

MIDAS Spółka Akcyjna

**LONG-FORM AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

I. GENERAL NOTES

1. Background

Midas Spółka Akcyjna (hereinafter 'the Company') was incorporated on the basis of a Notarial Deed dated 15 December 1994. The Company's registered office is located in Warsaw, at Lwowska 19.

The Company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000025704 on 6 July 2001.

The Company was issued with statistical number (REGON) 010974600 on 11 May 1995.

The Company is the holding company of the Midas S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Notes 5 and 26 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2013.

The principal activities of the Company are as follows:

- holding company activities
- other forms of granting loans
- other financial services, except insurance and pension funds
- other activity supporting financial services, except insurance and pension funds
- purchase and sale of real estate property on own account

As at 31 December 2013, the Company's issued share capital amounted to 147 967 thousand zlotys. Equity as at that date amounted to 1 212 020 thousand zlotys.

In accordance with the information as at 31 December 2013 obtained in the course of the audit of the financial statements of the Company, the ownership structure of the Company's issued share capital was as follows:

| | Number of shares | Number of votes | Par value of shares (in thousand zlotys) | % of issued share capital |
|-------------------------|---------------------|--------------------|---|------------------------------|
| Zygmunt Solorz – Żak | 976 542 690 | 976 542 690 | 97 654 | 66% |
| ING OFE | 80 000 000 | 80 000 000 | 8 000 | 5% |
| Other shareholders | 423 124 060 | 423 124 060 | 42 313 | 29% |
| | ----- | ----- | ----- | ----- |
| Total | 1 479 666 750 | 1 479 666 750 | 147 967 | 100% |
| | ===== | ===== | ===== | ===== |

According to the information as at 21 March 2014 obtained in the course of the audit of the financial statements of the Company, there were no significant changes in the ownership structure of the Company's issued share capital during the financial year as well as between the balance sheet date and the date of the opinion.

There were no movements in the share capital in the reporting period.

As at 21 March 2014, the Company's Management Board was composed of:

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

On 17 December 2013 Mr Dariusz Łukasiewicz was dismissed from the function of Vice-president of the Management Board.

2. Financial Statements

On 15 October 2008 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1 Auditors' opinion and audit of financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board of the Company on 21 March 2013 to audit the Company's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly: Ernst & Young Audit sp. z o.o.) and the key certified auditor meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 26 July 2013 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2013.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' opinion including emphasis of matter dated 21 March 2014, stating the following:

“To the Supervisory Board of Midas Spółka Akcyjna

1. We have audited the attached financial statements for the year ended 31 December 2013 of Midas Spółka Akcyjna (‘the Company’) located in Warsaw, at Lwowska 19, containing statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the period from 1 January 2013 to 31 December 2013 and the summary of significant accounting policies and other explanatory notes (‘the attached financial statements’).
2. The truth and fairness¹ of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company’s Management Board. In addition, the Company’s Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors’ Report meet the requirements of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – ‘the Accounting Act’). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
 - chapter 7 of the Accounting Act,
 - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. In our opinion, the attached financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Company’s operations for the period from 1 January 2013 to 31 December 2013, as well as its financial position³ as at 31 December 2013;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company’s Articles of Association.

¹ Translation of the following expression in Polish: ‘*rzetelność i jasność*’

² Translation of the following expression in Polish: ‘*rzetelnie i jasno*’

³ Translation of the following expression in Polish: ‘*sytuacja majątkowa i finansowa*’

5. Without qualifying our opinion, we draw attention to the fact that, as described in detail in Note 18 to the attached financial statements, there is a legal dispute related to granting 1800 MHz frequency reservations to Mobyland Sp. z o.o. and Centernet S.A. As described in the above note, the Management Board of the Company is not able to predict the final outcome of the above cases, however is of the opinion that the above cases should not impact negatively the recoverable amount of the Company's investments in the subsidiaries. Consequently, the attached financial statements do not contain any adjustments related to valuation of investments that could prove necessary in case of negative outcome of the above described issue for the subsidiaries of the Company.
6. We have read the 'Directors' Report for the period from 1 January 2013 to 31 December 2013 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009.33.259 with subsequent amendments)."

We conducted the audit of the Company's financial statements during the period from 29 July 2013 to 21 March 2014. We were present in the place where the Company's books of account are kept from 18 November 2013 to 26 November 2013 and from 10 February 2014 to 21 March 2014.

2.2 Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 21 March 2014, confirming that:

- the information included in the books of account was complete,
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements,

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

At the same time we declare that during the audit of the financial statements, there were no limitations of scope.

⁴ Translation of the following expression in Polish: "*rzetelność i jasność*"

2.3 Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2012 were audited by Wojciech Pułkownik, key certified auditor no. 10477, acting on behalf of Ernst & Young Audit sp. z o.o. located in Warsaw, Rondo ONZ 1, registered on the list of entities authorised to audit financial statements under no. 130. The key certified auditor issued an unqualified opinion including emphasis of matter paragraph on the financial statements for the year ended 31 December 2012. The emphasis of matter paragraph related to a legal dispute regarding frequency reservations granted to Mobyland Sp. z o.o. and Centernet S.A. The Company's financial statements for the year ended 31 December 2012 were approved by the General Shareholders' Meeting on 21 June 2013.

The financial statements for the financial year ended 31 December 2012, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on appropriation of net result and the Directors' Report, were filed on 4 July 2013 with the National Court Register.

The closing balances as at 31 December 2012 were correctly brought forward in the accounts as the opening balances at 1 January 2013.

3. Analytical Review

3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2011 – 2013. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2013 and 31 December 2012. The ratios for 2012 were calculated based on restated financial data included in the financial statements for the year ended 31 December 2013.

| | 2013 | 2012 | 2011 |
|--|-----------|-----------|-----------|
| Total assets | 1 525 742 | 1 238 270 | 1 012 865 |
| Shareholders' equity | 1 212 020 | 1 211 931 | 381 219 |
| Net profit/ loss | 85 | 6 987 | (5 669) |
| Return on assets (%) | 0.0% | 0.6% | (0.6%) |
| $\frac{\text{Net profit/loss} \times 100}{\text{Total assets}}$ | | | |
| Return on equity (%) | 0.0% | 1.8% | (6.0%) |
| $\frac{\text{Net profit/loss} \times 100}{\text{Shareholders' equity at the beginning of the period}}$ | | | |

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Long-form auditors' report
for the year ended 31 December 2013
(in thousand zlotys)

| | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|
| Liquidity I | 421.75 | 10.33 | 0.08 |
| Current assets | | | |
| Short-term creditors | | | |
| Liquidity III | 109.42 | 5.09 | 0.01 |
| Cash and cash equivalents | | | |
| Short-term creditors | | | |
| Creditors days | 4 days | 8 days | 116 days |
| Trade creditors x 365 | | | |
| Costs of operating activity | | | |
| Stability of financing (%) | 99.96% | 97.9% | 40.0% |
| (Equity + long-term provisions and liabilities) x 100 | | | |
| Total liabilities, provisions and equity | | | |
| Debt ratio (%) | 20.6% | 2.1% | 62.4% |
| (Total liabilities and provisions) x 100 | | | |
| Total assets | | | |
| Rate of inflation: | | | |
| Yearly average | 0.9% | 3.7% | 4.3% |
| December to December | 0.7% | 2.4% | 4.6% |

3.2 Comments

The following trends may be observed based on the above financial ratios:

Return on assets ratio in 2013 amounted to 0% and decreased in comparison to 2012, when it amounted to 0.6%. In 2011 the ratio was negative.

Return on equity ratio in 2013 amounted to 0% and decreased in comparison to 2012, when it amounted to 1.8%. In 2011 the ratio was negative.

Liquidity ratio I in 2013 amounted to 421.75 and increased in comparison to 2012 and 2011, when it amounted to 10.33 and 0.08, respectively.

Liquidity ratio III in 2013 amounted to 109.42 and increased in comparison to 2012 and 2011, when it amounted to 5,09 and 0.01 respectively.

Creditors days amounted to 4 days in 2013 and was shorter than in 2012 and 2011, when it amounted to 8 days and 116 days, respectively.

Stability of financing ratio in 2013 amounted to 99.96% and increased in comparison to 2012 and 2011, when it amounted to 97.9% and 40%, respectively.

Debt ratio in 2013 amounted to 20.6% and increased in comparison to 2012, when it amounted to 2.1%, and decreased in comparison to 2011, when it amounted to 62.4%.

3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2013 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 7 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2013, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2013 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Accounting System

The Company's accounts are kept using the Oracle Biznes Suit 11.5 computer system by Sferia S.A. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2013.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2013.

Included in our Auditors' opinion on the attached financial statements is emphasis of matter which relates to the existing uncertainty regarding an ongoing legal dispute.

3. Additional Notes and Explanations to the Financial Statements

The additional notes and explanations to the financial statements for the year ended 31 December 2013 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Company's activities in the period from 1 January 2013 to 31 December 2013 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2009.33.259 with subsequent amendments).

5. Conformity with Law and Regulations

We have obtained a letter of representations from the Company's Management Board confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
(formerly: Ernst & Young Audit sp. z o.o.)
Rondo ONZ 1, 00-124 Warsaw
Reg. No. 130

Key Certified Auditor

Partner

Jarosław Dac
certified auditor
No. 10138

Mikołaj Rytel

Warsaw, 21 March 2014