



**MANAGEMENT REPORT
ON THE OPERATIONS OF
MIDAS S.A.
IN 2015**

Warsaw, 29 February 2016

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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 regulations.

The Company is registered in the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 0000025704. The registered office of the Company is in Warsaw.

On 31 October 2012, the Ordinary General Meeting of Shareholders of the Company adopted a resolution amending the Statute of the Company, under which the business name of the Company was changed to Midas Spółka Akcyjna, and the abbreviated name to Midas S.A. The amendment of the Statute entered into force on 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 2015, 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 2015, 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 Aero2 Sp. z o.o. (“Aero2”), until 30 November 2015 Mobyland Sp. z o.o. (“Mobyland”), since 5 August 2015 AltaLog Sp. z o.o. (“AltaLog”) and since 24 December 2015 Sferia S.A. (“Sferia”). 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 2015.

On 23 December 2015, transfer agreements were concluded for 1,834,405 shares of Sferia with a nominal value of PLN 100 each, representing 51% of the share capital and votes at the general meeting of Sferia, between Mr. Jacek Szymoński and Aero 2, in which the Company holds 100% of the shares, and between Bithell Holdings Limited and Aero2. The total price Aero2 paid to the Sellers amounted to PLN 121,900,000 derived from its own resources. In connection, among others, with (i) terms and conditions as well as contractual rights stipulated in the agreements for acquisition of 51% of the shares in Sferia and (ii) the Sellers' representations made, Midas indirectly took control over Sferia and included Sferia in the perimeter of consolidation by the full method.

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

On 30 November 2015, the merger of Aero2 and Mobyland in which the Company holds 100% of the shares in the share capital was registered. The decision to conduct the merger of Aero2 and Mobyland reflected the belief of the Management Board of the Company that the merger was the fastest and most effective way to streamline the structure of the Midas Group. The merger did not materially affect the financial performance or operations of the Midas Group. The merger of Aero2 with Mobyland was effected by way of: (i) transferring all of the assets of Mobyland to Aero2 via universal succession, and (ii) dissolving the company Mobyland without liquidating it, in accordance with the provisions of the CCC. As a result of the merger, the share capital of Aero2 was increased from PLN 11,100,000 to PLN 113,200,000, i.e. by PLN 102,100,000, by creating 2,042,000 new shares with a nominal value of PLN 50 each. As a result of the merger, the Company, as the sole shareholder of Mobyland, received 2,042,000 new shares in the share capital of Aero2 in exchange for 204,200 existing shares in the share capital of Mobyland.

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

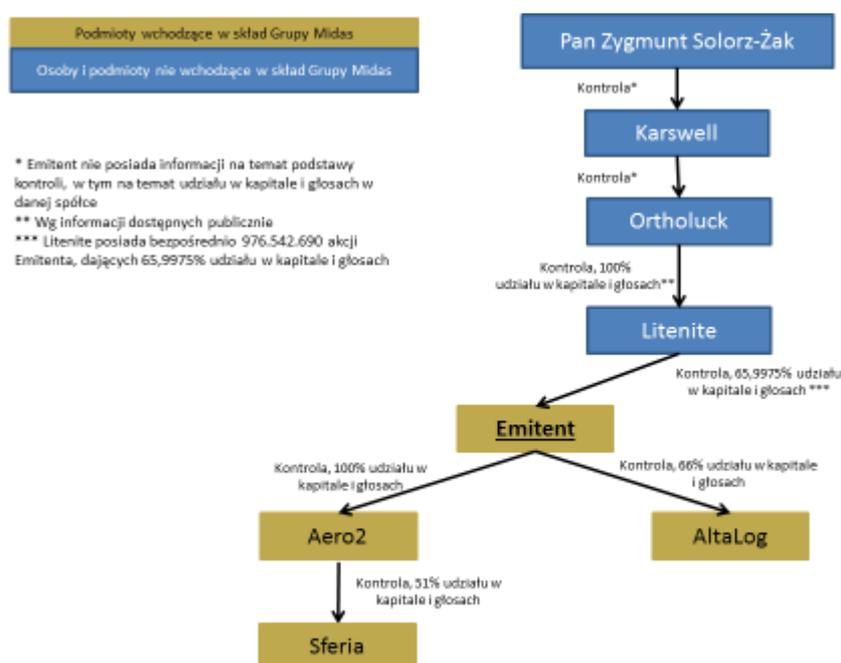
The Company is also a part of a capital group (the "ZSZ Group") as defined in the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005 (hereinafter, the "Act on the Offering") in which the parent (person controlling 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 100% stake in Litenite,

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

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

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



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

Kontrola, 65,9975% udziału w kapitale i głosach ***	Control, 65.9975% stake in the capital and voting rights ***
Emitent	Issuer
Kontrola, 51% udziału w kapitale i głosach	Control, 51% stake in the capital and voting rights
Kontrola, 66% udziału w kapitale i głosach	Control, 66% stake in the capital and voting rights

1.5 Deposits and capital expenditures

The Company's primary investments are shares held in its subsidiaries, Aero2 and AltaLog in which the Company holds respectively a 100% and a 66% share in the capital and voting rights. The ownership structure in the Midas Group and any changes thereto that occurred in 2015 are set forth in section 1.4 hereof. In 2015, the Company primarily focused on coordinating the operations of the Midas Group. The Midas Group's capital expenditures primarily included investing into further expansion of the telecommunications infrastructure carried out by Aero2 and the acquisition of the shares in Sferia by Aero2. The primary component of these expenditures for the telecommunications infrastructure was investments in base stations and transmission centres. The above investments of Aero2 were largely carried out under Project 4100, described in the Issue Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012 (available on the Company's website at http://www.midas-sa.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny, hereinafter the "Prospectus") and under the Supply Agreement as further described in Current Report 5/2015.

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 2015 primarily involved coordinating the operations of the Midas Group. Those activities are conducted on the territory of Poland. As part of its business activities the Company focused on optimising debt conditions by refinancing the existing debts and mitigating the covenants (further described in section 2.3. hereinbelow).

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 2015.

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 and telecommunications network, the Midas Group is able to offer mobile services nationwide.

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

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

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment to the loan agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology (“Loan Agreement”) entered into on 10 July 2014 between Bank Pekao and the Company together with its subsidiaries Aero2 and Mobyland. After acceptance of the proposed terms on 26 June 2015, the Company, together with Aero2 and Mobyland, entered into the annex to the Loan Agreement, among others increasing the amount of the loan. Raising the loan amount required increases to collateral within 45 days of the date of the annex to the Loan Agreement, which entailed changes to the pledge register. The Loan Agreement, changes to the collateral and changes to entries in the pledge register have been described in detail in section 2.4.1 hereinbelow.

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

On 21 August 2015 the Company received a decision of the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges (the “Court”) of 11 August 2015 on a change in the registered pledge established for Bank Polska Kasa Opieki S.A. (the “Bank”) on 204,200 shares of Mobyland with a nominal value of PLN 500 each, representing 100% of the shares in the share capital of Mobyland, disclosed in the Company’s books of account at a book value of PLN 178,770,000, including raising the maximum collateral up to PLN 525,000,000.

In addition the Company received a decision of the Court on making changes on 12 August 2015 to the entries of registered pledges established for the Bank on:

the group of movables and rights constituting an organised part of the Company’s undertaking (other than shares) with a book value of PLN 179,000 and on the group of movables and rights constituting an organised part of Mobyland’s undertaking with a book value of PLN 102,100,000 involving increasing the maximum collateral amount to PLN 525,000,000.

On 28 August 2015 the Company received the decision of the Court of 18 August 2015 on a change in the registered pledge established for the Bank, constituting collateral for the Loan, on the set of movables and rights constituting an organised business whole with variable composition, owned by Aero 2. The change consists in the increase of the maximum collateral amount from PLN 396,700,000 to PLN 622,000,000. The value of record of the aforementioned set as at 30 June 2015 was PLN 858,300,000.

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

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

Early repayment of the entire loan granted by Alior Bank

On 30 June 2015, the Company made an early repayment of the investment loan amounting to PLN 150,000,000 granted by Alior Bank S.A. under the agreement signed on 28 February 2013 providing for

final repayment on 3 April 2018. Such early repayment resulted from refinancing obtained from Bank Pekao. The Company reported on this development in Current Report No. 23/2015

Meeting of the Company's bondholders

On 20 July 2015 at the request of the Company a meeting of bondholders of Midas was held and, among others, it adopted resolutions on excluding the Leverage Ratio from one of the covenants under the bonds and on amending the content of the definition of the Authorised Acquisition. The change to the definition of the Authorised Acquisition made it possible to acquire directly or indirectly through the Company less than 100% of shares in a business carrying out the same or complementary activities to the core business of the Company. A justification for the aforementioned changes was published in Current Report No. 24/2015. The content of all the resolutions was made public in Current Report No. 26/2015. Information on agreements entered into by the Company

2.4 Information on agreements entered into by Midas Group companies

This section indicates agreements which are entered into in the normal course of business of the Company.

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

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

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment to the loan agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology ("Loan Agreement") entered into on 10 July 2014 between Bank Pekao and the Company together with its subsidiaries Aero2 and Mobyland to the day of the merger. After acceptance of the proposed terms on 26 June 2015, the Company, together with Aero2 and Mobyland, entered into the annex to the Loan Agreement, amending the latter as follows:

1. Increasing the loan amount from PLN 200,000,000 to PLN 350,000,000.
2. Extending the use of the loan by refinancing the existing loan from Alior Bank S.A. ("Alior Bank") in the amount of PLN 150,000,000.
3. Defining the loan availability period by the end of December 2015, including by the end of July 2015 for refinancing the loan from Alior Bank.
4. Loan repayment: in equal monthly instalments by the end of January 2016.
5. Legal collateral: modification of the cash deposit condition (DSRA) to PLN 20,000,000 (currently deposited amount) instead of 10% of the actual commitment.
6. The annex does not provide for any amendments to other terms and conditions of the Loan Agreement, including to the method of how to calculate interest, contractual penalties, conditions or deadlines.

Raising the loan amount required increases to collateral within 45 days of the date of the annex to the Loan Agreement. Therefore on 6 August 2015 the Company, Aero2 and Mobyland signed, with Bank Pekao, respective annexes to collateral agreements, described in Current Report No. 28/2014. Amendments to registered pledges on Aero2 and Mobyland shares include increasing the maximum collateral amount to PLN 525,000,000. Amendments to Registered Pledge Agreements listed in Current Report No. 28/2014 including increasing the maximum collateral amounts under registered pledges established on sets of movables and rights constituting an organised business whole with variable components of Mobyland and Midas to PLN 525,000,000, and of Aero2 to PLN 622,000,000. In addition, the Company, Aero2 and Mobyland submitted declarations of voluntary submission to enforcement under the procedure of Article 777 par. 1 pt. 5 of the Code of Civil Procedure up to PLN 525,000,000.

Moreover, on 7 August 2015 in the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges, applications to make appropriate changes to entries in the register of pledges were filed in performance of the provisions of the annex as to changes to collateral required after increasing the loan amount. It was possible to raise the amount of the aforementioned collateral thanks to the resolution of the Extraordinary General Meeting of the Company of 23 July 2015 granting consent to the Management Board for entering into respective agreements. The Company reported on those events in Current Reports No. 18/2015, 19/2015, 27/2015 and 29/2015.

Amendments to terms and conditions for the issue of bonds

On 20 July 2015 at the request of the Company a meeting of bondholders of Midas was held and, among others, it adopted resolutions on excluding the Leverage Ratio from one of the covenants under the bonds and on amending the content of the definition of the Authorised Acquisition. The change to the definition of the Authorised Acquisition made it possible to acquire directly or indirectly through the Company less than 100% of shares in a business carrying out the same or complementary activities to the core business of the Company. A justification for the aforementioned changes was published in Current Report No. 24/2015. The content of all the resolutions was made public in Current Report No. 26/2015. Information on agreements entered into by the Company.

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

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

On 25 June 2015 the Management Board of the Company received and accepted on the same date a proposed amendment to the loan agreement for financing the extension of the telecommunications network based on LTE and HSPA+ technology (“Loan Agreement”) entered into on 10 July 2014 between Bank Pekao and the Company together with its subsidiaries Aero2 and Mobyland. After acceptance of the proposed terms on 26 June 2015, the Company, together with Aero2 and Mobyland, entered into the annex to the Loan Agreement, amending the latter as follows:

1. Increasing the loan amount from PLN 200,000,000 to PLN 350,000,000.
2. Extending the use of the loan by refinancing the existing loan from Alior Bank S.A. (“Alior Bank”) in the amount of PLN 150,000,000.
3. Defining the loan availability period by the end of December 2015, including by the end of July 2015 for refinancing the loan from Alior Bank.
4. Loan repayment: in equal monthly instalments by the end of January 2016.
5. Legal collateral: modification of the cash deposit condition (DSRA) to PLN 20,000,000 (currently deposited amount) instead of 10% of the actual commitment.
6. The annex does not provide for any amendments to other terms and conditions of the Loan Agreement, including to the method of how to calculate interest, contractual penalties, conditions or deadlines.

Raising the loan amount required increases to collateral within 45 days of the date of the annex to the Loan Agreement. Therefore on 6 August 2015 the Company, Aero2 and Mobyland signed, with Bank Pekao, respective annexes to collateral agreements, described in Current Report No. 28/2014. Amendments to registered pledges on Aero2 and Mobyland shares include increasing the maximum

collateral amount to PLN 525,000,000. Amendments to Registered Pledge Agreements listed in Current Report No. 28/2014 including increasing the maximum collateral amounts under registered pledges established on sets of movables and rights constituting an organised business whole with variable components of Mobyland and Midas to PLN 525,000,000, and of Aero2 to PLN 622,000,000. In addition, the Company, Aero2 and Mobyland submitted declarations of voluntary submission to enforcement under the procedure of Article 777 par. 1 pt. 5 of the Code of Civil Procedure up to PLN 525,000,000. Moreover, on 7 August 2015 in the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges, applications to make appropriate changes to entries in the register of pledges were filed in performance of the provisions of the annex as to changes to collateral required after increasing the loan amount. It was possible to raise the amount of the aforementioned collateral thanks to the resolution of the Extraordinary General Meeting of the Company of 23 July 2015 granting consent to the Management Board for entering into respective agreements. The Company reported on those events in Current Reports No. 18/2015, 19/2015, 27/2015 and 29/2015.

Early repayment of the entire loan granted by Alior Bank

On 30 June 2015, the Company made an early repayment of the investment loan amounting to PLN 150,000,000 granted by Alior Bank S.A. under the agreement signed on 28 February 2013 providing for final repayment on 3 April 2018. Such early repayment resulted from refinancing obtained from Bank Pekao. The Company reported on this development in Current Report No. 23/2015.

2.4.4 Borrowings and sureties granted and sureties and guarantees received

Borrowings granted to subsidiaries

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

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

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

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

Sureties obtained from subsidiaries and affiliates

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

2.5 Employment information

As at 31 December 2015, 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 1.27. Similarly, as at 31 December 2014, the Company had 3.27 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 the unique market position held by the Midas Group will, among other reasons thanks to an effective combination of 1800 MHz frequencies, contribute to real opportunities in terms of further development and strengthening of the Midas Group's market position, and will thus create value for the shareholders of the Company.

The Midas Group currently has frequency resources including 800 MHz, 900 MHz, 1800 MHz and 2600 MHz frequencies together with a telecommunications infrastructure allowing it to provide services based on the HSPA+ and LTE technologies. In the opinion of the Company's Management Board, commencement by the competing providers in offering 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 4,800 LTE-technology base stations, of which approximately 4,600 will support the HSPA+ technology as well.
- 3) Wholesale sale of high quality telecommunications services, in particular Internet access, to retail operators with their own large customer bases.
- 4) Implementation of a cost-effective business model through:
 - a. outsourcing services to the best providers of services in terms of the price-to-quality ratio,
 - b. maintenance agreements with infrastructure suppliers generating the lowest expenses,
 - c. use of synergies within the Midas Group and the ZSZ Group,
 - d. building a flat and flexible goal-oriented organisational structure.

The Midas Capital Group consistently pursues its strategy aimed at further development of the telecommunications infrastructure. As of the date of publication of the report, the Midas Group is implementing stage III of Project 4100 (described in detail in the Company's issue prospectus of 8

February 2012), and at the same time in performance of the provisions of the Supply Agreement the Midas Group is developing the telecommunications network in the 800 MHz range. The Management Board of the Company announces that under the analyses being performed the effective possibility of using the band in the 2570-2620 MHz range is also being considered.

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

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

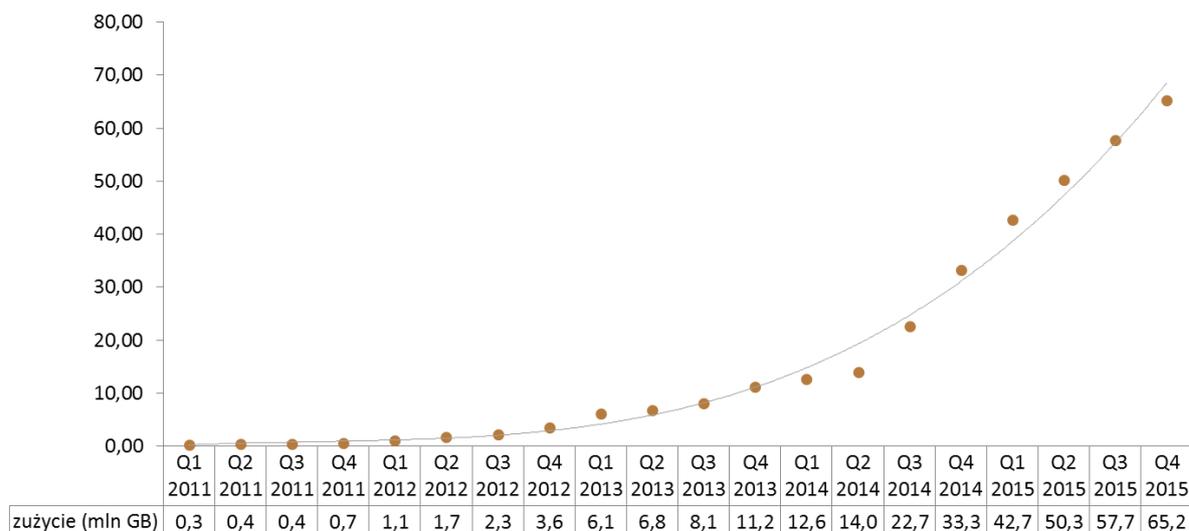
In March 2015 the Midas Group accepted a new Polkomtel order for wholesale data supply.

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

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

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

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



Zużycie (mln GB)	Usage (GB million)
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2.6.2 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) Project 800

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

2) Decisions of the President of the OEC concerning the tender for two frequency reservations in the 1710-1730 MHz range and the 1805-1825 MHz range, resulting from the judgement of the SAC of 8 May 2014 (described in detail in section 5.1 below).

The Company notes that in line with the description of these proceedings set forth in section 6 hereof, it is currently unable to predict the direction or scope of further actions in this case that may be taken in the future by the President of the OEC. The Management Board of the Company also wishes to note the resolutions, which are final and favourable for the Midas

Group, in the matter concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges for CenterNet and Mobyland (also set forth in section 6 hereof). The Company expects that, in the event that rulings unfavourable for the Group are included in any future decisions issued by the President of the OEC, this may indirectly have an adverse effect on the financial result and operating activities of the Group.

- 3) Rate of growth of LTE data transfer services provided by entities competing against the Midas Group, on the basis of frequency reservations in the 1800 MHz range granted in the first half of 2013 as well as allocated frequencies from the 800 MHz range

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

- 4) The increasing popularity of the LTE technology and the corresponding increased usage of data transfer services ordered by wholesale customers of the Group and possible subsequent orders for such services

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

The Company wishes here to emphasise that the occurrence of the factors described in items 2) to 4) above is largely not dependent on the Company, and therefore the Company has no certainty as to whether they will occur in the next quarter.

2.7 Evaluation of feasibility of investment plans

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

2.8 Risks and dangers

2.8.1 Risks associated with the Company's business operations

Risk associated with the Midas Group's strategy

The Midas Group pursues its operating strategy in the telecommunications industry. Given the high level of competition in that industry and the high degree of innovation among technologies offered, there is a risk that this strategy may need to be modified. For this reason, the Midas Group cannot guarantee that its strategic initiatives, 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 operations of the Group or its financial position or results achieved.

Financing risk

In view of the above, the Midas Group procured financing in the form of a bank loan granted pursuant to the loan agreement concluded on 10 July 2014 with Bank Pekao, and then amended under the annex of 26 June 2015. The above loan, and the financing based on the series A bonds issued by the Company on 16 April 2013 (the "Bonds") were all granted on certain terms and conditions. The Company is unable to guarantee that these terms and conditions will not change during the period in which the financing is made available or that Midas Group companies will not breach the material terms of the financing, which could increase the debt service cost or render the obligations under the above loan agreements or the Bonds immediately enforceable.

If the Midas Group is required to repay its existing debt early and it is unable to obtain refinancing, the Midas Group would have to significantly modify its strategy financing plans. Also, the Company cannot guarantee that, should it be necessary to obtain refinancing, such refinancing will be available on acceptable market conditions, or that it will be made available at all. In the event that, in the scenario described above, obtaining refinancing in the amounts required is not possible, it will not be practicable to pursue the Midas Group's investment model for the purpose of expansion and maintenance of its telecommunications network, which may materially affect the standing and growth prospects of the Midas Group. Information about the current status of the expansion of the Group's telecommunications network is set forth in section 2.6.1 hereof.

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

The operations of the Group are dependent on the quality of the work of its employees and management. The Management Board of the Issuer cannot guarantee that potential departures of some of its managers or inability to find personnel having appropriate managerial and operational knowledge and experience will not have a negative impact on the operating activities, financial position and performance of the Group. Such circumstances may arise, in particular, as a result of a departure caused by a conflict of interests.

Changes in the composition of managerial staff may disrupt the operations of the Group or have a significant negative impact on the operating activities and financial results of the Group.

Risk 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 the investment loan with Bank Pekao in the amount of PLN 350,000,000 as set forth in section 2.4.1 hereof, the level of interest debt increased significantly. In addition, in 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 at 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 collateral 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 measures might have a negative impact on the market position of the Group and its financial performance.

Risks associated with a changing legal environment (including tax)

Some risk to the Company's operations may come from changes in laws or different interpretations of the law. Possible changes, in particular, in provisions relating, among others, to business activities, telecommunications, environmental protection, intellectual property, labour law, social security law and commercial law, may lead to negative consequences for the Midas Group's operations. New regulations may entail interpretation issues, inconsistent court rulings, adverse interpretations adopted by public authorities, the lack of cohesion between judicial decisions of Polish courts and EU laws, etc. The risk is particularly high in the area of tax law, 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 law due to the fact that Aero2 and Sferia all operate in this industry. For example, changes may occur making wireless data transmission based on technologies used by the Midas Group less attractive in relation to other data transfer technologies or resulting in limitations in terms of availability of multimedia content (including content shared in violation of intellectual property rights) on the Internet, which may lower 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 law 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 2015 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 2015 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 financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") as adopted by the EU (the "EU IFRS"). As at the date of adoption of these statements for publication, taking into account the EU process of implementing the IFRS standards, the IFRS differ from the EU IFRS. The Company has made use of the opportunity arising when applying the IFRS as adopted by the EU, of applying IFRIC 21 only from annual periods beginning from 1 January 2015, and amendments to IFRS 2 and IFRS 3 which are part of the Amendments resulting from a review of IFRS 2011-2013 from annual periods beginning from 1 January 2016.

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

3.2 Description of key economic and financial figures

Statement of financial position

As at 31 December 2015 the value of the investment portfolio amounted to PLN 971,592,000 and increased by PLN 5,389,000 compared to 2014 (acquisition of AltaLog). Detailed information on this subject is contained in section 3.4.

The balance of receivables at the end of 2015 was PLN 570,315,000 as compared to PLN 672,056,000 at the end of the previous year. The decrease resulted from the repayment of long-term loans by the subsidiary Aero2.

Cash amounted to PLN 4,729,000 at the end of 2015 as against PLN 3,350,000 at the end of 2014.

The equity on the balance sheet date was PLN 1,237,464,000 and, compared to the end of 2014, it rose by PLN 13,361,000 which was the net profit for 2015 (key factors affecting the net profit are described below).

The liabilities amounted to PLN 371,383,000 as at 31 December 2015 and decreased by PLN 101,469,000 compared to the end of 2014. The decrease results first of all from the repayment of the loan granted by Alior Bank.

Statement of comprehensive income

In 2015, the Company recognised revenues from core operating activities in the amount of PLN 64,270,000 as compared to PLN 82,484,000 for the previous year. This result was influenced by interest income on loans granted to subsidiaries.

In 2015 operating expenses reached PLN 47,326,000 compared with PLN 68,599,000 in the previous year. A decrease in the balance of expenses is connected with a lower value of interest on issued debt securities. The most important operating expenses items in 2015 were: own cost of core operating activities of PLN 43,919,000 (including mainly interest on bonds issued of PLN 37,073,000, interest on the investment loan of PLN 5,590,000), the costs of outsourced services of PLN 1,437,000 and payroll costs of PLN 1,662,000.

The total net profit of the Company for 2015 was PLN 13,361,000 as compared to the profit of PLN 12,381,000 the year before.

Statement of cash flows

In 2015, net cash flows from operating activities amounted to PLN 11,179,000 as against PLN -55,718,000 in the previous year. The main factor affecting the amount of cash flows in 2015 was the repayment of interest and commissions on borrowings to subsidiaries.

In 2015 net cash flows from investing activities amounted to PLN -5,357,000 as against PLN 17,000 net in the previous year. The main factor affecting the amount of cash flows from investing activities in 2015 was the acquisition of the subsidiary.

In 2015 net cash flows from financing activities amounted to PLN -4,443,000 as against PLN -6,492,000 in the previous year. A principal factor affecting cash flows from financing activities in 2015 was the repayment of interest associated with the investment loan received.

3.3 Financial and non-financial indicators

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

	2015	2014
liquidity – liquidity ratio I		
total current assets		
<hr/>		
current liabilities	445.05	49.12

liquidity – liquidity ratio III

$\frac{\text{cash}}{\text{current liabilities}}$	7.93	0.63
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liabilities repayment period

$\frac{\text{trade liabilities x 365 days}}{\text{value of goods and materials sold + cost of products sold}}$	5 days	3 days
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debt to assets ratio (%)

$\frac{(\text{total equity and liabilities} - \text{equity}) \times 100}{\text{total assets}}$	23.1%	27.9%
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3.4 Changes in the Issuer's investment portfolio

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

On 30 November 2015, the merger of Aero2 and Mobyland, in which the Company holds 100% of the shares in the share capital, was registered. The decision to conduct the merger of Aero2 and Mobyland reflected the belief of the Management Board of the Company that the merger was the fastest and most effective way to streamline the structure of the Midas Group. The merger did not materially affect the financial performance or operations of the Midas Group. The merger of Aero2 with Mobyland was effected by way of: (i) transferring all of the assets of Mobyland to Aero2 via universal succession, and (ii) dissolving the company Mobyland without liquidating it, in accordance with the provisions of the CCC. As a result of the merger, the share capital of Aero2 was increased from PLN 11,100,000 to PLN 113,200,000, i.e. by PLN 102,100,000, by creating 2,042,000 new shares with a nominal value of PLN 50 each. As a result of the merger, the Company, as the sole shareholder of Mobyland, received 2,042,000 new shares in the share capital of Aero2 in exchange for 204,200 existing shares in the share capital of Mobyland.

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

Direct changes in the Company's investment portfolio were of a formal nature and stemmed from the efforts of the Company's Management Board to simplify the structure of the Midas Group or did not have any significant influence on the organisation of the Midas Group.

3.5 Differences between actual financial results and any previously published forecasts

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

3.6 Financial instruments

3.6.1 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 17 to the separate financial statements, the Company, at the moment of initial disclosure of a liability from a bond, identified an embedded derivative (an option for early redemption) in accordance with the definition in IAS 39 and disclosed it in the financial statements.

3.6.2 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 28 to the financial statements of Midas S.A. for 2015.

3.7 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 Loan Agreement signed with Bank Pekao in 2014 (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 above, 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 understanding signed by Mobyland and its acceptance of the order for data transmission from Polkomtel will allow the subsidiaries of the Issuer to finance the planned investments.

3.8 Events and factors largely affecting operating and financial results

3.8.1 Important events during the financial year

In 2015, the events having a significant impact on the Company's performance were:

- Amendment to terms and conditions of the Loan Agreement with Bank Pekao
- Early repayment of the entire loan granted by Alior Bank

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

3.8.2 Extraordinary factors and events

According to the Management Board of the Company, in 2015, apart from the factors described in section 3.8.1 above, there were no extraordinary factors or events having a significant impact on the result attained.

3.8.3 Evaluation of events and factors affecting the results

In the opinion of the Company's Management Board, the foregoing factors and events permitted the Company, and as a consequence the Group companies as well, to access cheaper financing and extended the period of its availability better adjusted to pursue investment plans. In addition, cheaper financing will translate into lower financial expenses in the future.

3.9 Evaluation of the management of financial resources

The investment loan at Bank Pekao, as well as proceeds from accepted orders from Polkomtel, permitted the Midas Group in 2015 to have available funds to guarantee that all current and planned expenses related to the activities and investments of the Company and the Midas Group are properly settled. The balance of available cash made it possible to flexibly settle its ongoing liabilities. The Group's liquidity management was focused on a detailed analysis of the turnover of receivables, the ageing analysis of the Group's liabilities and a constant monitoring of bank accounts. Furthermore, the Management Board of the Company safely and relatively attractively invested cash surpluses in bank deposits. In view of the above, the Management Board of the Company has not identified any threats to financial resource management.

3.10 Entity authorised to audit financial statements

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

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

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

	2015	2014
Mandatory audit of financial statements	72	40
Other evidencing services, including the audit of the financial statements	35	25
Tax advisory services	-	-
Other services		10
Total	107	75

4 Statement of compliance with corporate governance principles in 2015

4.1 Description of corporate governance principles applicable to the Issuer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section II “Best Practice for Management Boards of Listed Companies”:

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

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

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

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

and

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

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

1) granting consent to the Company to conclude an essential agreement with a related party (the above obligation does not apply to routine transactions concluded on market terms in the ordinary course of

business conducted by the Company with a subsidiary in which the Company holds a majority shareholding) or a parent; a related party is defined as in the Regulation of the Minister of Finance issued on the basis of Article 60 par. 2 of the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005; further, it is accepted that granting borrowings or other types of debt financing towards the above entities falls within the limits of the ordinary business of the Company;

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

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

4.3 Description of the principal characteristics of 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. Also the Supervisory Board of the Company and supervisory boards of its subsidiaries assess the financial statements of, respectively, the Company and the subsidiaries in respect of their compliance with the accounting books and documents, as well as with the facts. The results of such assessment of the Company's financial statements are included by the Supervisory Board of the Company in its annual report.

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

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

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

Within the Company's Supervisory Board, there is an Audit Committee composed of: Mr Andrzej Abramczuk, Mr Mirosław Mikołajczyk and Mr Andrzej Chajec. In the Company's opinion, Mr Mirosław

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

4.4 Share capital

4.4.1 Structure of the share capital

As at 31 December 2015 and as at the date hereof, the Company's share capital amounts to PLN 147,966,675 and is divided into 1,479,666,750 ordinary bearer shares with a nominal value of PLN 0.10 each, of which:

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

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

4.4.2 Large shareholders

The table below shows the structure of shareholders of the Company which, as at 31 December 2015, hold either directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders of the Company. This structure is valid as at the date of submitting this annual report, i.e. as at 29 February 2016. The following list has been drawn up on the basis of notifications received by the Company from the shareholders pursuant to Article 69 of the Act on the Public Offering and pursuant to Article 160 of the Act on Trading in Financial Instruments of 29 July 2005 (hereinafter, the "Act on Trading").

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

(*) Mr. Zygmunt Solorz-Żak, acting as Deputy Chairman of the Company's Supervisory Board, controls the Company through: (i)

Karswell Limited, with its registered office in Nicosia, Cyprus, (ii) Ortholuck Limited, with its registered office in Nicosia, Cyprus, and (iii) Litenite Limited, with its registered office in Nicosia, Cyprus, with respect to 976,542,690 shares in the Company held by Litenite.

(**) in accordance with information provided by the Company in Current Report No. 40/2013 of 12 December 2013.

From the date of the previous interim report of the Company, i.e. since 10 November 2015, until the date hereof, i.e. 29 February 2016, there were 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 2015.

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

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

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

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

As at 31 December 2015, there was the applicable agreement entered into in December 2011 between Ortholuck, holding 100% of the shares in Litenite, and LTE Holdings, a subsidiary of Polkomtel; LTE Holdings acquired from Ortholuck 49% of shares in Litenite (Current Report No. 6/2012 of 7 February 2012). Under the aforementioned agreement, the remaining 51% stake in Litenite held by Ortholuck was encumbered by a pledge in favour of Polkomtel and the laws of Cyprus governed and applied to such pledge (the “Polkomtel Pledge”). In a case where certain events take place, including, for example, violations of the obligations between Ortholuck and LTE Holdings under the respective agreement between such entities on which the Company has and had no further information or a possible bankruptcy of Litenite or its subsidiaries, then Polkomtel, under the Polkomtel Pledge, would be entitled, among other things, to exercise corporate and property rights on pledged shares in Litenite, including voting rights, and would obtain the right to sell such shares. In addition, under the Polkomtel Pledge, Ortholuck was obliged not to dispose of or encumber the pledged shares in Litenite, except for encumbering them with another pledge, on certain terms and conditions, as collateral for financing obtained by Litenite or its subsidiaries. Such other pledge would take precedence over the Polkomtel Pledge. In addition, LTE Holdings was contractually reserved an option to purchase from Ortholuck, at market price, the remaining 51% stake in Litenite (the “Call Option”).

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

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

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

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

4.4.6 Employee stock plan

The Company does not operate any employee stock plan.

4.4.7 Acquisition of own shares

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

4.5 Principles of amending the Company's Statute

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

4.6 Procedures applicable to general meetings and their principal competences, as well as a description of shareholders' rights and methods of exercising them

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

Shareholders representing at least half of the share capital or at least half of the total votes in the company may convene the Extraordinary General Meeting. The 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 items be placed on the agenda of the next General Meeting. Such a request must be submitted in writing or electronically to the Management Board.

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

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

A request to convene the EGM and place certain items on the agenda, presented by authorised persons, may be rejected only for legitimate reasons and justified in detail. If a motion concerns placing the election

of members of the Supervisory Board in accordance with Article 385 par. 3 of the CCC on the agenda, it cannot be rejected under any circumstances. The General Meeting of Shareholders convened upon the motion of authorised entities, or a General Meeting of Shareholders whose agenda contains specific items placed thereon as a result of such a motion, may be cancelled only with the consent of those who brought the motion. In other cases, the General Meeting may be cancelled if holding the meeting would mean facing extraordinary obstacles or is obviously pointless.

Such cancellation and possible postponement of the General Meeting take place in the same way as when convening the Meeting, reducing as much as possible any negative consequences of the changes for the Company and the shareholders. The cancellation and postponement of the General Meeting should be made immediately after the conditions justifying such cancellation or postponement emerge, but no later than seven days before the date of the General Meeting. If the cancellation or postponement of the General Meeting cannot be made within the time limit referred to in the preceding sentence, the General Meeting should be held unless the circumstances show that it is impossible or excessively difficult, in which case such cancellation or postponement can be made at any time before the date of the General Meeting. The cancellation or postponement of the General Meeting is made by a notice published on the Company's website together with a statement of reasons and in compliance with any other requirements of applicable law. The power to cancel the General Meeting will be vested only in the body or person that has convened the General Meeting.

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

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

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

- 1) the date, time and place of the general meeting together with a detailed agenda,
- 2) a precise description of the procedures for participating in the general meeting and exercising voting rights, and, in particular, information on:
 - a. shareholders' rights to request that specific items be placed on the agenda of the general meeting,
 - b. shareholders' rights to submit draft resolutions on items placed on the agenda of the general meeting or items to be placed on the agenda before the date of the general meeting,
 - c. shareholders' rights to submit draft resolutions on items placed on the agenda during the general meeting,
 - d. procedures for exercising voting rights by proxy, including, in particular, forms used for proxy voting purposes and procedures for notifying the company electronically of the appointment of that proxy,
 - e. options and procedures for participation in the general meeting using electronic communication means,

- f. procedures for taking the floor during the general meeting using electronic communication means,
 - g. procedures for exercising voting rights by correspondence or using electronic communication means,
- 3) the registration date for participation in the general meeting, as referred to in Article 406¹ of the CCC,
- 4) information that the right to participate in the general meeting is vested only in persons who are shareholders of the company on the date of registration for participating in the general meeting,
- 5) an indication of where and how a person entitled to participate in the general meeting can obtain the full text of the documentation to be presented to the general meeting and draft resolutions or, if no resolutions are scheduled to be adopted, comments of the management board or the supervisory board of the company relating to items placed on the agenda of the general meeting or items to be placed on the agenda before the date of the general meeting,
- 6) reference to the website where respective information on the general meeting is to be published.

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

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

If the forms referred to in section 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 their 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 their 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 shareholders voting against the resolution,
- 4) to include instructions on how to vote in respect of each of the resolutions on 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 placing particular items on the agenda. The General Meeting can only adopt resolutions on items on the agenda.

Written draft resolutions under the agenda provided for in the notice on the Meeting are prepared by the Management Board and published on the Company's website. Draft resolutions to be presented to the General Meeting together with relevant documents, and the opinion of the Supervisory Board in a case where the Management Board has requested such an 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 adopt resolutions regardless of the number of shareholders present and the amount of share capital represented.

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

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

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

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

A resolution on abandoning an item included on 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 item placed on the agenda at the request of the shareholders requires a resolution of the General Meeting, upon the prior consent of all shareholders present who made such a request, supported by 75% of the votes at the General Meeting.

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

4.7.1 Supervisory Board

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

Members of the Supervisory Board are appointed and recalled by the General Meeting. As a 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 law, in other provisions of the Statute or in resolutions of the General Meeting, the powers and duties of the Supervisory Board include:

- a) evaluation of the financial statements for the previous financial year;
- b) evaluating the report of the Management Board on the operations of the Company;
- c) submitting to the General Meeting a written report on the results of the activities referred to in items (a) and (b);
- d) assessing motions of the Management Board on distributing profit or covering loss;
- 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 a share in real estate;
- h) granting consent to the Company to conclude an essential agreement with a related party (the above obligation does not apply to routine transactions concluded on market terms in the ordinary course of business conducted by the Company with a subsidiary in which the Company holds a majority shareholding) or a parent company; a related party is defined as in the Regulation of the Minister of Finance issued on the basis of Article 60 par. 2 of the Act on the Public Offering and the Conditions for Admitting Financial Instruments to Organised Trading and on Public Companies of 29 July 2005; further, it is accepted that granting borrowings or other types of debt financing towards the above entities falls within the limits of the ordinary business of the Company;

- i) granting consent to the Company to draw down liabilities where the value of a single transaction or of the total number of transactions concluded in a given financial year with a single entity exceeds 20% of the Company's net assets, determined on the basis of the most recent separate financial statements published in an interim report;
- j) submitting a concise evaluation of the situation of the Company to the Ordinary General Meeting of Shareholders, including an evaluation of the internal control system and risk management system of the Company;
- k) appointing a certified auditor to audit the financial statements of the Company.

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

4.7.2 Management Board

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

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

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

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

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

4.8.1 Supervisory Board

As at 31 December 2015, the composition of the Supervisory Board of the Company was as follows:

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

In 2015, no decisions were taken concerning the composition of the Supervisory Board.

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

Each member of the Supervisory Board is obliged to provide the Company with his/her statement on the number of shares held in the Company, their percentage share in the share capital and the resulting number of votes, within 4 days of being appointed to the Supervisory Board, and also each time of being requested to do so by the Company's Management Board. Within 4 days after acquiring or disposing of shares in the Company, a member of the Supervisory Board is obliged to notify the Company of such. The relevant letter should contain information on the number of shares in the Company acquired or disposed of, their percentage share in the share capital, and the number of votes resulting from those shares, as well as the number of currently held shares and number of votes. The above provision shall apply mutatis mutandis to the acquisition and disposal of shares in the Company's parents or subsidiaries as well as to transactions with such entities insofar as they are relevant to the financial position of the member of the Supervisory Board. Members of the Supervisory Board should refrain from taking any action which could lead to a conflict of interests with the Company. Members of the Supervisory Board are obliged to immediately inform the Chairman of the Supervisory Board about a conflict of interests and are required to abstain from voting on these matters. A member of the Supervisory Board cannot resign from performing this function during the term if it could prevent effective work of the Supervisory Board and, in particular, if this could prevent the 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, and 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, absence due to trip), 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 Article 19.2 and 19.3 of the Statute, the Supervisory Board adopts resolutions 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 also adopt valid resolutions in cases where, despite the failure to serve notice on individual members, they are present at the meeting of the Supervisory Board and agree to participate in the meeting.

Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by voting in writing through any other member of the Supervisory Board. A written vote cannot relate to items placed on the agenda during a meeting of the Supervisory Board. The Supervisory Board may adopt resolutions in writing (by circulation) and also by means of direct remote communication. In particular, members of the Supervisory Board may vote on resolutions by sending fax messages or via e-mail. Resolutions adopted this way are valid provided that all the members of the Supervisory Board are previously notified about the content of the resolution as stipulated in Article 19.1 of the Statute. Adopting resolutions as specified in Article 19.2 and 19 par. 3 of the Statute cannot apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, to the appointment of a member of the Management Board 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 setting the date of a meeting, the Chairman of the Supervisory Board informs the Management Board about the meeting, obligates it to provide the required documents, and informs it of the duty of employees or other persons to attend in order to report on the merits of matters which are the subject of the meeting. The Chairman of the Supervisory Board may authorise a Supervisory Board member to carry out the aforementioned entitlements and, where Supervisory Board working groups are formed, their chairmen are also authorised within the scope of activity of the group to obligate the Management Board to prepare materials for meetings and to ensure the presence of employees or other persons whose attendance is necessary due to the scope of matters to be discussed at the Supervisory Board meeting. In the event that a resolution on delegating members of the Supervisory Board to perform specific supervisory activities is adopted, the delegated member of the Supervisory Board may, to the extent of his/her assignment, request access to files and documents regardless of the expected topics of the next meeting of the Supervisory Board, and may also require the presentation of individual documents to the Supervisory Board, if they are associated with the planned agenda of the next meeting.

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

Members of the Supervisory Board carry out their duties in person, although the Supervisory Board may adopt a resolution commissioning the preparation of an expert opinion or analysis in connection with the performance of supervisory duties to persons from outside the Supervisory Board. Terms and conditions for the execution of such orders in accordance with any resolution adopted in that respect are agreed by the Chairman of the Supervisory Board or another member of the Supervisory Board indicated in the

resolution, who informs the Management Board about the need to enter into a mandate contract or a contract for specific work on behalf of the Company to the extent respectively agreed.

4.8.2 Audit Committee

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

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

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

- a) monitoring the work of the Company's certified auditors and presenting to the Supervisory Board recommendations on the choice and remuneration of the Company's certified auditors,
- b) discussing with the Company's certified auditors, before the commencement of the annual audit of the financial statements, the nature and scope of the audit, and monitoring the coordination of work between the Company's certified auditors,
- c) reviewing interim and annual financial statements of the Company (separate and consolidated), with a particular focus on: (i) any changes to accounting standards, principles and practices, (ii) major areas of judgement, (iii) significant post-audit adjustments, (iv) going concern statements, (v) compliance with applicable accounting regulations,
- d) discussing any problems or reservations that might result from the audit of the financial statements,
- e) analysing letters to the Management Board prepared by the certified auditors of the Company, and the independence and objectivity of their audit and the responses of the Management Board,
- f) issuing opinions on yearly and long-term financial plans,
- g) giving opinions on the dividend policy, profit distribution and securities issues,
- h) reviewing the management accounting system,
- i) reviewing the internal control system, including control mechanisms in the area of finance, operations, compliance, risk and management assessment,
- j) analysing reports by the Company's internal auditors and the main reservations of other internal analysts, and responding to the Management Board with regard to those reservations, together with assessing the degree of independence of the internal auditors and issuing opinions on the

Management Board's plans for hiring or dismissing persons in charge of organisational units responsible for internal audit,

- k) annually reviewing the internal audit programme, coordinating the work of internal and external auditors and examining conditions of the internal auditors' work,
- l) cooperating with organisational units of the Company responsible for auditing and control, and periodically evaluating their work,
- m) considering all other issues related to auditing at the Company, which the Audit Committee or Supervisory Board draw attention to,
- n) informing the Supervisory Board about any material issues in respect of the activities of the Audit Committee.

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

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

4.8.3 Remuneration Committee

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

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

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

4.8.4 Management Board

As at 31 December 2015, the composition of the Management Board was as follows:

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

In 2015, no decisions were made concerning the composition of the Management Board.

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

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

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

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

4.9 Remuneration of managing and supervising persons

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

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

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

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

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

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

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

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

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

5 Remuneration policy

The remuneration system adopted by the Company is based on appropriate resolutions of the Company's governing bodies. On 12 December 2013, the Extraordinary General Meeting of the Company adopted a resolution on awarding remuneration to members of the Company's Supervisory Board for their service. On this basis, members of the Company's Supervisory Board receive remuneration for participating in each meeting of the Supervisory Board, but do not receive monthly remuneration. On the other hand, under the resolution of the Company's Supervisory Board, Management Board members appointed for a

new term on 14 December 2014 are entitled to monthly remuneration. During the last financial year there were no significant changes in the remuneration policy.

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

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

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

6 Other information

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

In 2015, no proceedings were pending directly with respect to the Company or any of the subsidiaries of the Midas Group before any court, a court of arbitration or a public administration body, the value of which, whether individually or combined, would represent at least 10% of the Company's equity.

Such proceedings were indirectly conducted with respect to the subsidiaries of the Midas Group and they are described below. In the proceedings below, Aero2, CenterNet and from 31 December 2014 Aero2 as the legal successor of CenterNet and Mobyland, and from 30 November 2015 Aero 2 as the legal successor of Mobyland (depending on the proceedings) and Sferia act as an interested party, as these proceedings are largely directed against the administrative decisions issued by the President of the OEC. However, indirectly, handing down a binding resolution in each of these proceedings may result in the President of the OEC ruling to maintain, change or reverse the previous resolutions that directly concern frequency reservations for CenterNet and Mobyland or frequency reservations granted to Aero2 and Sferia.

To ensure the most transparent and concise presentation of the matters related to the above proceedings, this report includes all the most significant information, which reflects the current factual status of pending proceedings, but does not reflect the detailed chronology of events which took place during those proceedings. To become acquainted with the detailed chronology of events concerning specific proceedings, it is important to review the information contained in this report in relation to information disclosed in previous interim reports of the Company, available on the Company's website at: http://midas-sa.pl/Relacje_inwestorskie/Raporty_gieldowe/Raporty_okresowe).

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

In the matter concerning reversal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating – in the scope concerning the evaluation of T-Mobile's bid – the tender concerning two reservations of frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, issued in the tender concerning reservation of the

frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), on 8 May 2014, the SAC issued a judgement concerning the tender for two frequency reservations, in the 1710-1730 MHz range and the 1805-1825 MHz range (the “Tender”), under which the SAC upheld the PACW’s judgement of 6 July 2012. The SAC judgement was issued following the dismissal of the cassation appeals filed by the President of the OEC and the Issuer’s subsidiaries: CenterNet and Mobyland. The SAC stated that the dispute in the matter centred on assessing recommendations for further action for the President of the OEC, following from the judgement of the PACW of 21 July 2009, reversing both decisions of the President of the OEC refusing to declare the invalidity of the tender concerning frequency reservations and from the judgement of the SAC of 3 February 2011 approving the judgement of the PACW. The SAC found that the above judgements of the PACW and SAC indicated that the President of the OEC should have invalidated the Tender in its entirety. In its judgement of 21 July 2009, the PACW found that a serious breach of applicable law occurred during the tender proceedings, as a result of which a party to the proceedings was deprived of the right to participate in stage two of the Tender, i.e. the criterion for flagrant infringement of applicable law 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 law, its interpretation and application.

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

OEC in a judgement of 23 September 2014. Subsidiaries of the Issuer submitted cassation appeals against that judgement. The date of examining the cassation appeals is unknown.

The Management Board of the Issuer believes that the SAC judgement of 8 May 2014 and the PACW judgement of 23 September 2014 will have no influence on CenterNet's (currently Aero2) and Mobyland's (currently Aero 2) ability to continue their existing operations. This means that these companies can still make full use of the frequencies granted to them, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group. Furthermore, the Management Board maintains its position expressed in Current Report No. 8/2014 that it is currently 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 reversed upon reopening the proceedings. At this point, the Issuer's Management Board does not see any legal grounds on which this scenario could be fulfilled.

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

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

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

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

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

Sferia obtained radio frequency reservations until 31 December 2018 based on the decision of the President of the Office for Telecommunication and Post Regulation ("President of the OTPR") of 31 December 2003 (LR 7346/03), as subsequently amended by the decisions of the President of the OTPR of 19 August 2004 (LR 4269/04), 29 September 2004 (DZC-WDO-5106-9/04(4)) and 20 October 2005

(DZC-WAP-5106-1/05(5)) as well as decisions of the President of the Office of Electronic Communications (“President of the OEC”) of 10 July 2007 (DZC-WAP-5106-1/05(35)), 15 October 2008 (DCZ-WAP-5106-1/05(112)), 19 March 2009 (DCZ-WAP-5106-1/05(140)), 27 December 2013, (DZC-WAP-5174-16/13(62) and 26 September 2014, (DZC-WAP-5174-16/13(137)).

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

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

a. Proceedings court case No. II C 184/14 held before the Regional Court in Warsaw based on the claim of T-Mobile for acknowledging the invalidity of the settlement entered into by and between the State Treasury and Sferia together with its shareholders in order to evade compensation claims related to the discrimination of Sferia. The proceedings are pending. As part of the proceedings by the decision of 24 February 2015, court case No. I Acz 119/15, the Court finally dismissed the motion by T-Mobile for an injunction in the form of the prohibition for Sferia to use the frequencies from the 800 Mhz range due to the fact that the complainant failed to show legal interest in having such an injunction granted.

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

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

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

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

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

The Management Board of Sferia considers any claims under the aforementioned proceedings to be unjustified. At the current stage all valid judgements of the Court are favourable for Sferia and acknowledge the legality of the decisions of the President of the OEC of 27 December 2013 and 26 September 2014. However, until the final closing of the proceedings, the possibility cannot be excluded that the judgements might be modified in a manner unfavourable for Sferia as part of the proceedings currently pending.

Other proceedings

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

By the judgement of 19 January 2015, XVII AmT 69/13, the OCCP Court dismissed the appeal by CenterNet. Aero2, as the legal successor of CenterNet, filed an appeal against that judgement, which has not yet been heard.

In a judgement of 5 February 2015, XVII AmT 73/13, the OCCP Court partially ruled in favour of an appeal by Mobyland and reversed the decision of the President within the scope of the schedule established for adjusting the rates for the completion of connections. Within the remaining scope, Mobyland's appeal was dismissed. Mobyland and the President of the OEC filed an appeal against this judgement, while Mobyland appealed against the part in which the appeal was dismissed. By the judgement of 14 October 2015, the Appeal Court in Warsaw admitted the appeal of the President of the OEC and reversed the judgement of the Court of first instance to the extent of sections 1 and 3, i.e. in the part where the decision of the President of the OEC was reversed on imposing the obligation on Mobyland to apply fees in an appropriate amount, and in the part where mutual costs of the proceedings were waived between the parties, and forwarded the case for re-examination by the Court of first instance. The Appeal Court also dismissed in its entirety the appeal by Mobyland. Aero 2 – acting as the legal

successor of Mobyland – filed a cassation appeal against the aforementioned judgement of the Appeal Court, which is awaiting examination.

In a judgement of 6 May 2015, XVII AmT 71/13, the OCCP Court dismissed an appeal by Aero2. Aero2 appealed against that judgement too. The date of the appeal hearing is not yet known.

6.2 Subsequent events

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

6.3 Environmental issues

In 2015, 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 6.4 of the Management Report on the activities of the Midas S.A. Capital Group in 2015.

6.4 Important achievements in the area of research and development

In 2015, the Company carried out no research and development activities.

6.5 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 the Issuer's Statute.
Country of the registered office:	Republic of Poland
Address:	al. Stanów Zjednoczonych 61a 04-028 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, 26 February 2016