



**MANAGEMENT REPORT
ON THE OPERATIONS OF
THE MIDAS CAPITAL GROUP
IN 2013**

Warsaw, 21 March 2014

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1 Organisation of the Midas Capital Group

The parent company in the Midas Capital Group (hereinafter, the “Group” or the “Midas Group”) is Midas Spółka Akcyjna (formerly known as Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna, hereinafter, the “Company” or the “Issuer”), established on 15 December 1994 pursuant to the Act on National Investment Funds and their Privatisation of 30 April 1993 (the “NIF Act”), which, until 31 December 2012, operated under the provisions of that act and the Commercial Companies Code (the “CCC”). As of 1 January 2013, in connection with the entry into force of the Act of 30 March 2012 Repealing the Act on National Investment Funds and their Privatisation and Amending Certain Acts, the Company operated pursuant to the CCC and other legislation. The Company is registered in the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 000002570. The registered office of the Company is in Warsaw.

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

As at 31 December 2013, the Midas Group consisted of the Company and the following subsidiaries:

- CenterNet Spółka Akcyjna with its registered office in Warsaw (“CenterNet”),
- Mobyland Spółka z o.o. with its registered office in Warsaw (“Mobyland”),
- Conpidon Limited with its registered office in Nicosia, Cyprus (“Conpidon”),
- Aero2 Spółka z o.o. with its registered office in Warsaw (“Aero2”).

1.1.1 Changes in the structure of the Midas Group

In 2013, there were no major changes in the Midas Group’s structure. Described below are changes to the structure of the Midas Group made in 2013, which were of a formal nature and stemmed from the Management Board’s efforts to simplify the structure of the Midas Group.

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

the Merger and authorised the Management Board of the Company to execute all actions required to perform the merger procedure, about which the Company reported in Current Report No. 28/2013. On 21 February 2014 (a post-balance sheet date event), the Merger was registered, and the Company thereby became the legal successor of Conpidon. The Company published information on the registration in Current Report No. 3/2014.

On 25 April 2013, a plan was agreed and signed for a merger by takeover between the companies Aero2 (as the acquiring company) and Nova Capital Sp. z o.o. (as the target company), in which Aero2 held a 100-per cent interest in the share capital. The decision to merge the two companies resulted from the desire to optimise and streamline the ownership structure of the Group. It was decided that the merger of Aero2 and Nova Capital would be made on the basis of the provisions of the CCC, in consequence of which: (i) Nova Capital was wound up without liquidation, (ii) all of the assets and liabilities of Nova Capital were transferred to or taken over by Aero2 under universal succession, and (iii) Aero2 entered into all the rights and obligations of Nova Capital. On 4 June 2013, the Extraordinary General Meeting of Shareholders of Aero2 and the Extraordinary General Meeting of Shareholders of Nova Capital adopted resolutions on the merger of those companies as set out in the above merger plan. On 31 July 2013, the District Court for the Capital City of Warsaw, Division XII Commercial of the National Court Register, handed down a decision to register the merger of Aero2 as the acquiring company with Nova Capital the target company, by way of transferring all of the assets of the target to the acquiring company.

1.1.2 Entities subject to consolidation

The entities of the Midas Group subject to full consolidation for the purpose of preparing the consolidated financial statements of the Midas Group are: the Company, CenterNet, Mobyland, Conpidon, and Aero2.

The Company has no branches or establishments.

In 2013, there were no major changes in the Midas Group's management principles.

The Midas Group is a capital group as defined in IAS 27 "Consolidated and Separate Financial Statements" in which the Company is the parent and its subsidiaries (as defined in IAS 27) are CenterNet, Mobyland, Conpidon and Aero2 and, up to 31 July 2013, Nova Capital.

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

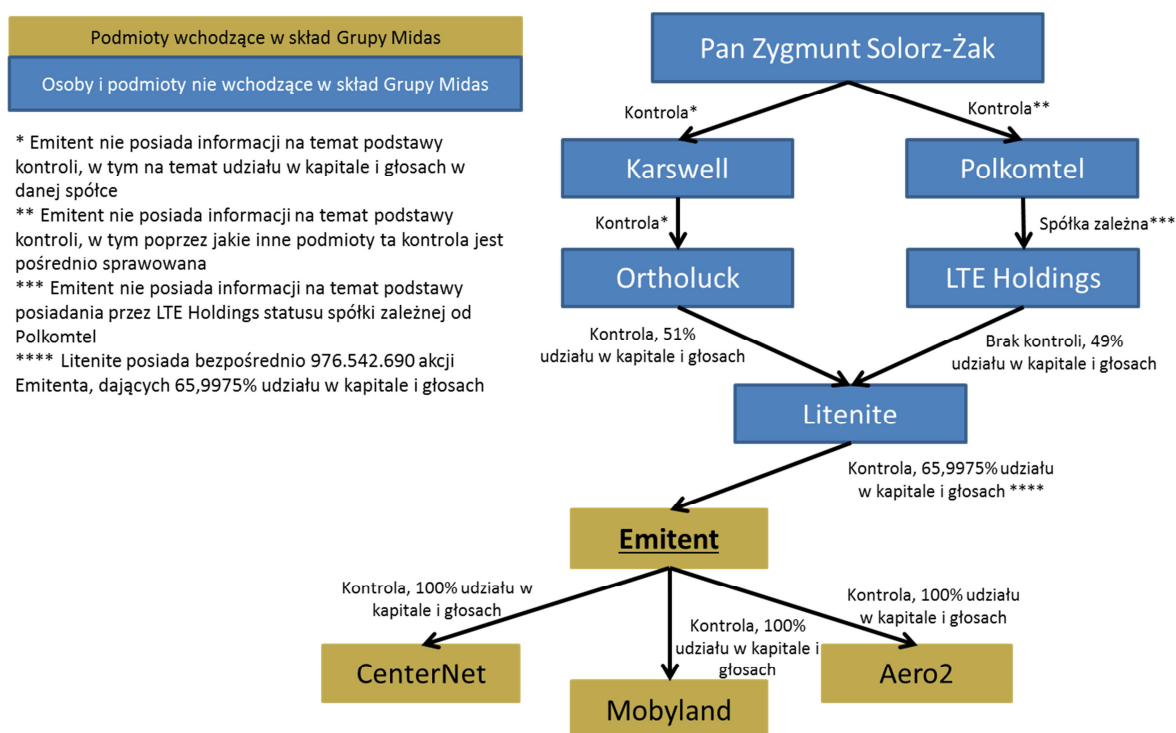
- 1) Mr. Zygmunt Solorz-Żak holds shares in Karswell but the Company is not aware of what stake Mr. Zygmunt Solorz-Żak holds in the capital of Karswell,
- 2) Ortholuck holds a 51 per cent stake in Litenite,
- 3) Mr. Zygmunt Solorz-Żak, Karswell and Ortholuck do not directly hold any shares of the Company (information based on the notification made pursuant to Article 69 of the Act on the Public Offering received by the Company from Mr. Zygmunt Solorz-Żak).

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

In addition, 49 per cent of Litenite's shares are held by LTE Holdings Limited with its registered office in Nicosia, Cyprus ("LTE Holdings"), a subsidiary of Polkomtel Sp. z o.o. with its registered office in Warsaw ("Polkomtel"), but the Company is not aware of the basis underlying the status of LTE Holdings as a subsidiary of Polkomtel.

Polkomtel is an entity controlled by Mr. Zygmunt Solorz-Żak.

The diagram below shows information available to the Company (as at the date of publication of this report) on entities which are parents to the Company, other entities through which Mr. Zygmunt Solorz-Żak holds shares in the parents of the Company, as well as information about the Midas Group. In the particular, the diagram takes account of the merger of the companies Midas and Conpidon, which was registered in the National Court Register after the balance sheet date.



The investments carried out in 2013 were a key element of the Midas Group's business development in the telecommunications sector. The Midas Group did not make any capital expenditures in 2013. The Midas Group's 2013 capital expenditures primarily included investing into further expansion of the telecommunications infrastructure, carried out by Aero2. The primary component of these expenditures was investments in base stations and transmission centres. The above investments of Aero2 were largely carried out under Project 4100, described in the issue Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012 (available on the Company's website at http://www.midas-sa.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny, hereinafter, the "Prospectus").

2 Operations of the Midas Group

The business activities carried out by the Midas Group are treated by the Management Board of the Company as one consistent operating segment including telecommunications activities set out below in more detail - providing telecommunications services, mainly by using the wholesale model. In 2013, revenue from telecommunications services provided by the Group accounted for 98 per cent of the overall sales revenue (95 per cent in 2012). Information about the Group's sales revenue was published in Note 12.1 to the Consolidated financial statements of the Midas Capital Group for the year ended 31 December 2013.

Telecommunications activity

The Group's core business is the provision of wholesale wireless data transmission services by Aero2, CenterNet and Mobyland and voice services for individual customers provided by CenterNet. The wholesale wireless data transmission services are delivered on the basis of: (i) the frequency bands reserved for Aero2, CenterNet and Mobyland, and (ii) the telecommunications infrastructure held by Aero2. Another important factor is the shared use of Polkomtel's telecommunications infrastructure. It should also be noted that, due to the frequency reservation obtained in the 2600 MHz range, Aero2 is required to provide Free Internet Access (hereinafter "FIA").

Wholesale wireless data transmission

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

The telecommunications infrastructure for the LTE 1800 network is supplied by Aero2 and was launched at all locations that previously supported the CenterNet GSM 1800 and Mobyland GSM 1800 networks. As at the end of 2013, the number of base stations owned by the Group ensured LTE coverage for approximately 66 per cent of the population. As regards the above base stations of the Group, for some of them, some of the telecommunications infrastructure components comprising them are recognised under non-current assets of the Group (as own tangible assets or leasehold improvements), while the other stations operate on the basis of a model in which the Group uses them (not being their owner) under agreements authorising such use. As regards the location of the base stations, the standard solution is to use them on the basis of rental or lease agreements, including as a sub-tenant or sub-lessee.

In December 2008, Aero2 won a tender organised by the President of the OEC, obtaining reservation of a frequency in the 900 MHz range. Based on its own frequency in the 900 MHz band and its own infrastructure, Aero2 generates an Evolved HSPA (HSPA+) technology capacity for this band. Some of the network capacity is used for providing FIA in accordance with the obligations arising from the decision on reservation of the frequency in the 2600 MHz band for Aero2, and information concerning this undertaking is presented in the section below. As at the end of 2013, the number of base stations owned by the Group ensured HSPA+ coverage for approximately 99 per cent of the population, including some stations incorporated in the Group's telecommunications network in association with Polkomtel,

pursuant to the cooperation agreement pertaining to the mutual provision of services using telecommunications infrastructure.

Under the agreement concluded in December 2010, Mobyland buys from Aero2 capacities generated within the HSPA+ 900 network. The solution applied (HSPA+) provides mobile high-speed Internet access allowing data download at speeds of up to 21 Mbps and data upload at speeds of up to 5.7 Mbps. Currently, in certain locations, data transfer speed is at 28.8 Mbps, with other locations at 21 Mbps. In locations where data transmission occurs at the speed of 28.8 Mbps, a state-of-the-art MIMO (Multiple Input, Multiple Output) technology is used to provide users with a higher level of services and a better transfer quality. The MIMO technology, based on the application of multiple transmission and reception antennas in the base station and the terminal, permits simultaneous transmission of several different streams ensuring a higher throughput of up to 28.8 Mbps, better transmission quality and an optimised use of the frequencies.

Aero2 is currently also developing a TD-LTE 2600 network based on: the frequency reservation held by Aero2 of November 2009 (taking into account the change of September 2012) in the 2600 MHz band, 2570-2620 MHz range, intended for the delivery of telecommunications services in wireless broadband networks as well as the infrastructure owned by Aero2. From May 2011, the network has been running in 5 locations. A part of the capacity of the network is used to provide FIA, in accordance with the obligations arising from the decision on the reservation of the frequency for Aero2. The TD-LTE 2600 network is implemented within the channel with a maximum 3GPP standard width of 20 MHz using the entire reserved 50 MHz bandwidth. The latest TD-LTE 2600 technology applied by Aero2 allows for a flexible allocation of radio resources between the link to and from the subscriber (the so-called frame allocation). This means that transmission and reception are carried out on the same radio channel, and in only one direction at a time. Such transmission with a duplex time division guarantees the lack of interference between reception and transmission signals and significant power savings. TD-LTE 2600, with the proper base station set-up, can ensure high-speed mobile Internet access, with a throughput of up to 134 Mbps, and with download rates of up to 124.8 Mbps and upload rates of up to 5.5 Mbps. The reservation decision (taking account of amendments) imposed on Aero2 an obligation to expand the TD-LTE 2600 network by the end of 2014 and to achieve coverage of 25 per cent of the Polish population (50 per cent by the end of 2016), while at the same time setting up at least one base station in each of at least 200 rural or urban-rural districts (400 districts by the end of 2016). The Management Board also points out that, since August 2013, preparations have been under way for the President of the OEC to conduct a tender for a frequency reservation for FDD-LTE in the 2600 MHz range. In this connection, the Management Board of the Company is analysing the market discussion to date and the draft tender documentation. In the opinion of the Management Board of the Company, the planned tender conditions, through the absence of investment obligations imposed on frequencies similar to those currently held by Aero2 under the reservation for the TD-LTE 2600 band, and by their being offered in FDD rather than TDD technology, could lead to reduced interest in the services provided using the TD-LTE 2600 band after the completion of the investment process to which Aero2 is obliged under the reservation decision currently held.

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

The offering of the Midas Group for wholesale data transmission using the LTE 1800 and HSPA+ 900 networks is addressed to retail operators, i.e. entities with large subscriber bases expressing an interest in providing subscribers with mobile broadband Internet access services. The Group, based on its frequencies, intends to generate capacity and sell it to the above retail operators. From the perspective of

the Group, such a model seems to be very attractive because the Group thus avoids costly expenses associated with finding retail customers (advertising, subsidising receivers, etc.). In addition, a well defined portfolio of customers in the segment of large and stable retail operators permits the application of wholesale terms and conditions of sales, i.e. long-term orders for large data transfer volumes. As at the date of publication hereof, the Group's key customers for wholesale wireless data transfer are: Cyfrowy Polsat S.A. ("Cyfrowy Polsat") and Polkomtel.

Free Internet access

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

Offering for individual customers

As a mobile operator, CenterNet offers individual customers a wide range of telecommunications services such as domestic voice traffic, international roaming and SMS messaging. As at the end of December 2013, CenterNet was serving a total of more than 54,000 pre-paid users. In providing services, CenterNet uses, through Aero2, domestic roaming provided by Polkomtel, and (directly) international roaming provided by iBasis Global. Information about the above roaming agreements is set forth in sections 22.2.2.2 and 22.10.15 of Section III of the Prospectus.

The wRodzinie (in the family) Project

The offering based on the wRodzinie brand is targeted towards groups of older people and people with close relatives with whom they communicate on a day-to-day basis. As a part of its offering, the Group provides prepaid mobile telephone services including voice service, SMS messaging and international calls. The range of services also includes distribution of mobile phones, including ergonomic models with large buttons, simple and legible displays, intended for elderly users. Sales of phones, starter kits and top-ups are carried out through the call centre, online store, Polish Post Office locations, and through the retail chains of Żabka, BluePay and the LEW Group with shops located throughout the country.

The Group's radio network

According to the data of the OEC, as at 10 February 2014:

- a) Mobyland and CenterNet held 5,149 radio licences issued by the President of the OEC for 1800 MHz LTE,
- b) Mobyland held 355 radio licences issued by the President of the OEC for 1800 MHz GSM,
- c) CenterNet held 125 radio licences issued by the President of the OEC for 1800 MHz GSM,
- d) Aero2 held 4,785 radio licences issued by the President of the OEC for 900 MHz UMTS,

e) Aero2 held 119 radio licences issued by the President of the OEC in the 2600 MHz LTE range.

Not all of the above radio licences are being used. The most important for the Group are the radio licences issued to Aero2 for 1800 MHz LTE. The above data do not account for additional test licences. Aero2 also holds radio band licences.

CenterNet, Aero2 and Mobyland work together with respect to shared use of frequencies and the use of telecommunications infrastructure. CenterNet and Mobyland finished migrating the 1800 MHz GSM technology over to the 1800 MHz LTE technology in the 19.8 MHz band reserved for those companies. This was possible thanks to Poland's first-ever agreement on shared use of a frequency in the 1800 MHz band between CenterNet and Mobyland (information about that agreement is set forth in section 22.2.10 of Part III of the Prospectus) and thanks to the cooperation with Aero2 with respect to using Aero's technical (telecommunications) infrastructure. Furthermore, Mobyland purchases from Aero2 wireless data transfer services in the Aero2 network, carried out in the 900 MHz band using the HSPA+ technology. The above cooperation between Aero2 and Mobyland relies on the agreements concluded in 2010, referred to in section 22.8.3 and 22.8.8 of the Prospectus. Aero2 also cooperates with Polkomtel with respect to broadcasting Aero2's radio signal and the associated transmission using Polkomtel's equipment, pursuant to a cooperation agreement pertaining to the provision of mutual services using telecommunications infrastructure.

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

In 2013, the Midas Group's main customers for wholesale wireless data transmission services were Cyfrowy Polsat and Polkomtel. The share of Cyfrowy Polsat in the overall sales revenue was 32.04 per cent, while the share of Polkomtel amounted to 62.44 per cent. The Management Board of the Company notes the customer risk described in section 2.8.1 hereof. Polkomtel, in accordance with information presented in pt. 1.4 above, is an entity controlled by Mr. Zygmunt Solorz-Żak. Cyfrowy Polsat is controlled by Mr. Zygmunt Solorz-Żak, including through the family foundation TiVi Foundation with its registered office in Vaduz, Liechtenstein, of which Mr. Zygmunt Solorz-Żak is the founder, beneficiary, and curator having wide powers to decide on matters of importance to the Foundation.

In 2013, the primary sources of supply of telecommunications equipment in LTE technology for Aero2, and therefore for the Group, were Nokia Solutions and Networks Sp. z o.o. (formerly Nokia Siemens Networks Sp. z o.o.) and Ericsson Sp. z o.o. The stake of each of the above key suppliers (calculated on the basis of the value of orders placed) in 2013 represented approximately 50 per cent of the total value of orders placed. The Management Board of the Company notes the risk of significant suppliers, described in section 2.8.1 hereof. Neither Nokia Solutions nor Networks Sp. z o.o. and Ericsson Sp. z o.o. are formally related to the Midas Group.

On 18 February 2013, the Company received a copy of a decision of the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register, of 12 February 2013 concerning the entry made on 12 February 2013 in the commercial register of the National Court Register of an amendment to the Statute of the Company, approved by Resolution No. 19/2012 of the Ordinary General Meeting of Shareholders of the Company of 31 October 2012 (the "Resolution"), including a change of the business name of the Company from the previous "Narodowy Fundusz Inwestycyjny MIDAS Spółka Akcyjna" to the present wording of "Midas Spółka Akcyjna". The Company provided information about the adoption of the Resolution and about drawing up, in connection with the considerable extent of the amendments made, a new consolidated text of the Statute, in Current Report

No. 47/2012 of 31 October 2012, and it provided information on receiving the copy in question in Current Report No. 3/2013.

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna (the “Bank”) a loan agreement (the “Agreement”) for investment credit (the “Credit”) of PLN 150 million to finance the expansion of a network of relay stations by companies in the Midas Capital Group. The conclusion of the Agreement with the Bank ensured the Company of access to funds necessary to finance the expansion of the Midas Group’s telecommunications network as part of Project 4100. That Agreement is described in detail in pt. 2.4.1 below. The Company reported on the Agreement in Current Reports No. 4/2013, 23/2013, 26/2013, 31/2013 and 33/2013 corrected by Current Report No. 33/2013 K (due to a misprint).

On 6 March 2013, the Management Board of the Company adopted a resolution on an issue of series A bonds (the “Agreement”). In accordance with the content of the Resolution, the Management Board decided that the Company should issue no more than 600,000 zero-coupon secured series A bearer bonds with a nominal value of PLN 1,000 per bond (the “Bonds”). In accordance with the provisions of the Resolution: (a) the Bonds are not in material form, and their registration in the securities deposit took place in accordance with the provision of the Act on Trading in Financial Instruments, (b) the Bonds were the subject of an application for admittance to the alternative trading system organised by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) (the Catalyst market), (c) the issue price of one Bond was specified on the basis of the nominal value of one Bond reduced by the unit discount value (set in accordance with the provisions of the BIT) and amounted to PLN 342.77 per Bond. Detailed information about the terms and conditions of the Bond issuance was published in Current Report No. 5/2013. On 28 March 2013, the Management Board of the Company adopted a resolution (the “Amending Resolution”) amending the above Resolution, and concluded an annex to the Pledge Agreement (described in pt. 2.4.1 hereof). In accordance with the content of the Amending Resolution, the Management Board decided to change some parameters of the Bonds issued on the basis of the Resolution, specified in the Bond Issue Conditions (“BIT”). In accordance with the provisions of the amended BIT, the Bonds issue took place on 16 April 2013 (the “Issue Day”), and they will be repurchased on 16 April 2021 (the “Repurchase Day”). Moreover, the Issuer is authorised, but not obliged, to establish, at any time, optional security in the form of a Registered Pledge established in the aforementioned Pledge Agreement. In their remaining part, the BIT provisions have not changed. The Company published information on the adoption of the Amending Resolution in Current Report No. 8/2013. On 16 April 2013, the Management Board of the Company assigned a total of 583,772 zero-coupon secured series A bearer bonds issued by the Company, with a nominal value of PLN 1,000 per bond (the “Bonds”). The Bonds were subscribed by the following entities:

- 1) Sferia S.A., with its registered office in Warsaw – 583,481 Bonds,
- 2) Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie – 291 Bonds.

The total issue price of the Bonds assigned was PLN 200,099,528.44. Detailed information in this regard was provided in Current Report No. 12/2013. Since 5 August 2013, the Bonds have been listed in the Catalyst alternative trading system. The Bond Issue ensured the Company of access to funds necessary to finance the expansion of the Midas Group’s telecommunications network as part of Project 4100.

In April and May 2013, in performing the Pledge Agreement described in pt. 2.4.1. below, security was established on the shares of subsidiaries of Midas. Details on that security can be found in pt. 2.4.1 below. The Company reported on the conclusion of the Pledge Agreement in Current Report No. 6/2013, and on the establishment of the pledges in Current Reports No. 11/2013, 13/2013, 16/2013 and 17/2013.

On 24 April 2013, the Management Board of the Company resolved to carry out a cross-border merger of the Company and Conpidon Limited (the “Merger”), in which the Company has 100 per cent of the shares in the share capital. The decision to conduct the Merger of the Company and Conpidon reflected the belief of the Management Board of the Company that the Merger was the fastest and most effective way to streamline the structure of the Midas Group. The long-term goal for the Merger was for the Company to directly hold 100 per cent of the shares in the share capital of Aero2, which was in line with the strategy of the Midas Group. Detailed information in this regard is contained in section 1.1 of this report. The Company reported on the Merger in Current Reports No. 14/2013, 15/2013, 20/2013, 28/2013 and 3/2014.

On 19 June 2013, together with Sferia, the Company concluded Annex No. 1 to the Framework Agreement, by virtue of which the deadline indicated in the Framework Agreement for concluding the Supply Agreement was extended, as referred to in Report No. 55/2012 on the conclusion by Midas of a Framework Agreement with Sferia S.A. The new deadline for concluding the Supply Agreement is 31 March 2014 (previously 6 months following the date of the conclusion of the Framework Agreement). The Company published information on this event in Current Report No. 25/2013. To the best knowledge of the Management Board of the Company, as at the date of publication of this report Sferia has still not obtained the radio permits required to use the radio equipment facilitating the provision of services at a level no worse than LTE in Poland, in numbers and locations justifying efficient economic commencement of the provision of services with the use of those permits, and has not obtained the right to utilise other frequencies necessary to that end. The Management Board of the Company therefore expects that the above deadline for concluding the Supply Agreement may be again extended.

On 7 August 2013, Aero2 submitted two orders covering RAN- and SITE-type services, of which the total value, calculated on the basis of a 5-year period of providing the services covered in those orders, was PLN 466.4 million. The above orders were submitted as part of implementing a cooperation agreement within the scope of the mutual provision of telecommunications infrastructure services (the “Agreement”) concluded by Aero2 on 30 March 2012 with Polkomtel Sp. z o.o. (“Polkomtel” or a “Party”, and jointly with Aero2 the “Parties”), about which the Company reported in Current Report No. 22/2012 of 30 March 2012. The order having the greatest value submitted by Aero2 after 9 November 2012 as part of the implementation of the Agreement is an order of 7 August 2013 concerning RAN-type services (the “Order”) having a value of PLN 354.5 million. The RAN-type services covered by the Order are provided under the conditions described in the Agreement, in each place for a period of five years counting from the date on which Polkomtel announces its readiness to provide the services in a given place, in accordance with the provisions of the Agreement. The Order does not regulate the issue of compensation and contractual penalties – the general terms and conditions of the Agreement will apply in this respect. Other terms and conditions of the Order do not differ from those commonly applied for transactions of this kind. Moreover, on 13 November 2013, Aero2 submitted two orders covering SITE-type services (“Order 2”), of which the total value, calculated on the basis of a 5-year period of providing the services covered in those orders, was PLN 85.9 million. That order was submitted as part of the implementation of the Agreement. As a result of the submission of Order 2, the total value of orders submitted since 8 August 2013 by either of the Parties under the performance of the Agreement reached PLN 124.2 million, and thereby exceeded the value of 10 per cent of the equity of the Company. The order having the greatest value submitted after 7 August 2013 as part of the implementation of the Agreement is an order of 13 November 2013 concerning SITE-type services having a value of PLN 85.9 million. The SITE-type services covered by the Order will be provided under the conditions described in the Agreement, in each place for a period of five years counting from the date on which Polkomtel announces its readiness to provide the services in a given place, in accordance with the provisions of the Agreement. The Order does not regulate the issue of compensation and contractual penalties – the general

terms and conditions of the Agreement will apply in this respect. Other terms and conditions of the Order do not differ from those commonly applied for transactions of this kind. The orders submitted by Aero2 to Polkomtel in 2013 for services provided under the Agreement made it possible, in accordance with the schedule established, to expand the telecommunications network of the Midas Group implemented under Project 4100. The Company reported on those events in Current Reports No. 32/2013 and 35/2013.

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

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

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

Agreements entered into by the Company

Investment credit agreement with Alior Bank S.A.

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna (the “Bank”) a loan agreement (the “Agreement”) for investment credit (the “Credit”) of PLN 150 million to finance the expansion of a network of relay stations by companies in the Midas Capital Group. Under the Agreement, the Company can use the Credit after meeting the specific conditions of use of the Credit specified in the Agreement (of which more below), but no later than by 31 March 2015. The Credit will be repaid in 12 quarterly capital instalments in the following amounts: PLN 1.5 million for the first three instalments; PLN 16.2 million for the next 8 instalments, and PLN 15.9 million for the last instalment. Capital instalments will be paid on the day on which each quarter ends, beginning with 30 June 2015 until 31 March 2018. The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank’s margin, will be repaid in monthly periods. The Management Board of the Company reported on the conclusion of the Agreement, as well as the terms and conditions of utilising and securing the Credit, in Current Report No. 4/2013. As part of the preparations for releasing the Credit, all of the conditions precedent in the Agreement were fulfilled, that is: (i) provision by the companies CenterNet, Mobyland and Aero 2 (jointly the “Guarantors”), and also by Inwestycje Polskie Sp. z o.o. (“Inwestycje Polskie”), of a declaration of submission to enforcement under Article 97 of the Banking Law, (ii) documenting the own contribution made in the amount of PLN 50 million, (iii) documenting the assigning of bonds issued by the Company or another entity of the Midas Group for the total issue price of PLN 200 million and with repurchase due after the date on which the Credit is repaid or, in the case of an entry permitting the bondholder to demand earlier repurchase, a documented commitment by Mr. Zygmunt Solorz-Żak that if, as a result of such a demand, the value of the issue falls below the amount of PLN 200 million, Mr. Solorz-Żak or an entity appointed by him will additionally take up the bonds issued on the conditions of the repurchased bonds such that, up to the time when the Credit is repaid, the total liabilities from the bonds issued is not less than PLN 200 million (the total amount of bonds covered by the possibility of earlier repurchase will not be greater than PLN 100 million, (iv) the establishment of legal security for the Credit, (v) the provision to the Bank of the documents specified in the Agreement, including the proof of payment of the application for entering a contractual mortgage on the property constituting the subject of the security and appropriate resolutions/consents of the bodies of the Company and the bodies of the Guarantors and Inwestycje Polskie for drawing down the Credit and presenting and positively verifying, by the Bank, loan agreements concluded between the Company and the Guarantors, (vi) the lack of changes in the legal state of the properties constituting the security for the Credit. The Company reported on the fulfilment of those conditions precedent in Current Reports No. 23/2013, 26/2013, 31/2013 and 33/2013, corrected by Current Report No. 33/2012 K (due to a misprint). Up to 31 December 2013, the Company drew

down part of the credit in the amount of PLN 46 million. Moreover, on 8 January 2014 (a post-balance sheet date event), a further tranche of the credit was drawn down, in the amount of PLN 20 million. The funds from the credit were sent directly to the bank account of the Company's subsidiary Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013.

Establishment of security for the series A bonds

On 7 March 2013, the Issuer, the Issuer's subsidiary Conpidon Limited ("Conpidon", and, together with the Issuer, the "Pledgors") and BondTrust Polskie Towarzystwo Powiernicze S.A. ("BondTrust PTP", the "Pledge Administrator") concluded an agreement to establish a registered pledge on shares and to establish other forms of security for the Bonds (the "Pledge Agreement"). In performance of the Agreement, the Issuer established security for the Bonds in the form of its own blank promissory note issued and submitted to BondTrust PTP, together with a promissory note declaration authorising BondTrust PTP to fill in the promissory note an amount equivalent to 120 per cent of the total maximum nominal value of the Bonds, i.e. PLN 720,000,000 and in the form of the declaration on submission to enforcement up to the aforementioned amount. Furthermore, to secure the future receivable for payment of the promissory note amount, the Pledgors established, by virtue of the Agreement, a civil pledge in favour of BondTrust PTP on each of the Subjects of the Pledge, namely: a) 204,200 shares in Mobyland Sp. z o.o. with a nominal value of PLN 500 each, owned by the Issuer, b) 221,000 shares in Aero2 Sp. z o.o. with a nominal value of PLN 50 each, owned by Conpidon, c) 4,264,860 shares of CenterNet S.A. with a nominal value of PLN 17.30 each, owned by the Issuer. The detailed terms and conditions of the Pledge Agreement were described in detail in Current Report No. 6/2013. As a consequence of adopting the Amending Resolution (described in pt. 2.3 above) and the resulting BIT amendments, on 28 March 2013 the parties to the Pledge Agreement concluded an annex to the Pledge Agreement, by virtue of which appropriate amendments were made in order to reflect the aforementioned BIT amendments. In connection with the amendment of the character of the Registered Pledge, a change was made to the information conveyed in Current Report No. 6/2013 in such a way that the Civil Pledge will expire, and the contractual provisions concerning the establishment of the Civil Pledge will be independently dissolved, at the moment of effectively establishing the Registered Pledge or at the moment of changing security in the event of a change of security when the Registered Pledge is not yet established. Currently, the clauses concerning the obligation for the Pledgors to submit applications for entry in the register of pledges and to ensure that the Registered Pledge is entered in the register of pledges do not apply. In their remaining part, the terms and conditions of the Pledge Agreement described in Current Report No. 6/2013 have not changed. The Company published information on the adoption of the Amending Resolution in Current Report No. 8/2013.

In April and May 2013, the Company received a total of three decisions by the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Pledge Register (the "Court") regarding an entry made in the Pledge Register of a pledge over:

- a) 204,200 shares in Mobyland with a nominal value of PLN 500 each interest and a total nominal value of PLN 102,100,000, owned by the Company, giving entitlement to 204,200 votes at the Shareholders Meeting of Mobyland, and constituting 100 per cent of the share capital of Mobyland and valued as at 23 November 2012 at the total amount of PLN 262,011,000 (the book value in the books of account of the Company is PLN 178,770,000);
- b) 221,000 shares in Aero2 with a nominal value of PLN 50 each and a total nominal value of PLN 11,050,000, owned by Conpidon, giving entitlement to 221,000 votes at the Shareholders Meeting of Aero2, and constituting 100 per cent of the share capital of Aero2 and valued as at 23 November 2012 at

the total amount of PLN 973,182,000 (the book value in the books of account of the Company is PLN 548,444,000);

c) 4,264,860 shares issued in paper form in CenterNet with a nominal value of PLN 17.30 each share and a total nominal value of PLN 73,782,078, owned by the Company, giving entitlement to 4,264,860 votes at the Shareholders Meeting of CenterNet, and constituting 100 per cent of the share capital of CenterNet and valued as at 23 November 2012 at the total amount of PLN 262,011,000 (the book value in the books of account of the Company is PLN 238,989,000).

The establishment of the above registered pledges is a consequence of the above-described pledge agreement concluded by the Company, Conpidon and BondTrust PTP. The pledges secure future receivables for payment of a promissory note amount, described in Current Report No. 5/2013 of 7 March 2013, with the highest security amount being PLN 720,000,000.

The establishment of the above pledges was described in detail in Current Reports No. 11/2013 (updated by Current Report No. 17/2013), 13/2013 and 16/2013.

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

Establishment of security over credit from Alior Bank

On 1 August 2013, the companies Aero2, CenterNet and Mobyland (the “Guarantors”) concluded with Alior Bank S.A. (“Alior Bank”) a guarantee agreement for the joint security of the Company’s liabilities from an Investment Credit Agreement in the amount of PLN 150 million, for the duration of the Credit as set forth in the Credit Agreement, i.e., until 31 March 2018. Detailed provisions of the above sureties are set forth in section 2.4.4 hereof.

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

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

2.1.3 Credit and loan agreements concluded and terminated

Credit from Alior Bank

Under the loan agreement described in pt. 2.4.1 above for investment credit of PLN 150 million to finance the expansion of a network of relay stations by companies in the Midas Capital Group, as of 31 December 2013 the Company had drawn down part of the loan in the amount of PLN 46 million. Moreover, on 8 January 2014 (a post-balance sheet date event) the Company drew down a further tranche of the loan in the amount of PLN 20 million.

Repayment of loans

On 23 January 2013, CenterNet made an early repayment of part of the loan granted by the Company on 18 July 2011 – it repaid principal in the amount of PLN 5,000,000 together with accrued interest due in the amount of PLN 540,000.

2.1.4 Loans and sureties granted and sureties and guarantees received

Loans granted to subsidiaries

During the 12-month period ended 31 December 2013, the Company granted loans with a total value of PLN 291,000,000, of which:

- a) to Aero2 Sp. z o.o., short-term loans in the amount of PLN 45,000,000 and long-term loans in the amount of PLN 124,000,000,
- b) to Mobyland Sp. z o.o., long-term loans in the amount of PLN 122,000,000.

Details concerning long-term loans granted in 2013 are found below.

Company	Amount of loan (PLN)	Date loan granted	Date loan repaid	Interest rate and other conditions of the loan
Mobyland	40,000	22 April 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	25,000	7 May 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	23,000	25 September 2013	30 March 2018	cost of servicing the Alior loan plus margin
Mobyland	20,000	26 September 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	18,000	19 September 2013	30 March 2018	cost of servicing the Alior loan plus margin
Mobyland	17,000	22 August 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	16,000	22 July 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Mobyland	16,000	9 September 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	15,000	27 May 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	15,000	19 June 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Mobyland	15,000	29 October 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	14,000	27 March 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Mobyland	14,000	5 December 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	12,000	26 June 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	10,000	23 April 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	9,000	22 August 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days

Aero2	5,000	5 December 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	5,000	23 December 2013	30 March 2018	cost of servicing the Alior loan plus margin
Aero2	2,000	22 August 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013

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

Sureties obtained from subsidiaries and affiliates, constituting collateral for the loan from Alior Bank

On 1 August 2013, the companies Aero2, CenterNet and Mobyland (the “Guarantors”) concluded with Alior Bank S.A. (“Alior Bank”) a guarantee agreement for the joint security of the Company’s liabilities from an Investment Credit Agreement in the amount of PLN 150 million, for the duration of the Credit as set forth in the Credit Agreement, i.e., until 31 March 2018. The amount of each of the above joint guarantees was set at PLN 300 million. The guarantees were granted to the Company gratuitously. On that same day, the Guarantors submitted effective declarations on submission to enforcement under Article 97 of the Banking Law. The Company points out that each of the Guarantors is an entity which is a 100-per cent subsidiary of the Company, whereas no ties exist between the Guarantors and Alior Bank or between the Company and Alior Bank. The Company published information on this event in Current Report No. 31/2013.

On 18 June 2013, Inwestycje Polskie granted the Company a joint surety for liabilities under the investment credit Agreement in the amount of PLN 150 million. The surety covers the Company’s liabilities under the above credit up to the amount corresponding to the value of the right of perpetual usufruct over real property of Inwestycje Polskie situated in Warsaw at ul. Ostrobramska 77, and ownership title to the buildings erected on that property. The surety is in force for a period of one year following its establishment, up to the lapse of one year following the date on which a legally binding mortgage is established in the amount of PLN 225 million on the above real property. A mortgage as referred to in the previous sentence was legally established (in the meaning of the provisions of the Investment Credit Agreement) on 3 June 2013. The security was granted to the Company for remuneration as set forth in the Understanding on granting security concluded between Inwestycje Polskie and the Company on 18 June 2013.

The following table shows the number of employees (converted to full-time employees or FTE) employed in the Midas Group under employment contracts and those cooperating with the Midas Group based on civil law contracts by employees of each Midas Group company as at 31 December 2013 and 31 December 2014.

Employing Midas Group company	31 December 2012	31 December 2013
Midas	3.92	4.17
CenterNet	10.2	8.2
Mobyland	1.4	0.4
Aero2	29.68	61.93
Nova	0.25	n.a.
Total	45.45	74.7

2.1.5 Description of the Midas Group's development direction policy

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

The Midas Group has unique frequency resources including 900 MHz, 1800 MHz and 2600 MHz frequencies together with a telecommunications infrastructure allowing it to provide services based on the HSPA+ and LTE technologies. In the Company's opinion, the Midas Group has a competitive advantage over other operators active on the Polish market of broadband Internet based on the LTE/HSPA+ technologies. Individual competing operators, according to the Company, do not currently have sufficient frequency resources and adequate technical infrastructure to provide broadband Internet services based on the LTE technology with quality comparable to that offered by the Midas Group. Based on press information concerning possible plans of competing telecommunications operators, the Company estimates that those operators who have frequencies allowing them to offer services based on LTE technology do not currently possess a comparable network of transmitters operating using that technology which would enable them in the near future to achieve coverage for such services close to the range and quality offered by the network of transmitters belonging to the Midas Group. Nevertheless, in the opinion of the Company's Management Board, commencement by the competing providers to offer LTE-based services is an important external factor for the growth of the business of the Midas Group.

In implementing its strategy, the Midas Group was the first operator in Poland to provide telecommunications services based on the LTE/HSPA+ technologies, which today (due to restrictions associated with subscriber terminals currently available) 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.

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 costs,
 - c. use of synergies within the Midas Group and the ZSZ Group,

- d. building a flat and flexible goal-oriented organisational structure.

The Midas Group has a modern telecommunications network including, among others (as at the end of 2013): (i) approximately 690 base stations used by the Midas Group and operating on the basis of HSPA+ technology, of which approximately 680 also support LTE, and (ii) approximately 3,980 base stations operating in HSPA+ technology, of which about 760 were made available for testing purposes under commercial traffic conditions, in the frequency range owned by Aero2, incorporated into the telecommunications network used by the Midas Group in cooperation with Polkomtel, of which approximately 3,160 also support LTE. Thanks to such cooperation with Polkomtel regarding shared use of the telecommunications infrastructure, there is a possibility for further expansion of the telecommunications network carried out at a lower cost of such expansion compared to independent expansion of this network, and it is also relatively faster. As at the end of 2013, the telecommunications network of the Midas Group provided HSPA+ coverage for approximately 99 per cent of the population and LTE coverage for approximately 66 per cent of the population.

In 2013 the Group implemented Project 4100, which constitutes phases two and three in the expansion of the telecommunications network of the Midas Group. As part of the second phase, approximately 3,400 base stations will be incorporated in the telecommunications network used by the Midas Group. The Management Board of the Company, given the degree of advancement of this phase, estimates that the phase should be completed in the second quarter of 2014. In the third phase of the Group's network expansion, which is treated as an option by the Management Board of the Company (there is no certainty as to its implementation), the Group intends to incorporate in the telecommunications network of the Midas Group up to approximately 700 newly-built base stations and complete network optimisation. This phase is currently planned to be implemented in the years 2014-2016. Furthermore, the Management Board of the Company expects that as part of each phase of expansion of the telecommunications network, existing base stations may be purchased from other infrastructural telecommunications providers as long as such stations are offered for sale and there is economic justification for such purchases. In the opinion of the Company's Management Board, expansion of the telecommunications network is an important internal factor for the growth of the business of the Midas Group.

The cost of implementing the above phase two of the expansion of the telecommunications network of the Midas Group (estimated at approximately PLN 450 million) is and will be financed using: (i) funds obtained from the issue of series D shares (approximately PLN 100 million), (ii) funds obtained following the issue of Bonds (approximately PLN 200 million), as well as (iii) the investment credit obtained under the credit agreement concluded on 28 February 2013 (approximately PLN 150 million). The funding of the third phase of network expansion is estimated to amount to approximately PLN 350-400 million and, according to the Issuer's plans, will rely in part on:

- a) debt financing - planned credit obtained on the terms set forth in Term Sheet 1 signed in 2012 with the BZ WBK/Banco Santander bank consortium (approx. PLN 360 million) or other debt financing, where such financing, in the Company's opinion, will be granted under conditions more beneficial or making it possible to implemented the Midas Group's strategy in a more flexible way,
- b) partly on its own operating cash flows.

The final amount and structure of the capital to be procured with respect to phase three of network expansion will depend on the final number of base stations to be developed in that phase and network optimisation needs. Taking account of the dynamic changes in conditions on the telecommunications services market, including the consultations on tender documentation announced by the OEC President for frequencies in the 800 MHz and 2600 MHz bands, the Group, in cooperation with Polkomtel and

Cyfrowy Polsat, continually analyses possible scenarios for the growth of the mobile data transfer market. That analysis also covers the potential coverage of the network. Given that, in working on development directions of the Group, modifications are also possible with regard to the number and distribution of base stations comprising the telecommunications network used by the Group.

The Company estimates that the total level of debt financing required to implement the Group's development strategy, i.e. to cover the cost of implementing phase II and phase III of the network expansion, may amount to approximately PLN 710 million net. The overall cost of the network expansion, covering the above phase I, II and III of the expansion, will amount to approximately PLN 1-1.05 billion net. In the opinion of the Company's Management Board, procuring funding for the implementation of phase III of the network expansion may be an important internal factor for the growth of the business of the Company.

Besides the reasons enumerated above, the Company seeks the following further benefits for the Midas Group brought by the implementation of its updated strategy:

- 1) the above-mentioned time and technology advantage over other LTE operators,
- 2) cost synergies,
- 3) no need to invest in additional frequencies,
- 4) economies of scale in business negotiations,
- 5) acquiring its own telecommunications network,
- 6) creating a comprehensive offer for wholesale data transfer sales.

The Management Board of the Company also notes, as set forth in section 2.8.1 - Risk associated with the shareholding structure, the plans of Mr. Zygmunt Solorz-Żak to consider combining the operations of the Midas Group and Polkomtel. Moreover, the Management Board of the Company draws attention to pt. 2.6.2 below, in which is described possible participation in the tender for frequencies in the 800 MHz and 2600 MHz bands.

2.1.6 Midas Group's development prospects

According to the Management Board of the Company, the following factors could affect the results of the Midas Group over the course of at least the next quarter:

- 1) The Midas Group obtaining financing for implementing its strategy, involving obtaining debt financing under Term Sheet 1 signed with Bank Zachodni WBK S.A./Banco Santander S.A. (described in Current Report No. 49/2012), for which it is necessary to obtain a positive credit decision, with the resulting agreement and signing of the credit agreement by the above consortium of banks, or other debt financing, to the extent such financing, in the Company's assessment, will be granted under conditions more beneficial or enabling the Midas Group's strategy to be implemented more flexibly.

After obtaining the above financing, the Company anticipates growth in the value of financial costs.

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

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

- 3) The renewed notice of a tender for frequency reservations in the 800 MHz and 2600 MHz ranges (the so-called digital dividend). The Company points out that the final documentation related to the renewed tender notice had not yet been published as at the date of publication of this report, and so the Midas Group has not yet taken a decision on whether it will participate in that tender.

In the Company's opinion, that factor may have a significant impact on the Company's financial results, although, given the uncertainty over the final conditions of the tender, the Company is not able to make a more precise analysis of what that impact will be. For this reason, among others, the Group, in cooperation with Polkomtel and Cyfrowy Polsat, continually analyses possible scenarios for growth in the mobile data transfer market. That analysis also covers the potential coverage of the network. Given that, in working on development directions of the Group, modifications are also possible with regard to the number and distribution of base stations comprising the telecommunications network used by the Group.

- 4) A final and binding resolution of court proceedings regarding frequencies in the 1800 MHz range in the possession of subsidiaries of the Group.

The Company expects that, in the case of rulings against the Group concerning the above frequency reservations, this will have a significant, adverse impact on the operations and financial results of the Group.

- 5) Increasing popularity of 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 also affect the value of revenue from sales.

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

In accordance with its strategy, the Company intends to invest any obtained funds in telecommunications and IT projects, and in the further development of the Midas Group in particular. Therefore, significant negative cash flows might be expected in the years 2014–2016 in association with the cost of the projects carried out by the Midas Group. As described in detail in pt. 2.6.1 of this report, those investments concern the expansion of the Midas Group's telecommunications network and are financed out of funds from bank loans, bond issues and own cash flows from operations. As at 31 December 2013, the Group had cash resources in the amount of PLN 100,247,000, as well an unused line of credit in Alior Bank in the amount of PLN 104 million (as at the date of publication of this report, PLN 84 million), which will be designated for the implementation of the above investments. Moreover, for the expansion of the telecommunications network of the Midas Group, it is planned to obtain debt financing of about PLN 360 million or in another amount, where such financing, in the Company's opinion, will be granted under conditions more beneficial or making it possible to implement the Midas Group's strategy in a more flexible way. 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.

2.1.7 Risks related to the Midas Group's activities

Risk associated with the Midas Group's strategy

Midas Group pursues its operating strategy in the telecommunications industry. Given the high level of competition in that industry and the high degree of innovation among technologies offered, there is a risk that this strategy may need to be modified. For this reason, the Midas Group cannot guarantee that its strategic initiatives, and in particular the one concerning further expansion of the telecommunications infrastructure by Aero2, will bring positive results in the time frame anticipated, or that, if they do not, there will be no negative impact on the operations of the Group or its financial position or results achieved.

Financing risk

Due to its strategy being tightly connected with the telecommunications industry, Midas Group already incurs and will incur in the future significant investment expenditures relating to the continuation of its operations in that industry, in particular, for further expansion of the telecommunications infrastructure by Aero2. Therefore, the Company must obtain additional financing, e.g. from financial institutions, bondholders, arranged by business partners or from other entities. The Company intends to obtain funding (beyond that obtained during 2013) in the form of a bank loan. Therefore, the Management Board of the Company intends to conclude a loan agreement with the BZ WBK/Banco Santander bank consortium, on the basis of an understanding signed in 2012 known as Term Sheet 1, or to obtain other debt financing, where such financing, in the Company's opinion, will be granted under conditions more beneficial or making it possible to implement the Midas Group's strategy in a more flexible way.

The Company cannot guarantee that the above efforts aimed at obtaining funding will be successful. The Company also cannot guarantee that, should it be necessary to obtain financing from sources other than listed above, such financing will be available under acceptable market conditions, or that it will be made available at all. If it is not possible to find such financing, the Midas Group would have to significantly modify its plans for financing its strategy, and already started projects in particular. But even when such financing is actually obtained, there is a risk of failure of the strategy and projects in progress (as described above). In the event that obtaining financing in the amounts required is not possible, it will not be practicable to pursue the Midas Group's investment model for the purposes of further expansion of its telecommunications network, as described in section 2.6.1 hereof.

Competition risk

In the telecommunications services segment, the Midas Capital Group's main competitors are operators of mobile and landline telephone networks. Those operators may compete against the services currently offered by the Group or planned for the future, by means of pricing, scope and quality of services, as well as additional services. Nor can it be ruled out that new operators of mobile and landline telephony networks may appear and also compete against the Group.

It is also necessary to consider cooperation among competitors of the Group: T-Mobile Polska S.A. (formerly Polska Telefonia Cyfrowa S.A., hereinafter "T-Mobile") and Orange Polska S.A. (formerly PTK Centertel Sp. z o.o. (hereinafter "Orange Polska") within the scope of optimising and upgrading the telecommunications infrastructure as well as the mutual use of frequency resources assigned separately to each of those entities by the President of the OEC, which could result in the allocation of some frequencies for mobile broadband Internet services and commencement of the construction of an adequate network. The Issuer believes that these entities need sufficient time to produce results of such cooperation. There is a risk that reaching the assumed effects of cooperation by such entities will allow them to compete with the Group or customers of the Group, also in terms of providing

telecommunications services using the LTE and HSPA+ technologies, which will adversely affect the competitive position of the Group customers.

Furthermore, it should be noted that entities other than Group companies (P4 Sp. z o.o. (“P4”) and T-Mobile) obtained new frequency reservations in the 1800 MHz range in the first half of 2013, which will allow them to create additional ways of competing with the Group. Entities other than Group companies may also, most likely in the first half of 2014, obtain new frequency reservations in the 800 MHz band and in the 2600 MHz range. There is also the risk that the frequency reservations obtained by these entities will have a positive impact on their ability to compete with partners of the Group, the companies Cyfrowy Polsat S.A. (hereinafter “Cyfrowy Polsat”) and Polkomtel Sp. z o.o. (hereinafter “Polkomtel”), which will weaken the competitive standing of the Group’s customers.

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

Technological risk

The telecommunications sector is an area of rapid technological changes. In designing and building its networks and IT systems, the Group employs the latest technological solutions, including the HSPA+ and LTE technologies. However, it cannot be predicted what effect technological changes in the field of mobile telephony, wireless transmission, Internet voice communication protocol or telephony using cable television may have on the operations of the Group. Even if the Group manages to adapt its operations to such technological changes, there is no guarantee that new market players will not appear which, using such technological changes, may be more competitive than the Group, or that current market players will not make better use of the opportunities new technologies bring.

In addition, the following also exist: the risk of delays in constructing the radio (transmission-reception) network, and the risk of a lack of continuity of service in the networks Aero2, CenterNet and Mobyland use in providing services (disruptions in network operation caused, for example, by equipment malfunctions or human error).

One should also note the risk of poorer performance of the telecommunications network in the border zone along the eastern border of Poland, which is set forth below.

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

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

The operations of the Company are dependent on the quality of the work of its employees and management. The Management Board of the Company cannot guarantee that the possible departure of some managers or possible inability to find personnel having appropriate knowledge and experience in the area of management and operations will not have a negative impact on the operations, financial position and results of the Company. 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 Company or have a significant negative impact on the operations and financial results of the Company.

Risk of large suppliers

The Group's operations are based on cooperation with suppliers of infrastructure and goods, including for the further development and maintenance of the telecommunications networks: the LTE network in the 1800 MHz band, the HSPA+ network in the 900 MHz band and the TD-LTE network in the 2600 MHz band. A termination of the cooperation with significant suppliers, non-performance or improper performance of the suppliers' obligations to the Group, including a resulting lack of adequate infrastructure and, ultimately, the lack of network capacity (including adequate network capacity in a given location), might result in inability or limited ability of Aero2, CenterNet or Mobyland to provide telecommunications operator's services and non-compliance with the requirements associated with the frequency reservations, and therefore might have a significant adverse effect on the Group's operations and financial results.

The above risk applies in particular to Aero2's cooperation with Polkomtel (the risk is set forth below), and (to a lesser extent) with other entities providing Aero2 with a significant number of locations required for base stations of the Group's telecommunications network and other important elements of the telecommunications infrastructure.

Customer risk

The Group provides wholesale services of selling broadband mobile Internet access. There is a risk that the customers of these services provided by the Group (currently, these are Polkomtel and Cyfrowy Polsat) will not place any further orders or that the orders will be lower than required to carry out the Group's business plans. This is significant since the Group continues to incur fixed costs in connection with maintaining the capacity to provide such services, the cost of which represents a considerable portion of the Group's total expenses. The foregoing could have a material adverse effect on the operations and financial results of the Group, particularly if the Group fails to secure other key customers.

There is also the risk that key customers will aim at leveraging their position (of key customers) in relation to the Group and will negotiate a future reduction in prices for purchased capacities or amendments to the terms and conditions of settlements against the expectations of the Group. This situation may also be related to the possible securing by Polkomtel of new frequency reservations. If the Group is not able to sell capacities on the market to other customers, the outcome of such negotiations could adversely affect the operations and financial performance of the Group.

Risk of loss of frequency reservations

CenterNet and Mobyland, each individually, holds frequency reservations in the 1800 MHz band, whereas Aero2 holds frequency reservations in the 2600 MHz band and the 900 MHz band. A loss by Aero2, CenterNet or Mobyland of their frequency reservations will result in the inability of Aero2, CenterNet or Mobyland to provide telecommunications operator's services, including in particular inability to deliver LTE technology-based services requiring the use of both frequencies owned by CenterNet and Mobyland or the inability to deliver TD-LTE or HSPA+ technology-based services requiring the use of frequencies owned by Aero2, and ultimately will adversely affect the operations and financial performance of the Group. The Management Board of the Company draws attention at this point to the favourable and final outcome, described in point 5.1 of this report, concerning the dispute over a tender and frequency reservation in the 900 MHz range belonging to Aero2.

The loss of frequency reservations by CenterNet or Mobyland may be caused in particular by: (i) a repeal by the Supreme Administrative Court of the judgement of the Province Administrative Court in Warsaw of 19 November 2012 dismissing PTC's complaint against the decision of the President of the OEC on a frequency reservation for CenterNet and Mobyland, followed by a judgement of the Provincial Administrative Court in Warsaw, repealing in its entirety the decision of the President of the OEC on

frequency reservation for CenterNet and Mobyland, being handed down and becoming final, or (ii) the repeal or modification of the above decision following a reopening of the administrative proceedings for granting frequency reservations concluded by the issuance of the decision of the President of the OEC of 30 November 2007 reserving frequencies for CenterNet and Mobyland - due to the invalidation of the tender for frequencies reserved for CenterNet and Mobyland.

The loss of frequency reservations by Aero2 in the 2600 MHz range may result in particular from: (i) court and administrative proceedings related to the decision under which the frequencies were reserved for Aero2, or (ii) Aero2's breach of its obligations specified in such decisions and committed by Aero2 as a part of the tenders for such frequencies.

If, following the loss by CenterNet and Mobyland or by Aero2 of the frequency reservations, a new decision is issued in relation to such frequency reservations, there is the risk that one or both such frequencies are reserved for an entity or entities other than the Group companies that previously held that frequency reservation.

In the event of the loss of frequency reservations, there is also the risk that Group companies will not obtain compensation (reimbursement of expenses incurred and lost profits) from the State Treasury. Moreover, any compensation that may be obtained from the State Treasury may not fully cover the expenses incurred or benefits lost. A possible action against the State Treasury may be a long-term and complex one.

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

On 31 December 2012, Aero2, CenterNet and Mobyland filed an appeal with the Regional Court in Warsaw (Division XVII Competition and Consumer Protection) against the decision of the SMP issued by the President of the OEC on 14 December 2012, requesting that their enforcement be suspended. Until the date of submission of this report, no hearings have been scheduled in these matters. There is a risk that the change in the existing rates for terminating connections in mobile networks (MTRs) may be upheld for Aero2, CenterNet and Mobyland if the above appeals are not admitted and the above decisions are upheld. There is also the risk that the implementation of the above SMP decision will make it necessary to apply the MTRs in the MTRs agreed in the above SMP decisions until there is a resolution to appeal against those rates. There is no guarantee that any decisions made in the above matters will be uniform for Aero2, Mobyland and CenterNet.

There is also the risk of changes to other rules of cooperation between Aero2, CenterNet and Mobyland with other mobile telephony network operators (MNO) established by an administrative decision, in particular, further reductions of MTR rates and changes of the rates for terminating text messaging services. The above changes may be due to changes in the positions of the competent bodies on the national level (President of the OEC - in the form of issuing a position or a new SMP decision) or European level. The changes may also be caused by an amendment, dismissal or invalidation of such rules as a result of a court or court and administrative or administrative proceedings, or by an administrative decision or renewal of a proceeding previously concluded with the issuance of such a decision.

The above changes may occur as a result of changes in setting the criteria for calculating market standing on the domestic telecommunications services market of Aero2, CenterNet and Mobyland belonging to the Midas Group due to the fact that both the Midas Group and Polkomtel are controlled by Mr. Zygmunt Solorz-Żak, and they will require separate proceedings with respect to each company and with respect to each network combination agreement concluded by each of the companies with other

telecommunications operators, including incumbent operators. Such proceedings will be concluded with decisions of the President of the OEC subject to review in appropriate court proceedings or court administrative proceedings. The above circumstances may also concern Aero2, CenterNet and Mobyland, as well as their suppliers which are mobile telephony network operators (MNO).

Such circumstances may have a negative impact on the operations 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 or as a result of a distribution of property between Mr. Zygmunt Solorz-Żak and Ms. Malgorzata Żak following the divorce proceedings between them. In the future, the following scenarios are possible with respect to the shareholding structure:

- 1) the Issuer continues to be controlled by the Deputy Chairman of the Supervisory Board, Mr. Zygmunt Solorz-Żak, in which case his current controlling influence on the Issuer's business is maintained, 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 in the scope of the Issuer's GM's powers.

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 S.A. and Polkomtel, controlled by Mr. Zygmunt Solorz-Żak. Any changes in these relationships that are unfavourable for the Midas Group may have a significant negative impact on the operations and financial results of the Midas Group.

Furthermore, the Issuer points out that Mr. Zygmunt Solorz-Żak exercising control over the Issuer notified the latter that he intended to consider in the future a combination of the Midas Group's and Polkomtel's operating activities if it is consistent with the obligations of Polkomtel or the Midas Group under loans, debt instruments or other agreements that Polkomtel or the Midas Group may at the time be a party to, as well as taking into account the then-prevailing internal or external economic, business and commercial conditions. The Issuer cannot give an assurance of whether, when, on what terms and conditions and in what form such a business combination will actually take place.

The Management Board of the Company also draws attention to point 4.4.5 of the Agreement, which may affect the proportions of shares held by the hitherto existing shareholders.

Risk involved in Mr. Zygmunt Solorz-Żak simultaneously controlling the Group, Polkomtel and Cyfrowy Polsat S.A.

Mr. Zygmunt Solorz-Żak simultaneously controls the Company, Polkomtel and Cyfrowy Polsat S.A. Polkomtel and Cyfrowy Polsat S.A. are important business partners of the Midas Group. There is a risk that the influence of Mr. Zygmunt Solorz-Żak on the Midas Group will lead to determining terms of cooperation between the Group and Polkomtel or Cyfrowy Polsat S.A. that are less favourable for the Midas Group than arm's length terms. Moreover, one cannot rule out a scenario in which the distribution of marital property between Mr. Zygmunt Solorz-Żak and Ms. Małgorzata Żak resulting from their divorce proceedings will include Polkomtel or Cyfrowy Polsat S.A., in which case the terms of cooperation of the Midas Group with these entities will also be affected.

Risk in connection with a failure to implement the business model

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

1. The Group, under which the infrastructural operator (Aero2) develops the telecommunications infrastructure and generates the HSPA+ capacity (900 MHz) and the TD-LTE capacity (2600 MHz), and CenterNet and Mobyland, on the basis of Aero2's infrastructure, generate the LTE capacity (1800 MHz) and sell the HSPA+/LTE capacity wholesale to entities having large customer bases,
2. entities having large customer bases engaged in retail selling.

This model entails two risks:

1. the risk that Aero2 will not complete the construction of its infrastructure on time;
2. the risk that sales to end customers by the entities referred to in pt. 2) above will not reach an appropriate level, resulting in few wholesale orders.

The fulfilment of either of the above risks could have a significant negative impact on the operations and financial results of the Midas Group.

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

Aero2 obtained a subsidy from the PARP in the amount of PLN 31,833,000 (of which PLN 2,139,000, for reasons not attributable to Aero2, had not yet been deposited on Aero2's bank account as at the date of publication hereof) for the construction design of a telecommunications network in Podkarpackie Province. The subsidy involved a series of conditions set forth in the subsidy agreement. Moreover, obligations were imposed on Aero2 in relation to obtaining the subsidy. An infringement of one or more of those conditions or obligations could lead to the necessity of returning part or all of the subsidy obtained, together with interest due as foreseen by tax obligations. Such circumstances will have a material adverse effect on the financial results of the Group.

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

The Group's telecommunications network is built nationwide based on Aero2's infrastructure. It is the result of the demand for optimal coverage by the Group's services for the highest possible number of end users for services of entities using wholesale telecommunications services delivered by the Group as well as of the obligation to provide territorial or population coverage for the 900 MHz and 2600 MHz frequencies held by Aero2 and for the 1800 MHz frequency held by CenterNet and Mobyland.

In continuing the development of the telecommunications infrastructure along Poland's eastern border, Aero2 discovered that for about 25 base stations of the Group for 900 MHz frequencies used by Aero2, there is an interference of the radio signal transmitted by devices in Aero2 base stations with radio signals

of foreign operators from Ukraine. Such a phenomenon leads to a substantive deterioration in those Aero2 base stations of the performance parameters of the services delivered in each sector of those base stations.

The OEC was notified by Aero2 about the situation because the issue of cross-border interferences requires arrangements and decisions from regulatory authorities of the countries involved. Currently under way are intergovernmental negotiations between Poland and Ukraine's regulators, including both affected Polish operators, i.e. Aero2 and P4, but the above issue has not yet been resolved by these bodies.

According to the Issuer, the lack of a resolution of the above issues will result in the Group's exposure to the risk for the 900 MHz frequency range that, as at the date of publication of this report, about 80-90 base stations, and in the future an unknown number, dependent on the scale of further development of the telecommunications infrastructure of the Group in this region of Poland of base stations in the above border zone, will be subject to problems with effective delivery of the telecommunications services for the population physically located within the coverage of those base stations.

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

Risk concerning technical issues related to building the Group's network based on a unified structure with Polkomtel's network

In the Issuer's opinion, as a result of the target model of operating cooperation under the agreement with Polkomtel of 30 March 2012 concerning shared use of the telecommunications infrastructure of Polkomtel and Aero2, as well as the current expansion of the Group's telecommunications infrastructure, it will be necessary to undertake efforts to ensure that the telecommunications networks used and built by both operators are optimised in terms of their location throughout Poland.

In view of the above, the Issuer believes that there may be a situation in which part of the infrastructure belonging to the Group will be replaced by Polkomtel's infrastructure because of its better technical parameters and better territorial and population coverage which can be achieved with single base stations of Polkomtel operating in the 900 MHz, 1800 MHz and 2600 MHz frequencies being at the disposal of the Group, compared to the individual base stations of the Group.

Taking account of the dynamic changes in conditions on the telecommunications services market, including the consultations on tender documentation announced by the OEC President for frequencies in the 800 MHz and 2600 MHz bands, the Group, in cooperation with Polkomtel and Cyfrowy Polsat, continually analyses possible scenarios for the growth of the mobile data transfer market. That analysis also covers the potential coverage of the network. Given that, in working on development directions of the Group, modifications are also possible with regard to the number and distribution of base stations comprising the telecommunications network used by the Group.

The aforementioned circumstances may have an adverse effect on the operations and financial performance of the Group.

Risks associated with the cooperation with Polkomtel for the further development of the Group's telecommunications network

The Group's intention is to use, when further developing its telecommunications network, the cooperation with Polkomtel in order to reduce the cost of such development works and shorten the time required for their completion. As on the date hereof, the cooperation between Aero2 and Polkomtel in this respect is based on the agreement of 30 March 2012. In situations specified in that agreement,

Polkomtel may withdraw from the agreement in whole or in part. Under the circumstances described above, the existing cooperation between the Group and Polkomtel for the development of the telecommunications network will be terminated.

In the event of termination of such cooperation, expansion of the Group's telecommunications network, if it is carried out at all to the extent currently planned, may experience significant delays and involve much higher costs incurred by the Group. In addition, in such a case, the telecommunications network of the Group will be deprived of the Group's base stations commissioned in cooperation with Polkomtel. This will have an adverse impact on the operations and financial results of the Group.

Even if the cooperation between Polkomtel and Aero2 concerning expansion of the network is not terminated, there is no guarantee that the extent of such cooperation will be sufficient to achieve the objectives of the Group in this regard. Also in such a case, the expansion of the Group's telecommunications network, if it is carried out at all to the extent currently planned, may experience significant delays and involve much higher costs incurred by the Group. This may have a significant adverse impact on the operations and financial results of the Group.

Furthermore, the Issuer points out that the agreement of 30 March 2012 is concluded for a defined period of time. After the lapse of that period of time, the agreement may be extended for a further defined period of time, or for an undefined period of time. The Issuer cannot guarantee that, in such a situation, the conditions of the agreement or the rates for use of Polkomtel infrastructure will not change and that they will continue to be advantageous for the Group.

Risk related to high debt

The Issuer notes that in the event of a Bond issuance and obtaining financing through a loan in the amount of PLN 150 million as set forth in sections 2.4.1 hereof, the level of interest debt will increase significantly. In addition, in the case where further debt financing is obtained, in particular credit drawn down from the BZ WBK/Banco Santander bank consortium or other debt financing, where such financing, in the Company's opinion, will be 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 entities may be unable to service such a high debt or fulfil certain other covenants. As a result, there is a risk that in the future the debt may be declared immediately due and payable, which may prevent its repayment, including redemption of the Bonds on their maturity date. Therefore, creditors, including bondholders, may not recover, either in whole or in part, the funds invested, even upon instituting the procedure of satisfying claims from the Issuer's assets, in particular, the collaterals established (if any) or may not obtain the expected rate of return on the investment.

2.1.8 Risks related to the Midas Group's environment

Risks associated with the macroeconomic situation

The Midas Group's financial position is dependent on the economic situation in Poland and worldwide. Financial results generated by the Midas Group are influenced by the GDP growth rate, inflation, interest rates, unemployment, fiscal and monetary policies and capital expenditures of companies. Those factors significantly affect the output of companies and demand for services. There is a risk that an economic slowdown in Poland or worldwide or the introduction of state economic policy instruments might have a negative impact on the market position of the Group and its financial results.

Risks associated with a changing legal environment (including tax)

Some risk to the Company's operations may come from changes in laws or different interpretations of the law. Possible changes, in particular, in provisions relating, among others, to business activities, telecommunications, environmental protection, intellectual property, labour law, social security law and commercial law, may lead to negative consequences for the Midas Group's operations. New regulations may entail interpretation issues, inconsistent court rulings, adverse interpretations adopted by the public authorities, the lack of cohesion between judicial decisions of the Polish courts and EU laws, etc. In particular, there is a risk in the area of tax laws, due to the large impact of regulations and their interpretations on the Midas Group's financial position.

A similarly important source of risk are possible changes to telecommunications laws due to the activities of Aero2, CenterNet and Mobyland 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 contents (including such contents shared in violation of intellectual property rights) on the Internet, which may bring a decrease in demand for data transfer and a drop in sales of the Midas Group's services. It should also be noted that the Midas Group's position may be indirectly affected by such changes to telecommunications laws that directly impact the position of other entities operating on the telecommunications market, primarily those which for the Midas Group's 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 operations and financial results of the Midas Group.

Risk associated with changes in foreign exchange rates

The Group also incurs costs in foreign currencies, but their share in the Group's overall costs for the period from 1 January to 31 December 2013 was not significant. However, a rising share of expenses denominated in foreign currencies in the overall expenses incurred by the Group could be expected in subsequent periods because expenses associated with expansion of the Group's telecommunications infrastructure may be denominated in EUR or in any other foreign currency. In the case of supplies and services provided by Ericsson and Nokia Solutions and Networks, in accordance with the provisions of the relevant agreements, their prices are denominated in euros (EUR) or US dollars (USD) and will be converted to zlotys (PLN) at the exchange rate effective on the date or for the period set forth in those agreements. The estimated cost of expanding the telecommunications network is set forth in section 2.6.1 hereof.

Therefore, the Midas Group is exposed to an exchange rate risk which may generate increases in expenses for purchases of external services and goods, caused by adverse changes in foreign currency exchange rates. Such circumstances may have a significant negative impact on the operations and financial results of the Group.

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

There are studies indicating the alleged adverse impact on human health of electromagnetic waves emitted by devices used in the wireless communication technology that is applied among others by the Group. The Issuer is unable to predict what determinations as to such alleged relationship will be made in the future. Nonetheless, there is the risk that findings acknowledging such risk may cause at least a reduction in the degree of usage of the services of the Group or of the Group's customers, difficulties in business

activities carried out by the Group, or increased expenses of such activities. The above-mentioned circumstances may have a significant negative impact on the operations and financial results of the Group.

Risk associated with frequency resources used in wireless communication

Frequency resources used in wireless communication under the technologies applied by Group companies and their current or future competitors are scarce. Therefore, obtaining reservations of such frequencies by competitors of the Group may cause the competitive position of the Group to weaken and catching up can be at least difficult, which may eventually have an adverse impact on the operations and financial results of the Group. In that respect, it will be important to focus such elements as: the scope of frequencies obtained, the time frame and type of telecommunications services offered in connection with a reservation decision obtained, and on whether the frequencies are concentrated in the hands of one entity or whether they are used jointly or their ranges combined through cooperation among the entities to which a reservation is granted. The Company points out that the final documentation related to the renewed tender notice has not yet been published as at the date of publication of this report, and so the Midas Group has not yet taken a decision on whether it will participate in the tenders for new frequency resources.

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

3 Financial position and assets of the Midas Group

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the “IFRS”) and the IFRS approved by the European Union (the “EU IFRS”). As at the date of approval of these statements for publication, taking into account the EU process of implementing the IFRS standards and the business conducted by the Group, in the context of the accounting principles applied by the Group, the IFRS accounting principles differ from EU IFRS. The Company has made use of the opportunity arising when applying the International Financial Reporting Standards adopted by the EU, of applying IFRS 10, IFRS 11 and IFRS 12, the amended IAS 27 and IAS 28, only from annual periods beginning from 1 January 2014.

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

These consolidated financial statements were prepared in accordance with the historical cost principle.

The Management Report on the operations of the Midas Capital Group in financial year 2013 has been prepared in accordance with the Regulation of the Minister of Finances of 19 February 2009 concerning current and periodical information delivered by issuers of securities and conditions of considering information required by the provisions of law of a country not being a membership country to be equal (as amended).

Statement of financial position

In 2013, there were no major changes in the value of the investment portfolio.

The balance of receivables at the end of 2013 was PLN 122,059,000 as compared to PLN 64,493,000 at the end of the previous year. The change is mainly due to an increase in VAT due and trade receivables from providing data transmission services, and an increase in receivables from the agreement for the shared use of the telecommunications network.

Cash amounted to PLN 100,247,000 at the end of 2013 as against PLN 165,889,000 at the end of 2012. The increase results mainly from the investments made by the Group for expanding its telecommunications network.

The equity on the balance sheet date was PLN 763,126,000 and, compared to the end of 2012, it went down by PLN 206,546,000, of which PLN 4,000 constituted an increase resulting from the sale of own shares of Midas, and PLN 206,550,000 was a decrease due to the net loss for 2013 (key factors affecting the net profit are described below).

The liabilities amounted to PLN 719,643,000 as at 31 December 2013 and increased by PLN 269,006,000 compared to the end of 2012. The increase results mainly from external financing obtained (bond issue and investment credit) for the expansion of the Group's telecommunications network.

Statement of comprehensive income

In 2013, the Midas Group recognised sales revenue in the amount of PLN 229,992,000 as compared to PLN 89,810,000 for the previous year, which represented an increase of PLN 140,182,000.

This growth was mainly due to the increasing amount of data transmission services ordered by wholesale customers of the Group resulting from such factors as the growing popularity of LTE technology, and to the consistently expanding coverage of the telecommunications network utilised by the Group. The Management Board of the Company emphasises that revenue in the fourth quarter of 2013 increased by approximately 43.6 per cent compared to the revenue achieved in the third quarter of 2013.

In 2013, financial income totalled PLN 5,825,000 compared with PLN 10,976,000 in 2012. That change resulted mainly from the lower value of funds in deposits and changes in bank deposit interest rates.

Operating expenses (including other operating expenses) in 2013 were PLN 446,243,000, in comparison with PLN 279,666,000 in the previous year. The increase results from the successive expansion of the number of base stations, and as this number grows, so do the costs of maintaining and operating the Group's telecommunications network. The most significant items under operating expenses in 2013 were: PLN 111,774,000 in amortisation and depreciation, PLN 269,316,000 for the telecommunications network, PLN 28,379,000 in taxes and fees, and PLN 7,120,000 in wages and salaries.

The total loss for 2013 equalled PLN 206,550,000 as compared with a loss of PLN 175,620,000 generated in the previous year. The main factor shaping the difference in the performance in the current and previous year was a higher level of operating expenses (as described above).

Statement of cash flow

In 2013, net cash flows from operating activities amounted to PLN -214,929,000 as against net cash flows of PLN -32,449,000 in the previous year.

In 2013, net cash flows from investing activities amounted to PLN -84,407,000, compared to PLN -11,175,000 in the previous year. The main factor affecting cash flows in 2013 was the acquisition of property, plant and equipment as part of the expansion of the Group's telecommunications network.

In 2013, net cash flows from operations amounted to PLN 233,694,000, compared to PLN 106,992,000 in the previous year. The main factor affecting the amount of cash flows from operations in 2013 was the issue of series A bonds and obtaining investment credit (Alior Bank S.A.).

	2013	2012
liquidity - liquidity ratio I		

$\frac{\text{total current assets}}{\text{current liabilities}}$	0.84	0.82
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liquidity - liquidity ratio III

$\frac{\text{cash}}{\text{current liabilities}}$	0.42	0.59
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	2013	2012
liabilities repayment period		

$\frac{\text{trade liabilities} \times 365 \text{ days}}{\text{value of goods and materials sold} + \text{cost of products sold}}$	112 days	54 days
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debt to assets ratio (%)

$\frac{(\text{total equity and liabilities} - \text{equity}) \times 100}{\text{total assets}}$	48.5%	31.7%
------------------------------------------------------------------------------------------------	-------	-------

Compared to 2012, the balance sheet total increased by PLN 62,460,000 (increase of 4.4 per cent) in 2013. As at 31 December 2013 the assets consist of: property, plant and equipment with a value of PLN 403,440,000 (which represent 27.21 per cent of assets), intangible assets with a value of PLN 779,239,000 (which represent 52.55 per cent of assets). The growth in the value of the property, plant and equipment was 30.34 per cent compared to the previous year, and the decrease in intangible assets compared to the previous year was 9 per cent.

The Midas Group's current assets decreased by PLN 33,506,000 (a 14.47 per cent decrease) compared to 2012. Current assets constitute 13.36 per cent of total assets. Other assets of the Midas Group represent 6.88 per cent of total assets.

The balance of receivables at the end of 2013 was PLN 122,059,000 as compared to PLN 64,493,000 (growth of 89.26 per cent) in the previous year. The change is mainly due to the increase in trade receivables and VAT receivables. Receivables represent 8.23 per cent of the total assets.

Cash amounted to PLN 100,247,000 at the end of 2013 as compared to PLN 165,889,000 (a drop of 39.57 per cent) in 2012. Cash represents 6.76 per cent of the total assets.

The equity on the balance sheet date was PLN 763,126,000 and, compared to the end of 2012, it went down by PLN 206,546,000. At the end of 2013, the equity equalled 51.47 per cent of total liabilities.

Liabilities amounted to PLN 719,643,000 as at 31 December 2013 and increased by PLN 269,006,000 in comparison with the end of 2012 (an increase of 59.69 per cent). The increase results mainly from external

financing obtained (bond issue and investment credit) for the expansion of the Group's telecommunications network. At the end of 2013, liabilities represent 48.53 per cent of the total liabilities.

As at 31 December 2013, the only significant off-balance sheet item was contingent debts of the Midas Group in the aggregate amount of PLN 461,000. A detailed description of the contingent debts of the Midas Group was included in Note 31 to the consolidated financial statements of the Midas S.A. Capital Group.

In 2013, there were no major changes in the Company's investment portfolio.

On 31 July 2013, the District Court for the Capital City of Warsaw, Division XII Commercial of the National Court Register, handed down a decision to register the merger of Aero2 as the acquiring company with Nova Capital the target company, by way of transferring all of the assets of the target to the acquiring company.

On 21 February 2014 (a post-balance sheet date event), the Merger of Conpidon and the Company was registered, and the Company thereby became the legal successor of Conpidon. The Company published information on the registration in Current Report No. 3/2014.

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

The Management Board of the Company did not publish any forecasts for 2013.

Following the issue of series A bonds in 2013, the Issuer raised PLN 200,099,528.44. Until the date of this report, the Issuer used the proceeds from the issue of series A bonds as follows:

- a) The amount of PLN 156.1 million was allocated to cover Group liabilities from benefits provided by Polkomtel, under an agreement of 30 March 2012 on mutual use of the telecommunications infrastructure of Polkomtel and Aero2 for RAN- and SITE-type services.
- b) The amount of PLN 14.4 million was allocated to cover Group liabilities from access to data transfer services implemented in the Polkomtel network.

3.1.1 Employed financial instruments

The main financial instruments used by the Company include bonds, credits, loans, 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 business activities. As described in Note 18 to the consolidated financial statements of the Company, at the moment of initial disclosure of a liability from a bond identified an embedded derivative (an option for early repurchase) in accordance with the definition in IAS 39 and applied to its disclosure in the financial statements.

3.1.2 Financial risk management objectives and methods

Financial risk is associated with unexpected changes in cash flows arising, among others, from operating activities of the Midas Group. Key risks of the Company's financial instruments include interest rate risk, price risk, liquidity risk, currency risk and credit risk. Policies for managing each of the above financial risks are presented in Note 34 to the 2013 financial statements of the Midas Capital Group.

The Management Board of the Company considers the Group's current financial position to be good. In addition, following the successful completion in 2013 of the issue of series A bonds and the signing of a credit agreement with Alior Bank (as set forth in detail in section 2.4.1 hereof), the Management Board of

the Company believes that its financial position will not significantly deteriorate in the future. Regardless of the foregoing, the Company's Management Board emphasises the financing risk and risk related to high debt, as set forth in section 2.8.1 hereof.

3.1.3 Important events during the financial year

In 2013, events with a significant impact on the the Group's performance were:

- the signing of an investment credit agreement with Alior Bank S.A. and the release of the credit,
- the issue of series A bonds in the Company,
- Aero2's submission of order under the cooperation agreement within the scope of mutual services using the telecommunications infrastructure with Polkomtel.

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

3.1.4 Extraordinary factors and events

According to the Management Board of the Company, in 2013 there were no extraordinary factors or events.

3.1.5 Evaluation of events and factors affecting the results

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

Proceeds from the issue of series A bonds and the loan at Alior Bank, as well as proceeds from accepted orders from Polkomtel and Cyfrowy Polsat permitted the Midas Group in 2013 to have available funds to guarantee that all current and planned expenses related to the activities and investments of the Company and the Midas Group are properly settled. The balance of available cash made it possible to flexibly settle its ongoing liabilities. The Midas Group's liquidity management was focused on a detailed analysis of the turnover of receivables, an ageing analysis of the Group's liabilities, and constant monitoring of bank accounts, as well as on obtaining debt capital. Furthermore, the Management Board of the Company safely and relatively attractively invested cash surpluses in bank deposits. In view of the foregoing, the Management Board of the Company has not identified any threats to financial resource management.

The 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 21 March 2013, is the Company Ernst & Young Audyt Polska Sp. z o.o. (formerly Ernst & Young Audit 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 Board 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. 7/2013.

The financial statements of the Company and the consolidated financial statements of the Midas Group for 2013 were audited by E&Y under an agreement entered into on 26 July 2013 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 2013 (as well as in 2012):

	2013	2012
Compulsory audit of the consolidated financial statements	177	202
Other evidencing services, including the audit of the financial statements	25	25
Tax advisory services	-	-
Other services	10	138
Total	212	388

4 Statement of compliance with corporate governance principles in 2013

In 2013, the Issuer was subject to the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies" attached to Resolution No. 19/1307/2012 of the Supervisory Board of the WSE of 21 November 2012. This document contains the rules of corporate governance the Issuer volunteered to apply.

The Best Practices of WSE Listed Companies are available on the website dedicated to corporate governance at- www.corp-gov.gpw.pl.

In 2013, the Issuer applied the principles of corporate governance contained in the "Best Practices for WSE Listed Companies" with the following exceptions:

Section I "Recommendations for Best Practices for Listed Companies":

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

On 12 December 2013, the Ordinary General Meeting of the Company adopted a resolution on awarding remuneration to members of the Company's Supervisory Board for their service. On this basis, members of the Company's Supervisory Board receive remuneration for participating in each meeting of the Supervisory Board, but do not receive a monthly remuneration. On the other hand, under the resolution of the Company's Supervisory Board, Management Board members appointed for a new term on 14 December 2012 are entitled to a monthly remuneration. In view of the foregoing, the Company does not declare that it applies the principle stated in section 5 part I of the Best Practices of WSE Listed Companies.

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

Appointments and dismissals of members of the Supervisory Board, and indirectly also members of the Management Board, are at the sole discretion of the General Meeting of the Company. The Management Board of the Company does not have control over what candidatures to the Supervisory Board are

submitted by the shareholders of the Company entitled to participate in the General Meeting or what candidatures to the Management Board are proposed by members of the Supervisory Board. In view of the foregoing, the Company does not declare that it applies the principle stated in section 9 part I of the Best Practices for WSE Listed Companies.

- principle 12) "A company should enable shareholders to exercise their right to vote during a General Meeting, either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.", and

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

Under the Statute, the Company may allow participation in the General Meeting of Shareholders using electronic means of communication on the terms set out in the Rules of Procedure of the General Meeting of Shareholders. The Rules of Procedure of the General Meeting state that the Company may enable shareholders to participate in a General Meeting of Shareholders using electronic means of communication through: 1) real-time broadcast of General Meetings, 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting, and 3) exercising voting rights personally or by proxy during the General Meeting. In the assessment of the Management Board of the Company, the above principle is not applied due to the risk of a technical and legal nature entailed by the possibility of shareholders authorised to take part in the General Meeting being improperly identified, as well as the risk of an infringement of security and the flow of electronic communications, as well as resolutions adopted being contested. In particular, in the Management Board of the Company's opinion, there exists a real risk of technical disruptions occurring which could significantly hinder or prevent continuous bilateral communication with shareholders located in a place other than the location of the meeting. Nevertheless, the Management Board of the Company does not rule out the possibility of applying the above principle in the future, in particular when the conditions causing the potential technical and legal problems discussed above have ceased. In view of the above, the Company will consider the application of this principle, taking into account any technical and legal aspects associated with enabling shareholders to participate in the General Meeting in such manner.

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

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

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

There are no detailed records kept in the Company as to the course of the General Meeting, including all statements and questions. Participants of the General Meeting, pursuant to the provisions of the Commercial Companies Code, have the right to make statements in writing which are attached to minutes. However, the Company will consider applying this principle, taking into account the technical and organisational considerations involved in recording a General Meeting.

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

and

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

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

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

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

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

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

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

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

- 6) periodic review and audit of financial statements by an auditor

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

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

4.1.1 Structure of the share capital

As at 31 December 2013 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 series A shares,
- 2) 47,349,336 series B shares,
- 3) 236,746,680 series C shares.
- 4) 1,183,733,400 series D shares.

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

4.1.2 Large shareholders

The table below shows the structure of shareholders of the Company which, as at 31 December 2013, hold either directly or indirectly through subsidiaries at least 5 per cent of the total number of votes at the General Meeting of Shareholders of the Company. This structure is valid as at the date of submitting this annual report, i.e. as at 21 March 2014. The following list has been drawn up on the basis of notifications received by the Company from the shareholders pursuant to Article 69 of the Act on the Public Offering and pursuant to Article 160 of the Act on Trading in Financial Instruments of 29 July 2005 (hereinafter, the "Act on Trading").

Name of shareholder of the Company	Number of shares and votes	% of share capital and of total number of votes
Zygmunt Solorz-Żak (*)	976,542,690	65.9975
ING Otworthy Fundusz Emerytalny (**)	80,000,000	5.4066

Other shareholders	423,124,060	28.5959
TOTAL	1,479,666,750	100.00

(*) Mr. Zygmunt Solorz-Żak, acting as Deputy Chairman of the Company's Supervisory Board, controls the Company through: (i) Karswell Limited, with its registered office in Nicosia, Cyprus, (ii) Ortholuck Limited, with its registered office in Nicosia, Cyprus, and (iii) Litenite Limited, with its registered office in Nicosia, Cyprus, within the scope of 976,542,690 shares in the Company held by Litenite.

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

On 8 April 2013, the Company sold, in an ordinary session transaction on the regulated market of Gielda Papierów Wartościowych S.A. in Warsaw, 5,000 of its own shares constituting 0.0003 per cent of the share capital of the Company and providing 5,000 voting rights constituting 0.0003 per cent of the total number of votes at the OGM of the Company. The reason for selling the shares was to free the blockade on the aforementioned shares in order to secure receivables from series X02.09.A commercial papers issued by the Company on 18 November 2009. The aim in selling the shares was to unify the Company's shareholding structure with respect to the percentage share in the share capital and in votes at the general meeting of shareholders of the Company (in accordance with Article 364 of the Commercial Companies Code, the Company did not exercise voting rights under its own shares) – after the disposal, the Company did not possess any own shares. The Company reported on the above transaction in Current Report No. 9/2013, and on the indirect disposal of 5,000 own shares in the Company by Mr. Zygmunt Solorz-Żak in Current Report No. 2/2014.

From the date of the previous interim report of the Company, i.e. since 14 November 2013, until the date hereof, i.e. 21 March 2014, there have been no changes in the ownership structure of significant blocks of shares in the Company.

4.1.3 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.

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

The following table summarises direct shareholding in the Company by managing and supervising persons as at the end of the reporting period, i.e. as at 31 December 2013. In the period from 31 December 2013 until the date of publishing this report, i.e. 21 March 2014, there have been no changes in the number of shares in the Company held by the managing and supervising persons in the Company.

Name and surname	Position	Shares in the Company as at 31 December 2013	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	none	N/A

	Supervisory Board			
Andrzej Chajec (**)	Member of the Supervisory Board	the none		N/A
Krzysztof Majkowski (***)	Member of the Supervisory Board	60,000		6,000
Mirosław Mikołajczyk	Member of the Supervisory Board	the none		N/A
Jerzy Żurek	Member of the Supervisory Board	the none		N/A
Krzysztof Adaszewski	President of the Management Board	the none		N/A
Maciej Kotlicki	Vice-President of the Management Board	the none		N/A
Dariusz Łukasiewicz (****)	Vice-President of the Management Board	the 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 of the Act on Trading in Financial Instruments, holds 250 shares in the Fund (of a nominal value of PLN 25).

(***) as at date of delivery of the report for Q1 2013 – 237,000 shares; as at date of delivery of the report for the first half of 2013 – 160,000 shares; as at date of delivery of the report for Q3 2013 – 60,000 shares.

(****) acting as Vice-President of the Management Board up to 17 December 2013.

During 2013, the Company obtained a total of 3 notices prepared under Article 160 of the Act on Trading.

In January 2013, Mr. Andrzej Chajec announced that in 2012 a person closely related to him (as defined in Article 160 par. 2 pt. 1) of the Act on Trading, hereinafter a “Closely Related Person”) made a transaction on shares in the Company whose total value did not exceed the equivalent of EUR 5,000. According to that notification, the Closely Related Person acquired 200 rights to D series shares in the Company (ISIN code: PLNFI0900105) credited to their securities account in connection with their registration in the National Depository of Securities (the “KDPW”). The registration of rights to the D series shares in the Company at the KDPW and their being credited to the securities account took place on 26 March 2012. The unit purchase price specified in the notification was PLN 0.70 and was equal to the issue price for D series shares. The Closely Related Person then acquired, as a result of the rights being credited to the securities account, 200 D series shares in the Company (ISIN code: PLNFI0900014) in connection with their being registered with the KDPW. The shares were recorded at the KDPW and credited to the securities account on 7 May 2012. The issue price for the D series shares was PLN 0.70 per share. The Closely Related Person did not consent to the publication of their personal data.

In June 2013 the Company received notification from a Member of the Supervisory Board of the Company that that person sold 77,000 (in words: seventy-seven thousand) shares in the Company in an ordinary session transaction on the Warsaw Stock Exchange regulated market. The transaction was concluded on 27 May 2013, and the average price of a share was PLN 0.82.

In October 2013 the Company received notification from a Member of the Supervisory Board of the Company that that person sold 100,000 (in words: one hundred thousand) shares in the Company in an ordinary session transaction on the Warsaw Stock Exchange regulated market. The transaction was concluded on 10 October 2013, and the price of a share was PLN 0.74 (seventy-four groszy).

Persons managing and supervising the Company do not directly hold any shares in the Company's affiliates. The Company has no information (other than the information disclosed in section 1.4 hereof) about the type of control exercised by Mr. Zygmunt Solorz-Żak over ZSZ Group entities, including the number and nominal value of the shares held by Mr. Zygmunt Solorz-Żak in those entities or any other entities related to the Company through Mr. Zygmunt Solorz-Żak. At the same time, the Company announces that managing and supervising persons do not have any rights to the Company's shares.

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

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

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

Moreover, Ortholuck was contractually reserved a return option to purchase from LTE Holdings the 49 per cent stake in Litenite, previously sold by Ortholuck (the "Return Option"). The Return Option will be exercisable under circumstances stipulated in the respective agreement and involving a debt ratio provided that there are also no grounds to exercise the Call Option. The Return Option will expire and will not be exercisable in the event that LTE Holdings exercises the Call Option or Polkomtel exercises its above rights under the Polkomtel Pledge. If there are circumstances permitting the exercising of the Return Option and Ortholuck actually exercises the same, it will hold, jointly with the shares currently held, 100 per cent of the shares in Litenite and the control of the Company will not change.

At the same time, the Management Board points out that, on 14 November 2013, in Current Report No. 22/2013, Cyfrowy Polsat announced that on 14 November Cyfrowy Polsat concluded a conditional investment agreement with three shareholders of Metelem Holding Company Limited ("Metelem"), that is, with the companies: Argumenol Investment Company Limited with its registered office in Nicosia, Cyprus, Karswell Limited with its registered office in Nicosia, Cyprus, whose shares represent about an 83.77% share in Metelem (the "Sellers"), for a transfer of shares in Metelem as an in-kind contribution to

cover shares to be issued by Cyfrowy Polsat (the “Agreement”). Metelem indirectly holds a 100 per cent stake in the share capital of Polkomtel, operator of the “Plus” mobile network. Under the Agreement, the Sellers will take up a total of 243,932,490 shares in the conditionally increased share capital of Cyfrowy Polsat, at an issue price of PLN 21.12 (the “New Share Issue”). The New Share Issue will be taken up in exchange for an in-kind contribution in the form of shares in Metelem representing a total of about 83.77 per cent of the capital of Metelem.

Information on the transaction is also provided in the Report on the Activities of the Company Cyfrowy Polsat S.A. for 2013, on pages 78-79. Given that Polkomtel is ultimately controlled by Mr. Zygmunt Solorz-Żak, the Company anticipates that, in the event that the transaction foreseen by the Agreement goes through, Mr. Zygmunt Solorz-Żak will continue to indirectly control Polkomtel, since he is currently, and in light of the above information will continue to be, the parent company of Cyfrowy Polsat, which in turn will be the parent company of Polkomtel.

To the best knowledge of the Company, there are no other arrangements under which the control of the Company might potentially change in the future.

4.1.6 Employee stock plan

The Company does not operate any employee stock plan.

4.1.7 Acquisition of own shares

The Company did not acquire its own shares in 2013 and, at the date of publication of this report, did not hold any own shares. Additional information on the sale transaction of 5,000 own shares of the Company is contained in section 4.4.2 hereof.

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

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

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

Pursuant to Article 24 of the Statute and Article 401 of the CCC, the Supervisory Board or a shareholder or shareholders representing at least 1/20 of the share capital may request that specific issues be placed on the agenda of the next General Meeting. Such request should be submitted to the Management Board no

later than twenty-one (21) days before the date scheduled for the General Meeting. The request should include a justification or a draft resolution concerning the proposed item on the agenda. The request may be submitted in writing (sent to the address of the Company) or as an electronic document saved in PDF format sent to the email address of the Company at: wz@midas-sa.pl. The Management Board is obliged to immediately, but no later than eighteen (18) days before the date scheduled for the General Meeting, announce changes to the agenda, introduced at the request of the shareholders.

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

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

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

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

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

Pursuant to Article 402¹ of the CCC, every notice on the General Meeting of a public company should include at least:

- 1) the date, time and place of the General Meeting together with a detailed agenda,

- 2) a precise description of the procedures for participating in the General Meeting and exercising voting rights, and in particular information on:
 - a. shareholders' rights to request that specific issues be placed on the agenda of the General Meeting,
 - b. shareholders' rights to submit draft resolutions on matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
 - c. shareholders' rights to submit draft resolutions on matters placed on the agenda during the General Meeting,
 - d. procedures for exercising voting rights by proxy, including, in particular, forms used for proxy voting purposes and procedures for notifying the company electronically of the appointment of that proxy,
 - e. options and procedures for participation in the General Meeting using electronic communication means,
 - f. procedures for taking the floor during the General Meeting using electronic communication means,
 - g. procedures for exercising voting rights by correspondence or using electronic communication means,
- 3) the registration date for participation in the General Meeting, as referred to in Article 406¹ of the CCC,
- 4) information that the right to participate in the General Meeting is vested only in persons who are shareholders of the Company on the record date for participation in the General Meeting,
- 5) indication where and how a person entitled to participate in the General Meeting can obtain the full text of the documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are scheduled to be adopted, comments of the Management Board or the Supervisory Board of the Company, relating to matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
- 6) reference to the website where respective information on the General Meeting is published.

A public company operates its own website and publishes the following information since the date of convening the General Meeting:

- 1) notice on convening a General Meeting,
- 2) information on the aggregate number of shares in the Company and the number of votes from such shares as at the date of notice, and if shares are of different categories - also information about individual categories of shares and respective numbers of votes from shares of each category,
- 3) documentation to be presented to the General Meeting,

- 4) draft resolutions or, if no resolutions are scheduled to be adopted, comments of the Management Board or the Supervisory Board of the Company, relating to matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
- 5) forms permitting to exercise voting rights by proxy or by correspondence, if they are not sent directly to all the shareholders.

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

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

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

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

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

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

In particular, shareholders of the Company can use email to inform the Company about granting or cancelling a power of attorney for participation in the General Meeting of Shareholders in electronic form. Every proxy granted should be notified to the Company using electronic communication means while exercising best efforts to allow effective verification of the validity of such proxy. Together with the electronic proxy notice, the shareholder shall send the following in PDF format: scan of the proxy, scan of ID, passport or another document permitting identification of the shareholder as the principal and the proxy established, email address and telephone number of the shareholder and the proxy provided that the proxy is not released from the obligation to submit, when drawing up the list of persons entitled to

participate in the General Meeting, any documents for his/her identification. Rules applicable to identifying shareholders apply mutatis mutandis to notices served on the company on revocation of the proxy.

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

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

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

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

4.1.8 Supervisory Board

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

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

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

- a) evaluation of the financial statements for the previous financial year;
- b) evaluating the report of the Management Board on the operations of the Company;
- c) submitting to the General Meeting a written report on the results of the activities referred to in points (a) and (b);
- d) assessing motions of the Management Board on distributing profits or covering losses;

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

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

4.1.9 Management Board

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

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

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

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

4.1.10 Supervisory Board

As at 31 December 2013, 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) Jerzy Żurek – Member of the Supervisory Board

In 2013, the following decisions were taken concerning the composition of the Supervisory Board:

- a) on 21 June 2013 the Ordinary General Meeting of Shareholders of the Company approved the co-optation of Mr. Wojciech Pytel to the Supervisory Board of the Company as of 16 December 2012 and appointed Mr. Andrzej Chajec to the Supervisory Board as of 21 June 2013. The aforementioned co-optation of Mr. Wojciech Pytel to the Supervisory Board was announced by the Management Board of the Company in Current Report No. 54/2012, whereas the approval of the co-optation and appointment of Mr. Andrzej Chajec were announced in Current Report No. 29/2013;
- b) on 12 December 2013, the Extraordinary General Meeting of Shareholders of the Company appointed the following persons as members of the Supervisory Board of the Company for a new term of office commencing on 14 December 2013: Mr. Zygmunt Solorz-Żak, Mr. Wojciech Pytel, Mr. Andrzej Chajec, Mr. Mirosław Mikołajczyk, Mr. Krzysztof Majkowski, Mr. Jerzy Żurek, and Mr. Andrzej Abramczuk. The Company reported on that event in Current Report No. 39/2013.

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

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

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

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

Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by voting in writing through any other member of the Supervisory Board. A written vote cannot relate to matters introduced onto the agenda during a meeting of the Supervisory Board. The Supervisory Board may adopt resolutions in writing (by circulation) and also by means of direct remote communication. In particular, members of the Supervisory Board may vote on resolutions by sending fax messages or via email. Resolutions taken this way are valid provided that all the members of the Supervisory Board are previously notified about the content of the resolution as stipulated in Article 19.1 of the Statute. Passing resolutions as specified in Article 19.2 and 19 sec. 3 of the Statute cannot apply to the election of the Chairman and Deputy Chairman of the Supervisory Board, to the appointment of a member of the Management Board and to the dismissal and suspension of such persons.

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

After the date for a meeting is determined, the Chairman of the Supervisory Board informs the Management Board about the meeting, requests the same to submit any required papers and documents and notifies about the obligatory presence of specialist employees or other persons in order to discuss issues which are the subject of the agenda. The Chairman of the Supervisory Board may authorise a member of the Supervisory Board to exercise the above powers and, in the case when working teams of the Supervisory Board are established, their chairmen are also authorised to the extent of activities of such a team to impose on the Management Board an obligation to prepare materials for the meeting and ensure the presence of specialist employees or other persons whose presence is necessary due to the scope of issues to be discussed during the meeting of the Supervisory Board. In the event that a resolution on delegating members of the Supervisory Board to perform specific supervisory activities is adopted, the delegated member of the Supervisory Board may, to the extent of his/her assignment, request access to files and documents regardless of expected topics of the next meeting of the Supervisory Board, and may also require the presentation of individual documents to the Supervisory Board, if they are associated with the planned agenda of the next meeting.

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

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

4.1.11 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 the committee.

The Audit Committee includes at least two independent members (non-members of the Supervisory Board) and at least one member who has qualifications and experience in the field of accounting or finance. The Audit Committee's task is to advise the Supervisory Board on the proper implementation of

the principles of budgetary and financial reporting, as well as on internal control at the Company and cooperation with the Company's certified auditors. In particular, the Audit Committee is responsible for:

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

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

- Andrzej Abramczuk
- Mirosław Mikołajczyk
- Jerzy Żurek

4.1.12 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:

- Andrzej Chajec
- Krzysztof Majkowski
- Jerzy Żurek

4.1.13 Management Board

As at 31 December 2013, the composition of the Management Board was as follows:

- 1) Krzysztof Adaszewski – President of the Management Board
- 2) Maciej Kotlicki – Vice-President of the Management Board

On 17 December 2013, the Supervisory Board of the Company, acting in accordance with Article 12 par. 12.3 of the Statute of the Company, recalled Mr Dariusz Łukasiewicz from the Management Board of the Company. Mr. Dariusz Łukasiewicz was Vice-President of the Management Board of the Company, and the recall was made without any reason being given. At the same time, the Supervisory Board of the Company recommended that the Management Board of the Company entrust Mr. Dariusz Łukasiewicz (under owner's supervision) with a managerial position in other entities of the Midas Capital Group. The Company published information on this event in Current Report No. 41/2013.

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

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

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

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

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

The table below shows the value of salaries, bonuses or benefits from their functions in 2013, 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	668.1
Dariusz Łukasiewicz	Vice-President of the Management Board ²	506.1
Maciej Kotlicki	Vice-President of the Management Board	470.4
Wojciech Pytel	Chairman of the Supervisory Board ³	49
Zygmunt Solorz-Żak	Deputy Chairman of the Supervisory Board	7
Andrzej Abramczuk	Secretary of the Supervisory Board ⁴	18.5
Andrzej Chajec	Member of the Supervisory Board ⁵	5
Krzysztof Majkowski	Member of the Supervisory Board	7
Mirosław Mikołajczyk	Member of the Supervisory Board	7
Jerzy Żurek	Member of the Supervisory Board	7

(1) the value of the remuneration includes remuneration in the amount of PLN 383,200 for an employment contract with Aero2

(2) acting as Vice-President of the Management Board up to 17 December 2013.

(3) the value of the remuneration includes remuneration in the amount of PLN 35,000 for service as President of the Management Board of the Company in 2012.

(4) the value of the remuneration includes remuneration in the amount of PLN 11,500 for services rendered to the companies Aero2 and Mobyland

(5) acting as a member of the Supervisory Board during the reporting period as from 21 June 2013

Apart from the above remuneration for serving on bodies of the Company shown in the table, in 2013 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.

In 2013, no agreements with managing persons providing for compensation in the event of their resignation or dismissal without cause or when their dismissal or termination results from a merger of the Company following acquisition were effective.

5 Other information

In 2013, no material proceedings were pending directly with respect to the Company or any of the subsidiaries of the Midas Group before any court, a court of arbitration or a public administration body, the value of which, whether individually or combined, would represent at least 10 per cent of the Company's equity.

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

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

Proceedings concerning frequency reservations for CenterNet and Mobyland

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

In the grounds of the ruling dismissing PTC's complaint, the PACW emphasised in particular that the primary argument of that complaint concerning a breach of substantive law due to a failure to examine in the reservation proceedings the prerequisites referred to in Article 114 par. 3 of the Telecommunications Law is unjustified, as the prerequisites set forth in the above regulation are subject to examination by the President of the OEC at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The PACW found the other points of the above complaint,

referring to procedural irregularities, to be groundless or irrelevant to the direction of the resolution adopted by the President of the OEC (Current Report No. 53/2012).

In the Issuer's opinion, the PACW judgement in practice perpetuates the situation of the legally effective provision to CenterNet and Mobyland of the ability to use the frequency in the range of 1800 MHz. Therefore, those companies may fully operate the frequencies granted to them under the decision of the President of the OEC, and thus continue to carry out the strategy of the Group. The aforementioned judgement of the PACW is not final. Both the President of the OEC and the participants of the proceedings could file a cassation appeal against the PACW's judgement with the Supreme Administrative Court (SAC) within 30 days after receiving the PACW's judgement including a written justification. The Issuer's subsidiaries did not file such a cassation appeal. However, PTC did file a cassation appeal and is currently awaiting its examination by the SAC.

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

In the matter concerning a repeal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating - in the scope concerning the evaluation of PTC's bid - the tender concerning two reservations of frequencies in the range 1710-1730 MHz and 1805-1825 MHz, issued in the tender concerning reservation of the frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), the companies in October 2012 received a written justification to the judgement of the PACW of 6 July 2012. In a written justification of the judgement, the PACW sustained the theses presented in the oral justification and stated that the President of the OEC was bound by the stance expressed by the Supreme Administrative Court in its ruling of 3 February 2011, file ref. II GSK 88/10, under which the President of the OEC should have invalidated the tender in its entirety. Furthermore, in the opinion of the PACW, the functional interpretation applied by the President of the OEC with respect to the scope of invalidation of the tender is not a decisive interpretation, and shaping administrative decisions concerning the Tender and the literal interpretation compliant with the provisions of the Telecommunications Law of 16 July 2004 should be applied first. Further, the PACW stated that, while resolving the above issue, it did not analyse the motivations and correctness of actions of the President of the OEC when issuing the First and Second Decision of the President of the OEC. On 8 November 2012, Mobyland and CenterNet filed cassation appeals against the judgement of the PACW of 6 July 2012. Currently, CenterNet and Mobyland are awaiting processing of the cassation appeal by the SAC. The date of reviewing the cassation appeals is unknown.

In connection with the above decisions of 13 June 2011 and 23 August 2011, the President of the OEC conducted another tender in the scope covering assessment of the bid placed by PTC and determined the revised result of the tender in the form of a new list assessing each bid. The bids placed by CenterNet were placed on the list under items 1 and 2. On 27 October 2011, CenterNet filed a motion to obtain frequency reservations on the basis of the offer featured as item 2 on the evaluation list. Upon announcing the new results of the tender, Polska Telefonia Komórkowa Centertel sp. z o.o. and Polska Telefonia Cyfrowa S.A. filed motions to invalidate the tender. In its decision of 28 November 2012, the President of the OEC refused to invalidate the tender. The above decision was upheld by the decision of the President of the OEC of 8 November 2013. Subsidiaries of the Issuer did not file complaints against the decision of the President of the OEC of 8 November 2013. The Issuer is not aware of whether those complaints were submitted by other participants in the proceedings.

Proceedings for the reservation of frequencies for Aero2

Decision of 9 December 2008 By a decision of 9 December 2008, the President of the OEC granted Aero2 frequency reservations in the 885.1-890.1 MHz and 930.1-935.1 MHz ranges. After PTC, PTK Centertel and Polkomtel filed a motion for re-examination of the case, the above decision was upheld by a decision of the President of the OEC of 22 July 2010. PTC, PTK Centertel and Polkomtel filed complaints against the above decision to the PACW. By the judgement of 24 June 2011, the PACW dismissed all complaints as unfounded. After PTC and PTK Centertel filed cassation appeals against the above judgement, in a ruling of 9 April 2013 (case file No. II GSK 99/12) the Supreme Administrative Court dismissed both cassation appeals. With the judgement by the SAC, the proceedings in the case were concluded in a legally binding manner. After the announcement of the results of the tender for the reservation of frequencies from the 885.1-890.1 MHz and 930.1-935.1 MHz ranges (the "Tender"), PTC, PTK Centertel, Polkomtel, CenterNet and Arbit Sp. z o.o. filed motions for invalidation of the tender. In its decision of 4 March 2010, 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 29 October 2010. PTC, Polkomtel and PTK Centertel filed complaints against this decision to the PACW. By a judgement of 26 September 2011, the PACW dismissed the above complaints. A cassation appeal was submitted to the SAC against that judgement by PTK Centertel and PTC. In a ruling of 13 August 2013 (case file No. II GSK 654/12) the Supreme Administrative Court dismissed both cassation appeals. With the judgement by the SAC, the proceedings in the case were concluded in a legally binding manner.

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, up to 31 December 2024 ("Tender 2.6"). In response to the tender announcement, Milmex Systemy Komputerowe sp. z o.o. ("Milmex") and Aero2 submitted bids. Because of a number of formal deficiencies, the offer submitted by Milmex was not admitted to the material evaluation stage. In effect, the offer submitted by Aero2 was judged as the best. After the announcement of the results, Milmex filed a motion for invalidation of the 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 the 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 PAC in Warsaw. By a judgement of 27 June 2013 (case file No. VI SA/Wa 464/13), the PACW dismissed the complaint. Milmex filed a cassation appeal against that judgement with the Supreme Administrative Court. The date for hearing the case in the Supreme Administrative Court has not yet been determined.

Other proceedings

In the decisions of the SMP issued by the President of the OEC on 14 December 2012, the SMP obliged Aero2, CenterNet and Mobyland to apply fees for call termination in public mobile telecommunications networks (respectively) of Aero2, CenterNet and Mobyland, in the amount of: (i) in the period from 1 January to 30 June 2013: PLN 0.0826/min (ii) after 30 June 2013: PLN 0.0429/min, i.e. in a lower amount for these periods and earlier aligned to (symmetrical with) the rates of other providers than is indicated in earlier decisions of the President of the OEC. On 31 December 2012, all of the above companies filed appeals to the Regional Court in Warsaw (Division XVII Competition and Consumer Protection) against the above decision of the SMP and motions to suspend their immediate enforceability. Until the date of submission of this report, no hearings have been scheduled in the matters brought as a result of the above appeals.

On 8 January 2014, a further tranche of the loan from Alior was started up, in the amount of PLN 20 million, and, like the earlier tranches, was transferred to Aero2.

On 21 February 2014, the District Court for the Capital City of Warsaw in Warsaw, Division XII Commercial of the National Court Register, registered the merger of Midas S.A. with its registered office in Warsaw (as the Acquiring Company) with the subsidiary Conpidon Limited with its registered office in Nicosia, Cyprus (as the Target Company). As a result of the merger, Midas S.A. entered into all the rights and obligations, assets and liabilities of Conpidon Limited, which was dissolved without being liquidated. In view of the fact that all of the shares in the Target Company were held by the Acquiring Company, the Merger was effected without increasing the share capital of the Acquiring Company. Upon completion of the Merger, Midas S.A. was a company formed as a result of a cross-border merger, and did not change its legal form, business name or registered office.

In 2013, the Midas Group did not conduct any research and development activities.

The Group complies with all the obligations in the area of the protection of the natural environment. To the extent to which the Group entities create their own radio network infrastructure, there are issues of compliance of the devices of the base stations in the radio telecommunication networks with the requirements of applicable laws on the environment protection, especially in terms of not exceeding the limit values of electromagnetic fields associated with the operation of such stations. Pursuant to the provisions of the Act of 3 October 2008 on the provision of information about the environment and its protection, public participation in environmental protection and environmental impact assessments and secondary regulations thereto, in particular the Regulation of the Council of Ministers of 9 November 2010 on projects likely to have significant effects on the environment, the implementation of the projects for the construction of devices in the base stations, depending on the capacity of the installed devices, may constitute a project significantly affecting the environment. In addition, the construction of these devices may be subject to certain environmental protection conditions in the Natura 2000 area. The foregoing may require assessment of the environmental impact during the preparation for the construction of such devices, and when obtaining building permits, decisions on approval of the construction project, decisions to permit the use of, or change in the use of a building or a part thereof. Such environmental impact assessments are carried out when preparing reports on the project impact on the environment and when applying for decisions on the environmental conditions for the project.

The provisions of the above regulation stipulate that not all installations of base stations emitting electromagnetic fields with frequencies ranging from 0.03 MHz to 300,000 MHz are classified as projects likely to always have a significant environmental impact. The classification of the base station as a project that could always significantly affect the environment depends on the proximity of places accessible to the public to antennas of the base stations and equivalent isotropic radiated power of such antennas. Construction of the stations which are not classified as projects likely to always significantly affect the environment and not located within the Natura 2000 area is subject to the environmental impact assessment only if competent authorities issue a decision requiring such assessment.

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

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

Registered name of the Issuer:	Midas Spółka Akcyjna The Issuer may use the abbreviated name MIDAS S.A.
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Place of registration:	The Issuer is registered in the Commercial Register of the National Court Register kept by the District Court for the capital city of Warsaw in Warsaw, Division XII Commercial of the National Court Register.
Registration No.:	National Court Register 0000025704
Date established:	The Issuer was established on 15 December 1994 by the State Treasury represented by the Minister of Ownership Transformations (currently, the Minister of the State Treasury) as a sole shareholder company of the State Treasury.
Duration:	Unlimited
Registered office:	Warsaw
Legal form:	spółka akcyjna
Regulations applicable to the Issuer's operations:	The Issuer operates pursuant to and in accordance with the laws of Poland, in particular the provisions of the Commercial Companies Code as well as on the basis of its Statute.
Country of the registered office:	Republic of Poland
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Fax number:	+48 22 249 83 13
Email address:	biuro@midasnfi.pl
Website:	http://www.midasnfi.pl

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski

President of the Management
Board

Maciej Kotlicki

Vice-President of the
Management Board

Warsaw, 21 March 2014