issued by the Company on 16 April 2013 (the "Bonds") were all granted on certain terms. The Company is unable to guarantee that these terms will not change during the period in which the financing is made available or that Midas Group companies will not breach the material terms of the financing, which could increase the debt service cost or render the obligations under the above 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 financing in the amounts required is not possible, it will not be practicable to pursue the Midas Group's investment model for the purpose of expansion and maintenance of its telecommunications network, which may materially affect the standing and growth prospects of the Midas Group. Information about the current status of the expansion of the Group's telecommunications network is set forth in section 2.6.1 hereof.

Risk of departure of key management personnel and difficulty in recruiting new well-qualified management personnel

The operations of the Company 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 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 related to high debt

The Issuer notes that in the event of a Bond issue and also through the conclusion of a loan agreement with Alior Bank S.A. and obtaining investment loan from Bank Pekao in the amount of PLN 200 million as set forth in sections 2.3 hereof, the level of interest debt will increase significantly. In addition, in the 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. Therefore, there will be a 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, may not recover, either in whole or in part, the funds invested, even upon instituting the procedure of satisfying claims from the Issuer's assets, in particular, the collaterals established (if any) or may not obtain the expected rate of return on the investment.

2.8.2 Risks associated with the Company's business 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 instruments might have a negative impact on the market position of the Group and its financial results.

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, the lack of cohesion between judicial decisions of Polish courts and EU laws, etc. The risk is particularly high in the area of tax laws, due to the large impact of regulations and their interpretations on the Midas Group's financial position.

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

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

2.8.3 Risks associated with the operations of subsidiaries belonging to the Midas Group

Considering the fact that all previous investments of the Company focused on the telecommunications industry, the Management Board of the Company points out that the risks described in the Management Report on the operations of the Midas Capital Group in 2014 will also have an indirect impact on the success of the Company's strategy and investment policy. Therefore, the risks described in the Report on the operating activities of the Midas Capital Group in 2014 will also apply indirectly to the Company.

3 Financial position and assets of the Company

3.1 Principles for the preparation of annual separate financial statements

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") as adopted by the EU (the "EU IFRS"). As on the date of approval of these statements for publication, taking into account the EU process of implementing the IFRS standards and the business conducted by the Company, within the scope of the accounting policies applied by the Company, the IFRS differ from the EU IFRS. The Company has made use of the opportunity arising when applying the International Financial Reporting Standards 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 2010-2012 from annual periods beginning from 1 January 2016.

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

3.2 Description of key economic and financial figures

Statement of financial position

As at 31 December 2014, the value of the investment portfolio amounted to PLN 966,203 thousand and remained unchanged compared to 2013.

The balance of receivables at the end of 2014 was PLN 672,056 thousand as compared to PLN 445,567 thousand at the end of the previous year. This increase resulted from short-term and long-term loans granted to the subsidiaries Aero2 and Mobyland.

Cash at the end of 2014 amounted to PLN 3,350 thousand, as against PLN 65,543 thousand at the end of 2013. The decline in value is a result of borrowings granted to subsidiaries.

The equity on the balance sheet date was PLN 1,224,103 thousand and, compared to the end of 2013, it rose by PLN 12,083 thousand of which PLN 298 thousand constituted a decline resulting from the merger of the Company with Conpidon Ltd, and PLN 12,381 thousand was the net profit for 2014 (key factors affecting the net profit are described below).

Liabilities amounted to PLN 472,852 thousand as at 31 December 2014 and increased by PLN 159,130 thousand compared to the end of 2013. The increase results mainly from third party financing obtained (bond issue and investment loan) for the expansion of the Group's telecommunications network.

Statement of comprehensive income

In 2014, the Company recognised revenues from basic operating activities in the amount of PLN 82,484 thousand as compared to PLN 22,154 thousand for the previous year. This result was affected by interest revenues on borrowings granted to subsidiaries.

In 2014 operating expenses reached PLN 68,599 thousand compared with PLN 26,526 thousand in the previous year. The growth in expenses is connected with servicing debt on securities issued. The most important operating expenses items in 2014 were: operating expenses of PLN 64,849 thousand (including interest on bonds issued of PLN 60,479 thousand and interest on investment loan of PLN 3,466 thousand), the costs of outsourced services of PLN 964 thousand and payroll costs of PLN 2,505 thousand.

The total net profit of the Company for 2014 was PLN 12,381 thousand, as compared to a profit of PLN 85 thousand the year before.

Statement of cash flows

In 2014 net cash flow from operating activities amounted to PLN -55,718 thousand as against PLN -238,702 thousand in the previous year. The main factor affecting cash flows in 2014 was the granting of borrowings to subsidiaries for the expansion of the telecommunications network.

In 2014 net cash flows from investment activities amounted to PLN 17 thousand as against PLN -142 thousand in the previous year.

In 2014, net cash flow from financing activities amounted to PLN -6,492 thousand, compared to PLN 170,351 thousand in the previous year. The main factor affecting the amount of cash flows from financing activities in 2014 was the repayment of interest in connection with investment loan obtained.

3.3 Financial and non-financial indicators

Presented below are financial indicators that may be important in the assessment of the Issuer's position.

	2014	2013
liquidity - liquidity ratio I		

total current assets		
<hr/>		
current liabilities	49.12	421.75

liquidity – liquidity ratio III

cash		
<hr/>		
current liabilities	0.63	109.42

liabilities repayment period

trade liabilities x 365 days		
<hr/>		
value of goods and materials sold + cost of products sold	3 days	4 days

debt to assets ratio (%)

(total equity and liabilities – equity) x 100		
<hr/>		
total assets	27.9%	20.6%

3.4 Changes in the Issuer's investment portfolio

In 2014, there were no major changes in the Company's investment portfolio.

On 21 February 2014, the Merger of Conpidon and the Company was registered, and the Company thereby became the legal successor of Conpidon. The Company published information on the registration in Current Report No. 3/2014.

On 31 December 2014 the merger of Aero2 with CenterNet was registered. The merger was effected by way of: (i) transferring all of the assets of CenterNet to Aero2 via universal succession, and (ii) dissolving the company CenterNet without liquidating it, in accordance with the provisions of the CCC.

The above changes in the Company's investment portfolio were made in an attempt to simplify the Company's group structure and have no material effect on the financial performance of the Company and of the Midas Group.

3.5 Differences between actual financial results and any previously published forecasts

The Management Board of the Company did not publish any forecasts for 2014.

3.6 Use of proceeds from the issue of series A bonds

Following the issue of series A bonds in 2014, the Issuer raised PLN 200,099,528.44. Until the date of this report, the Issuer used the proceeds from the issue of series A bonds as follows:

- a) The amount of PLN 185.7 million was allocated to cover Group liabilities from benefits provided by Polkomtel, under an agreement of 30 March 2012 on mutual use of the telecommunications infrastructure of Polkomtel and Aero2 for RAN- and SITE-type services.
- b) The amount of PLN 14.4 million was allocated to cover Group liabilities from access to data transfer services implemented in the Polkomtel network.

3.7 Financial instruments

3.7.1 Employed financial instruments

Key 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 of the Company, at the moment of initial disclosure of a liability from a bond identified as an embedded derivative (an option for early redemption) in accordance with the definition in IAS 39 and applied to its disclosure in the financial statements.

3.7.2 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. The policies for managing each of the above risks are presented in Note 27 to the financial statements of Midas S.A. for 2014.

3.8 Current and forecast financial position

The Management Board of the Company considers the Company's financial position to be good. In addition, in connection with the signing in 2014 of a 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. 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. At the same time, the Management Board emphasises that the post-balance sheet date signing by Mobyland of the understanding and its acceptance of the order for data transmission from Polkomtel will allow the subsidiaries of the Issuer to finance the planned investments.

3.9 Events and factors largely affecting operating and financial results

3.9.1 Important events during the financial year

In 2014, the events having a significant impact on the Company's performance were:

- The conclusion by Mobyland of the PLK Understanding and CP Understanding and the submission by Polkomtel of Order 3 and Order 4
- The signing of an investment loan agreement with Bank Pekao and the release of the loan,
- Aero2's submission of orders under the cooperation agreement within the scope of mutual services using the telecommunications infrastructure with Polkomtel.

- A change in the value of the discount rate on the Series A bonds
- The submission by subsidiaries of further orders as part of the construction of the network

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

3.9.2 Extraordinary factors and events

According to the Management Board of the Company, in 2014, apart from the factors described in section 3.9.1 above, there were no extraordinary factors or events having a significant impact on the result attained.

3.9.3 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 3 and the start-up of loan from Alior Bank and Bank Pekao allowed the Company to continue to implement its strategy, among other things, by expanding its telecommunications network as part of Project 4100, which allowed it to gain a competitive advantage and made the Midas Group more effective in providing wholesale wireless data transfer services. Furthermore, the safe and relatively attractive investment of cash surpluses in bank deposits significantly influenced the level of financial income for the Company. The Management Board of the Company points out that, to the extent that progress is made on expanding the Midas Group's telecommunications network, changes may occur in the relationship between the Company's financial expenses (a decrease) and the Company's financial expenses, resulting from such factors as loans drawn down and bonds issued (an increase).

3.10 Evaluation of the management of financial resources

The credit lines at Bank Pekao and Alior Bank, as well as proceeds from accepted orders from Polkomtel and Cyfrowy Polsat permitted the Midas Group in 2014 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 Midas Group's liquidity management was focused on a detailed analysis of the turnover of receivables, an ageing analysis of the Group's liabilities, and constant monitoring of bank accounts, as well as on obtaining debt capital. 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. 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 (a post-balance sheet date event) 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.

3.11 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 28 May 2014, 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. 10/2014.

The financial statements of the Company and the consolidated financial statements of the Midas Group for 2014 were audited by E&Y under an agreement entered into on 28 July 2014 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 2014 (as well as in 2013):

	2014	2013
Mandatory audit of financial statements	40	40
Other evidencing services, including the audit of the financial statements	25	25
Tax advisory services	-	-
Other services	10	10
Total	75	75

4 Statement of compliance with corporate governance principles in 2014

4.1 Description of corporate governance principles applicable to the Issuer

In 2014, 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 on the website dedicated to corporate governance at www.corp-gov.gpw.pl.

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

In 2014, 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 a 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 a monthly remuneration. In view of the foregoing, the Company does not declare that it applies 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’ economic business.”

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 does not declare that it applies 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 plenipotentiary, 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-life 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 is 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, as well as 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. Nevertheless, the Management Board of the Company does not rule out the possibility of applying the above principle in the future, in particular when the conditions causing the potential technical and legal problems discussed above have ceased. In view of the above, the Company will consider the application of this principle, taking into account any technical and legal aspects associated with enabling shareholders to participate in the General Meeting in such manner.

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. However, the Company will consider applying this principle, taking into account the technical and organisational considerations involved in recording a General Meeting.

- principle 3) “Before a company executes a significant agreement with a related entity, 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 entity 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 an affiliated entity (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; an affiliated entity 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 per cent of the Company’s net assets, determined on the basis of the most recent separate financial statements published in an interim report.

The Management Board of the Company declares the application of such principle to the extent resulting from the above provisions of the Statute.

4.3 Description of the principal characteristics of the internal audit and risk management systems in place in the Company in reference to the process of 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. The Company’s Supervisory Board and the Supervisory Boards of the subsidiaries also assess the financial statements of the Company and the subsidiaries, respectively, in terms of their compliance with records and documents, as well as with the factual status. 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 principal systems of internal control in relation to the preparation of financial statements of the Company 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 of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and public supervision, 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 to the Commission Recommendation of 15 February 2005 on the role of non-executive directors (...), referred to in Best Practices of WSE Listed Companies. 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 2014 and as at the date hereof, the Company's share capital amounts to PLN 147,966,675 and is divided into 1,479,666,750 ordinary bearer shares with a nominal value of PLN 0.10 each, of which:

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

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

4.4.2 Large shareholders

The table below shows the structure of shareholders of the Company which, as at 31 December 2014, hold either directly or indirectly through subsidiaries at least 5 per cent of the total number of votes at the General Meeting of Shareholders of the Company. This structure is valid as at the date of submitting this annual report, i.e. as at 21 March 2014. 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 shareholder of the Company	Number of shares and votes	Percentage of share capital and of total number of votes
Zygmunt Solorz-Żak (*)	976,542,690	65.9975
ING Otwarty Fundusz Emerytalny (**)	80,000,000	5.4066
Other shareholders	423,124,060	28.5959
TOTAL	1,479,666,750	100.00

(*) Mr Zygmunt Solorz-Żak, acting as Deputy Chairman of the Company’s Supervisory Board, controls the Company through: (i) Karswell Limited, with its registered office in Nicosia, Cyprus, (ii) Ortholuck Limited, with its registered office in Nicosia, Cyprus, and (iii) Litenite Limited, with its registered office in Nicosia, Cyprus, within the scope of 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.

From the date of the previous interim report of the Company, i.e. since 14 November 2014, until the date hereof, i.e. 3 March 2015, there have been no changes in the ownership structure of significant blocks of shares in the Company.

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 Company

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 2014. In the period from 31 December 2014 until the date of publishing this report, i.e. 3 March 2015, there have been 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 2014	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	60,000	6,000
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 Art. 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).

During 2014, the Company obtained a total of 1 notices prepared under Article 160 of the Act on Trading.

In January 2014 the Company received a notification from Mr Zygmunt Solorz-Żak, Deputy Chairman of the Supervisory Board of the Company (the “Obliged Person”) under the procedure of Article 160 par. 1 of the Act on Trading in Financial Instruments concerning the disposal by the Company, which is indirectly controlled by the Obliged Person, of 5,000 ordinary shares in the Company (the “Shares”) on 8 April 2013. In accordance with that notification, the Shares were sold as part of an ordinary trading session transaction on the regulated market run by Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange). The price per Share as indicated in the notification was PLN 0.74. The Management Board of the Company would like here to reiterate that information on the above transaction concerning the sale of own shares of the Company was published in Current Report No. 9/2013 of 8 April 2013..

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

Under the agreement entered into in December 2011 between Ortholuck holding 100 per cent of the shares in Litenite, and LTE Holdings, a subsidiary of Polkomtel, LTE Holdings acquired from Ortholuck 49 per cent of shares in Litenite (Current Report No. 6/2012 of 7 February 2012). The remaining 51 per

cent stake in Litenite held by Ortholuck was encumbered by a pledge in favour of Polkomtel and the laws of Cyprus govern and apply 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 no further information or a possible bankruptcy of Litenite or its subsidiaries, then Polkomtel, under the Polkomtel Pledge, will be entitled, among other things, to exercise corporate and property rights on pledged shares in Litenite, including voting rights, and will obtain the right to sell such shares. In addition, under the Polkomtel Pledge, Ortholuck will be 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 will 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 per cent stake in Litenite (the “Call Option”).

If there are circumstances permitting Polkomtel to exercise its rights under the Polkomtel Pledge, as referred to above, and Polkomtel actually exercises the same, it will take over control of the Company. However, if there are circumstances enabling the Call Option to be exercised and LTE Holdings actually exercises it, Polkomtel will also take control over the Company. However, as long as control over Polkomtel is exercised by Mr Zygmunt Solorz-Żak, there will be no changes in the control of the Company. However, in the event that Mr Zygmunt Solorz-Żak loses control of Polkomtel (when Polkomtel exercises control of the Company), he will lose control of the Company.

Moreover, Ortholuck was contractually reserved a return option to purchase from LTE Holdings the 49 per cent stake in Litenite, previously sold by Ortholuck (the “Return Option”). The Return Option will 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 will expire and will not be exercisable in the event that LTE Holdings exercises the Call Option or Polkomtel exercises its above rights under the Polkomtel Pledge. If there are circumstances permitting the exercising of the Return Option and Ortholuck actually exercises the same, it will hold, jointly with the shares currently held, 100 per cent of the shares in Litenite and the control of the Company will not change.

At the same time, the Management Board points out that Polkomtel is a subsidiary of Cyfrowy Polsat, which is controlled by Mr Zygmunt Solorz-Żak.

To the best knowledge of the Company, 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 2014 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 of Shareholders 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 concerned shareholders.

4.6 Procedures applicable to general meetings and their principal competences and description of shareholders' rights and methods for 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 a half of the share capital or at least a half of the total votes in the company may convene the Extraordinary General Meeting. Shareholders appoint the chairman of such 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 issues 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 issues be placed on the agenda of the next General Meeting. Such 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 a draft resolution concerning the proposed item on the agenda. The request may be submitted 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 at: wz@midas-sa.pl. The Management Board is obliged to immediately, but no later than eighteen (18) days before the date scheduled for the General Meeting, announce 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 matters 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 Ordinary General Meeting (OGM) and identifying the latter as shareholders of the Company.

A request to convene the Extraordinary General Meeting (EGM) and place certain issues 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. A General Meeting of Shareholders convened upon the motion of authorised entities, or a General Meeting of Shareholders whose agenda contains specific matters 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, then 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, the General Meeting of the 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 the 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 issues be placed on the agenda of the General Meeting,
 - b. shareholders' rights to submit draft resolutions on matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
 - c. shareholders' rights to submit draft resolutions on matters 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 record date for participation in the General Meeting,
- 5) indication 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 matters brought to the agenda of the General Meeting or matters 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 since 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 matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
- 5) forms permitting to exercise 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 the holding of the General Meeting or to the placement of particular matters 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 email to inform the Company about granting or cancelling a power of attorney for participation in the General Meeting of Shareholders in electronic form. Every proxy granted should be notified to the Company using electronic communication means while exercising best efforts to allow effective verification of the validity of such proxy. Together with the electronic proxy notice, the shareholder shall send the following in PDF format: scan of the proxy, scan of ID, passport or another document permitting identification of the shareholder as the principal and the proxy established, email address and telephone number of the shareholder and the proxy provided that 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 proxy.

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, votes are 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. Besides, such secret ballot voting should be administered at the request of at least one of the shareholders present or represented on 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 the matter placed on the agenda at the request of the shareholders requires a resolution of the General Meeting, upon prior consent from all present shareholders who made such request, supported by 75 per cent 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 five to seven members. Members of the Supervisory Board are 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 pts. (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 an affiliated entity (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; an affiliated entity 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 per cent 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 per cent 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 2014, the composition of the Supervisory Board of the Company was as follows:

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

In 2014, the following decisions were taken concerning the composition of the Supervisory Board:

- a) on 16 July 2014, Mr Jerzy Żurek tendered his resignation as Member of the Supervisory Board of the Company. The resignation was tendered without a reason being stated. The Company reported on that event in Current Report No. 17/2014.
- b) on 9 December 2014, acting in accordance with the Statute of the Company, the Supervisory Board of the Company adopted a resolution pursuant to which, on 10 December 2014, Mr Wiesław Waldendziak was co-opted to the Supervisory Board. The Company reported on that event in Current Report No. 32/2014.

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, departure) 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 matters introduced onto 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 email. Resolutions taken 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. Passing 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 and 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 the date for a meeting is determined, the Chairman of the Supervisory Board informs the Management Board about the meeting, requests the same to submit any required papers and documents and notifies about the obligatory presence of specialist employees or other persons in order to discuss issues which are the subject of the agenda. The Chairman of the Supervisory Board may authorise a member of the Supervisory Board to exercise the above powers and, in the case when working teams of the Supervisory Board are established, their chairmen are also authorised to the extent of activities of such a team to impose on the Management Board an obligation to prepare materials for the meeting and ensure the presence of specialist employees or other persons whose presence is necessary due to the scope of issues to be discussed during the meeting of the Supervisory Board. 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 includes at least two independent members (non-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 2014, 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

On 9 December 2014 the Supervisory Board of the Company, acting in accordance with Article 12.2 of the Statute of the Company, appointed the following Members of the Management Board for a new, two-year term of office beginning on 16 December 2014:

- Mr Krzysztof Adaszewski (President of the Management Board in the previous term), entrusting him with the role of President of the Management Board
- Mr Piotr Janik, entrusting him with the role of Vice-President of the Management Board.

The Company published information on this event in Current Report No. 32/2014.

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 an affiliated entity (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; an affiliated entity 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 per cent 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 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 2014, separately for each of the Issuer's managing and supervising persons.

Name and surname	Position	Gross value of remuneration (PLN thousand)
Krzysztof Adaszewski	President of the Management Board ¹	1,647.4
Maciej Kotlicki	Vice-President of the Management Board ²	346.9
Piotr Janik	Vice-President of the Management Board ³	195.8
Wojciech Pytel	Chairman of the Supervisory Board	40
Zygmunt Solorz-Żak	Deputy Chairman of the Supervisory Board	20
Andrzej Abramczuk	Secretary of the Supervisory Board ⁴	32
Andrzej Chajec	Member of the Supervisory Board	20
Krzysztof Majkowski	Member of the Supervisory Board	18
Mirosław Mikołajczyk	Member of the Supervisory Board	20
Jerzy Żurek	Member of the Supervisory Board ⁵	8
Wiesław Walendziak	Member of the Supervisory Board ⁶	2

(¹) the value of remuneration takes account of remuneration in the amount of PLN 323.6 thousand from employment agreements in the companies Aero2 and Mobyland and PLN 1,230.0 thousand of bonuses paid in 2014.

(²) acting as Vice-President of the Management Board up to 15 December 2014.

(³) acting as Vice President of the Management Board from 16 December 2014; the value of remuneration takes account of remuneration in the amount of PLN 182.3 thousand from employment agreements in the companies Aero2 and Mobyland for the period during which he acted as Vice-President of the Management Board, and PLN 180.0 thousand of bonuses paid in 2014.

(⁴) the value of remuneration takes account of remuneration in the amount of PLN 12.0 thousand from civil law agreements in the companies Aero2 and Mobyland.

(⁵) acting as a member of the Supervisory Board during the reporting period up to 16 July 2014

(⁶) acting as a member of the Supervisory Board during the reporting period as from 10 December 2014

Apart from the above remuneration for serving on bodies of the Company shown in the table, in 2014 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 2014, 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 Other information

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

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

Such proceedings were indirectly conducted with respect to the subsidiaries of the Midas Group and they are described in more detail below. In the proceedings below, Aero2, CenterNet and from 31 December 2014 Aero2 as a legal successor and Mobyland (depending on the proceedings) act as an interested party, as these proceedings are largely directed against the administrative decisions issued by the President of the OEC. However, indirectly, handing down a binding resolution in each of these proceedings may result in the President of the OEC ruling to sustain, change or repeal the previous resolutions that directly concern frequency reservations for CenterNet and Mobyland or frequency reservations granted to Aero2.

In this report, the most significant information has been included, which provides a complete picture of the current factual status of pending proceedings, but which does not reflect the detailed chronology of events which took place during those proceedings. To become acquainted with the detailed chronology of events concerning a specific proceeding, an analysis should be made of the information contained in this report in relation to information disclosed in previous periodic reports of the Company, available on the Company's website at:

http://midas-sa.pl/Relacje_inwestorskie/Raporty_gieldowe/Raporty_okresowe

Proceedings concerning frequency reservations for CenterNet and Mobyland

In the proceedings pending before the Provincial Administrative Court in Warsaw (the "PACW") on the basis of a complaint of Polkomtel against the decisions of the President of the OEC of 30 November 2007, under which the President of the OEC made a reservation of frequencies for CenterNet and Mobyland and refused such reservations to PTC (currently T-Mobile Polska S.A., "T-Mobile") and Polkomtel ("Reservation Decision 1") and the decision of 23 April 2009, upholding Reservation Decision 1 after re-examining the case ("Reservation Decision 2"), on 19 November 2012 the PACW issued a judgement under which, on the merits of the case, it dismissed the complaint brought by T-Mobile and cancelled the proceeding initiated by the complaint of Polkomtel (in connection with the withdrawal of the complaint by a procedural submission made before the hearing).

In the grounds of the ruling dismissing T-Mobile's complaint, the PACW emphasised in particular that the primary argument of that complaint concerning a breach of substantive law due to a failure to examine in the reservation proceedings the prerequisites referred to in Article 114 par. 3 of the Telecommunications Law is unjustified, as the prerequisites set forth in the above regulation are subject to examination by the President of the OEC at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The PACW found the other points of the above complaint, referring to procedural irregularities, to be groundless or irrelevant to the direction of the resolution adopted by the President of the OEC (Current Report No. 53/2012).

T-Mobile filed a cassation appeal against that judgement by the PACW. On 29 May 2014, the SAC issued a final judgement pursuant to which, following the dismissal of the cassation appeal filed by T-Mobile, the SAC upheld the judgement of the PACW of 19 November 2012. The SAC did not share the objection of T-Mobile's cassation appeal concerning the invalidity of the proceedings, based on the assertion that T-

Mobile's attorney had been incorrectly notified about the hearing before the PACW. In the SAC's assessment, in order to challenge the manner of serving process letters, a party must first file a complaint with Poczta Polska (the Polish Post Office). Only conducting such proceedings made it possible to effectively overturn the supposition of a correct delivery, and, as the SAC pointed out, T-Mobile did not make such a complaint. The SAC also referred to the objections of T-Mobile concerning a breach of Article 114 par. 3 of the Telecommunications Law, holding – like the PACW – that they were unjustified. In the SAC's assessment, the frequency reservation was made correctly by the President of the OEC in 2007. The SAC also pointed out that the SAC's judgement of 8 May 2014 concerning a tender for a frequency reservation was not relevant in deciding this case (the judgement is described hereinbelow).

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

Proceedings related to the tender concerning frequencies subject to reservation for CenterNet and Mobyland

In the matter concerning a repeal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating - in the scope concerning the evaluation of T-Mobile's bid - the tender concerning two reservations of frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, issued in the tender concerning reservation of the frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), on 8 May 2014, the SAC issued a judgement concerning the tender for two frequency reservations, in the 1710-1730 MHz range and the 1805-1825 MHz range (the "Tender"), under which the SAC upheld the PACW's judgement of 6 July 2012. The 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, repealing both decisions of the President of the OEC refusing to declare the invalidity of the tender concerning frequency reservations and from the judgement of the SAC of 3 February 2011 approving the judgement of the PACW. The SAC found that the above judgements of the PACW and SAC indicated that the President of the OEC should have invalidated the Tender in its entirety. In its judgement of 21 July 2009, the PACW found that a serious breach of the applicable laws occurred during the tender proceedings, as a result of which a party to the proceedings was deprived of the right to participate in stage two of the Tender, i.e. the criterion for gross breach of the applicable laws referred to in Article 118d of the Telecommunications Law (the "TL") was fulfilled, which would justify invalidating the tender. On the other hand, the 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 complaints against the decision of the President of the OEC of 8 November 2013. Orange Polska and T-Mobile filed complaints against the above decision with the PACW, which overturned the decision of the President of the OEC in a judgement of 23 September 2014. Subsidiaries of the Issuer submitted cassation appeals against that judgement. The date of examining the cassation appeals is unknown.

The Management Board of the Issuer believes that the SAC judgement of 8 May 2014 and PACW judgement of 23 September 2014 will have no influence on CenterNet and Mobyland's ability to continue their existing operations. This means that these companies can still make full use of the frequencies granted to them, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group. Furthermore, the Management Board maintains its position expressed in Current Report No. 8/2014 that it is presently impossible to predict the direction or scope of further action in the matter that may be undertaken by the President of the 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 repealed upon reopening the proceedings. At this point, the Issuer's Management Board does not see any legal grounds on which this scenario could be fulfilled.

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 judged as 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 against that judgement with the SAC. The date for hearing the case has not yet been determined.

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 SMP decision together with motions to suspend their immediate enforceability.

In a judgement of 19 January 2015, XVII AmT 69/13, the Court of the Office of Competition and Consumer Protection dismissed an appeal by CenterNet. The Company 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 overturned the decision of the President within the scope of the schedule established for adjusting rates to the completion of connections. Within the remaining scope, Mobyland's appeal was dismissed. The Company is waiting for service of the judgement together with its justification. In the case of the appeal of Aero2 the date of the hearing before the OCCP Court has been set for 6 May 2015.

5.2 Subsequent events

Conclusion of cooperation agreements with Sferia

On 3 March 2015, the companies Aero2 and Mobyland concluded an infrastructure supply agreement with Sferia (the "Supply Agreement") and a wholesale telecommunications network access agreement (the "Wholesale Agreement").

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

In the first phase of implementation of the LTE800 network, about 1200 stations will be started up, while taking account of the optimal reach of the LTE800 network, a total of more than 5000 stations may be constructed and started up. The deadline for the start-up of the LTE800 network will depend, however,

on a number of conditions, including the technical conditions for the construction of the network. The Company reported on this development in Current Report No. 5/2015.

The conclusion by Mobyland of clearing agreement with Polkomtel as well as Polkomtel's submission of Order 4 for data transmission services

On 3 March 2015, Mobyland signed an understanding (the "Understanding") with Polkomtel (a "Party", and jointly with Mobyland the "Parties") and accepted the order submitted by Polkomtel for data transmission services ("Order 4").

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

- The new rate for data transmission services will be PLN 2.40 net for 1 GB.
- The new rate will apply 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 enter into force on 1 January 2015, and the order placed for data transmission services will be in effect for 4 years.
- In the case where Mobyland starts up services on further of its own frequencies or on those to which it obtains a right of use, Mobyland will increase the scope of data transmission services provided to Polkomtel.

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

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

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

- a) PLN 119.25 million net - for the first quarter of 2015, in 3 equal monthly instalments
- b) PLN 132.00 million net - for the second quarter of 2015, in 3 equal monthly instalments
- c) PLN 245.00 million net - for the third quarter of 2015, in 3 equal monthly instalments
- d) PLN 354.00 million net - for the fourth quarter of 2015, in 3 equal monthly instalments
- e) PLN 989.31 million net - for 2016, in 12 equal monthly instalments
- f) PLN 880.00 million net - for 2017, in 12 equal monthly instalments
- g) PLN 907.92 million net - for 2018, in 12 equal monthly instalments

On the date of publication of this current report, Order 4 for 1,571.68 million GB with a value of PLN 3,772.04 million exceeds 10 per cent of the equity of the Company, which qualifies Order 4 as a significant agreement. As a result of Mobyland accepting Order 4, the total value of orders and agreements submitted and concluded since 17 December 2014 inclusive by entities from the Midas Capital Group in relation to Polkomtel and other entities from the Cyfrowy Polsat Capital Group amounts to PLN 3,772.23 million.

In the Company's assessment, as at the date of publication of this current report, the Understanding, the accepted Order 4 and the financing obtained permit the Company to finance involvement in "Project 800".

The final cost of “Project 800” will depend on the quantity of bandwidth available in the 800 MHz range and on the possible investments resulting from that availability.

At the same time, the Management Board announces that, given the implementation of “Project 800”, in updating its strategy the Midas Group will increase the number of locations and base stations comprising the telecommunications network it currently uses, and this will have a significant effect on the Company’s performance and cash flow level, particularly over the medium term, through increasing the Company’s operating expenses and capital expenditures in connection with developing the LTE 800 network and obtaining the right to the 800 MHz frequency. The Company reported on this development in Current Report No. 4/2015.

Meeting the last condition precedent under the framework agreement with Sferia

On 26 February 2015 the Supervisory Board of the Company consented to the conclusion of a 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. The agreements in question were concluded on 3 March 2015. Details of the agreements concluded are described above.

Decision by Aero2 to write down the value of the frequency reservation in the 2570-2620 MHz range

On 12 February 2014 the Management Board of Aero2 made a decision made to write down the value of the frequency reservation in the 2570-2620 MHz range granted by the President of the OEC 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 was made in the consolidated financial statements of the Group for 2014 and will therefore encumber the consolidated operating results of the Group for the fourth quarter of 2014. As a consequence of the write-down (as a result of which the value of the aforementioned assets will be zero zlotys), the consolidated operating result of the Group for 2014 will be encumbered by PLN 126.4 million, and the consolidated net result of the Group by PLN 104.9 million. The write-down is regarded as a one-off, non-cash event. The Management Board of the Company stresses that the event has no influence on operating activities, because as at today the frequency in the 2570-2620 MHz range is not being used to generate network capacity being made available to the Group’s key customers. The Management Board of the Company also stresses that the event described is not identical to a waiver of the right to the frequency described by Aero2 or a withdrawal of that company’s right to it. The write-down concerns the book value, in the consolidated financial statements of the Group, of the frequency reservation of Aero2 in the 2570-2620 MHz range, and is 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.

Termination of agreements with Sferia

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

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

The termination of the agreements will not have a significant effect on the operating activities of the Midas Capital Group. The Midas Group will continue to cooperate with Sferia under the agreements described above.

5.3 Environmental issues

In 2014, due to the nature of its operations, the Company did not identify any environmental issues, regarding them as irrelevant for the assessment of the Company's position. These issues have been identified as relevant for the assessment of the position of the companies forming part of the Midas Group and set forth in section 5.4 of the Management Report on the activities of the Midas S.A. Capital Group in 2014.

5.4 Important achievements in the area of research and development

In 2014, the Company carried out no research and development activities.

5.5 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:	ul. Lwowska 19, 00-660 Warsaw
Telephone number:	+48 22 249 83 10
Fax number:	+48 22 249 83 13
Email address:	biuro@midas-sa.pl
Website:	http://www.midas-sa.pl

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski

President of the Management
Board

Piotr Janik

Vice-President of the
Management Board

Warsaw, 3 March 2015