



**MANAGEMENT REPORT
ON THE OPERATIONS OF
MIDAS S.A.
IN 2012**

Warsaw, 21 March 2013

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1 Description of Midas S.A.

1.1 Key information about Midas S.A.

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

The Company is registered in the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 000002570. The registered office of the Company is in Warsaw.

On 31 October 2012, the Ordinary General Meeting of Shareholders of the Company adopted a resolution amending the Statute, 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 2012, on which date it was registered in the Commercial Register of the National Court Register.

1.1.1 The Company’s business activity

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

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

1.1.2 Changes in the structure of the Company

In 2012, the structure of the Company did not change.

1.2 Branches of the Company

The Company has no branches or establishments.

1.3 Changes in the principles of managing the Company

In 2012, there were no major changes in the way the Company is managed.

1.4 Organisational or capital relations

The Company is part of the capital group (the "Midas Group") as defined in IAS 27 "Consolidated and Separate Financial Statements", in which the Company is the parent and its subsidiaries (as defined in IAS 27) include CenterNet S.A. with its registered office in Warsaw ("CenterNet"), Mobyland Sp. z o.o. with its registered office in Warsaw ("Mobyland"), Conpidon Limited with its registered office in Nicosia (in liquidation; hereinafter, "Conpidon"), Aero2 Sp. z o.o. with its registered office in Warsaw ("Aero2") and Nova Capital Sp. z o.o. with its registered office in Warsaw ("Nova"). Details of the holdings of shares

and ownership interests in subsidiaries are set forth in Note 5 to the Financial statements of Midas S.A. for the year ended 31 December 2012.

Marios Lazarou was appointed as liquidator of this company on the basis of a resolution of the General Meeting of Shareholders of Conpidon dated 13 July 2012. The decision to commence the liquidation of Conpidon was made in connection with the intention to simplify the structure of the Midas Group. As a result of the liquidation of Conpidon, the Company will become the direct shareholder of Aero2. In November 2012, in response to the Company's motion, the court in Nicosia, Cyprus, stayed the liquidation proceedings concerning Conpidon. The liquidation proceedings were stayed for a period of time required for the Management Board of the Company to consider different ways (other than liquidation) of simplifying the structure of the Midas Group, which would result in, among other things, the Company directly holding 100 per cent of the shares in Aero2/having full control of Aero2.

On 27 November 2012, the District Court for the 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 Daycon Trading Ltd ("Daycon") as the target company, by way of transferring all of the assets of the target to the acquiring company. The Daycon and Aero2 combination was effected in order to simplify the structure of the Midas Group.

On 27 December 2012, Aero2 acquired 8,529 shares in Nova from Sensor Overseas Ltd, which represented 5.84 per cent of the shares in Nova. Furthermore, on 28 December 2012, Aero2 acquired 53,614 shares in Nova from MAT Fundusz Inwestycyjny Zamknięty, which represented 36.73 per cent of the shares in Nova. Thus, as at 31 December 2012, Aero2 held 85.2 per cent of the shares in Nova. The acquisition of shares in Nova by Aero2 was effected in order to simplify the structure of the Midas Group.

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

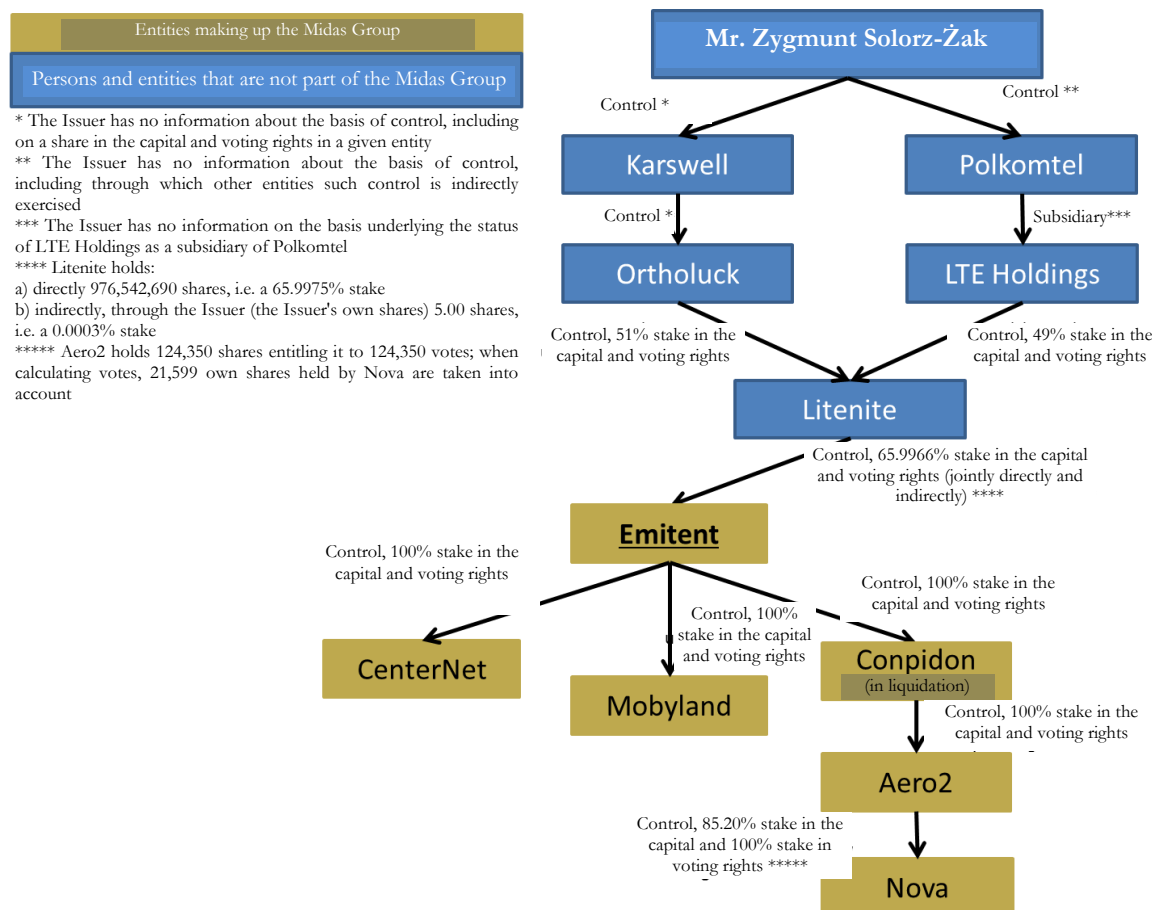
The ZSZ Group also includes subsidiaries of the Company – CenterNet, Mobyland, Conpidon, Aero2 and Nova.

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 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.



1.5 Deposits and capital investments

The Company's primary investments are shares and ownership interests held in its subsidiaries, CenterNet, Mobyland and, indirectly, Aero2, in which the Company holds a 100 per cent share in the capital and voting rights. The ownership structure in the Midas Group and any changes thereto that occurred in 2012 are set forth in section 1.4 hereof. In 2012, the Company focused on providing the Midas Group with the right level of financing to carry out the strategy adopted by the Company. The Midas Group's capital expenditures primarily included investing into further expansion of the telecommunications infrastructure, carried out by Aero2. The primary component of these expenditures were investments in base stations and transmission centres. The above investments of Aero2 were largely carried out under Project 700, the completion of which was notified by the Company in Current Report No. 51/2012 of 9 November 2012. In total, the expenses for Project 700 came to PLN 191.9 million net, with part of this stemming from the funds of the series D share issue, which is in line with the series D issue objectives presented in the Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012 (available on the Company's website at http://www.midasnfi.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny, hereinafter, the "Prospectus").

2 Activities of the Company

The Company's core business is the activity of holding companies. The holding activities carried out by the Company in 2012 primarily involved coordinating the operations of the Midas Group. Those activities are conducted on the territory of Poland. In addition, in 2012, the Company pursued such activities as raising capital necessary for the implementation of the Midas Group's investment plans through the issue of new shares and debt papers.

2.1 Principal products, goods and services

Due to the nature of its operations, the Company practically does not manufacture products or goods and does not provide services. Principal products, goods and services manufactured by the Midas Group are described in detail in the Management Report on the operations of the Midas Group in 2012.

2.2 Key sales and supply markets

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

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

In March 2012, the Company completed the issue of series D shares. The funds obtained as a result allowed it to accomplish the issuance goals set forth in the Prospectus, i.e. finance the acquisition of Aero2 (by buying 100 per cent of the shares in Conpidon Limited), repay debt under the debt papers issued, and expand the telecommunications network under Project 700 and Project 4100. The use of proceeds from the issue is described in section 3.6 hereof.

In September 2012, as a result of joint negotiations and signing between Aero2 and Polkomtel Sp. z o.o. of the terms of the agreements with Nokia Siemens Networks Sp. z o.o. and, earlier, with Ericsson Sp. z o.o., the primary source of supplies of LTE-enabled telecommunications equipment for Aero2, and consequently, for the Midas Group, was established. Therefore, the Management Board of the Company decided not to continue the negotiations with Huawei Polska Sp. z o.o.

In November 2012, the Company accepted the Preliminary Offer of the basic terms and conditions of credit offered to the Company by Bank Zachodni WBK S.A. and Banco Santander S.A. ("Term Sheet 1"), and signed the Conditions of Financing for the Investment Credit with Alior Bank S.A. ("Term Sheet 2"). The above documents (Term Sheets) in no way constituted a binding agreement, but set out the basic conditions on which the above banks have agreed to make financing available to the Company for the expansion of the telecommunications network. Under Term Sheet 2, on 28 February 2013 (after the balance sheet date), the Company signed an investment credit agreement. This event was described in section 5.2 hereof. Detailed information regarding Term Sheet 1 is contained in section 2.4.1 hereof.

Also in November 2012, the Management Board of the Company adopted a qualified resolution on commencing the procedure for the issuance of ordinary zero-coupon bonds with a maximum eight-year maturity period (the "Bonds") as part of obtaining financing for the expansion of the Midas Group's network (Current Report No. 50/2012). The value of the Bonds issued was to be a maximum of PLN 250 million. The result of the Management Board of the Company implementing the procedure for the issue of the Bonds, and of Sferia S.A. ("Sferia") expressing initial interest, in December 2012, in acquiring the Bonds, is the framework agreement concluded with Sferia, the detailed provisions of which are set forth in section 2.4.1 hereof. At the same time, the Company obtained from Mr. Zygmunt Solorz-Żak a

declaration in which he expressed his readiness to purchase the Bonds in the amount of approximately PLN 200 million, or appoint an entity which will purchase those Bonds in his stead, with the proviso that Sferia is not the entity appointed by Mr. Zygmunt Solorz-Żak. In that declaration, Mr. Zygmunt Solorz-Żak also stated that, if it turns out that the Bonds are acquired even in part by other investors ("Investors"), this will not rule out the possibility that he or the entity appointed by him (the "Main Purchaser") will acquire the Bonds in the amount which is the difference between PLN 200 million and the amount taken up by such Investors. Mr. Zygmunt Solorz-Żak declared at the same time that if, in the Bond issuance conditions, there is a clause granting bondholders the right to demand early redemption of the Bonds they acquired (the "Put Option"), the Main Purchaser will not exercise that right, and, where the Investors exercise that right and, as a result, the total value of the Bonds becomes less than PLN 200 million, the Main Purchaser will acquire an additional bond issue in the amount which is the difference between PLN 200 million and the amount remaining after the repurchase of the Bonds as a result of the Put Option. Furthermore, on 6 March 2013 (after the balance sheet date), the Management Board of the Company adopted a resolution on the issuance of series A bonds. 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"). The issue price of one Bond has been specified on the basis of the nominal value of one Bond reduced by the unit discount value (set in accordance with clauses of the BIT) and is PLN 342.77 per Bond. This means that the value of the Bonds issued will be approximately PLN 200 million. Additional information in this regard is contained in section 5.2 hereof.

2.4 Information on agreements entered into by the Company

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

Issue of series MID0612.3 debt papers

After Alior Bank S.A. with its registered office in Warsaw ("Alior Bank") on 17 February 2012 subscribed for 20,000 registered series MID0612.3 debt papers with a nominal value of PLN 1,000 each (the "Papers"), for a total nominal value of PLN 20,000,000 for the issue price equal to their nominal value (the "Issue Price") as a result of acceptance by Alior Bank on 16 February 2012 of the proposal to subscribe for the Papers (the "Proposal") and as a result of payment by Alior Bank of the Issue Price on 17 February 2012, the issue of the Papers was successful. In accordance with terms and conditions for the issue of the Papers, as contained in the Proposal, the Papers matured on 30 June 2012 but the Company had the right to make an unconditional early redemption of the Papers. In addition, the Papers carried an entitlement to interest, accrued and paid on a monthly basis, except for the first interest period which lasted from 17 February 2012 to 1 March 2012. The Papers bore interest at WIBOR 1M from the second working day preceding the beginning of the interest period, increased by 2.5 percentage points, per annum.

The proceeds from the issue of the Papers were designated for bridge financing of investments being implemented by the Midas Group. The Company's use of such bridge financing was expected until the end of the public offering for series D shares of the Company. As a part of such financing, proceeds from the issue of the Papers were used for a loan in the amount of PLN 20,000,000 to Aero2. The loan was included in the description of the loans granted to Aero2, as set forth below.

On 26 April 2012, the Company exercised its right to early redemption of the Papers. The early redemption of the Papers was performed as part of implementing the second goal of the D series share issuance, i.e. repayment of debts arising from debt papers issued by the Company, held by Alior Bank.

The Company published information on the issuance of the debt papers and then their redemption in Current Reports No. 12/2012 of 17 February 2012 and No. 27/2012 of 26 April 2012. The use of the proceeds from the series D share issue was described in section 3.6 hereof.

Agreement on a mutual set-off of receivables with Litenite Limited

On 28 February 2012, the Company concluded an agreement with Litenite Limited for a mutual set-off of receivables (the "Agreement").

In accordance with the Agreement, on 28 February 2012, the Company and Litenite made a contractual set-off of a receivable of PLN 546,863,906.40 that was due to the Company from Litenite under its obligation to pay for 781,234,152 series D shares of the Company, covered by the basic subscription submitted by Litenite on 28 February 2012 at an issue price of PLN 0.70 per share under the public offering for series D shares (closed subscription), against a receivable of PLN 548,000,000 due from the Company to Litenite in respect of payment of the price to the Company for 100 per cent of the shares in Conpidon Limited under the agreement for the sale of shares in Conpidon Limited. As a result of the contractual set-off, the above receivable due to the Company was written off in full, i.e. in the amount of PLN 546,863,906.40, and the above receivable due to Litenite was partially written off, i.e. to the amount of PLN 1,136,093.60.

The agreement was concluded as part of implementing the first of the goals of the issue of series D shares, i.e. payment of the price for the acquisition of Aero2 Sp. z o.o. with its registered office in Warsaw.

Considering the above-mentioned set-off, the amount of PLN 1,136,093.60 constituted the receivable of Litenite remaining to be paid by the Company within the framework of performing this target of the issue. On 26 April 2012, the Company paid the above amount. Payment of the above amount represented the final settlement of the above agreement for the sale of shares in Conpidon Limited of 9 December 2011.

The Company published information on the conclusion and then settlement of the agreement in Current Reports No. 14/2012 of 28 February 2012 and No. 26/2012 of 26 April 2012.

Basic credit conditions for obtaining financing for the expansion of the telecommunications network

On 5 November 2012, the Company signed the Preliminary Offer of the basic terms and conditions of credit offered to the Company by Bank Zachodni WBK S.A. and Banco Santander S.A. ("Term Sheet 1"), and also signed the Conditions of Financing for Investment Credit with Alior Bank S.A. ("Term Sheet 2"). The above documents (the "Term Sheets") constitute the basis for further negotiations and for drawing up credit agreements and other agreements on the terms set out below. Under Term Sheet 2, on 28 February 2013 (after the balance sheet date), the Company signed an investment loan agreement. This event was described in section 5.2 hereof.

The subject of Term Sheet 1 signed with Banco Santander S.A. and Bank Zachodni WBK S.A. (jointly "Bank 1") is secured trade credit ("Credit 1") in the amount of up to PLN 364 million. The purpose of Credit 1 will be to finance the expansion of a commercial telecommunications network in Poland (the "Project") carried out by the Company on the basis of framework agreements for the supply, integration and maintenance of access elements of the telecommunications network concluded with Ericsson and Nokia Siemens Networks (the Company published information on concluding the above agreements in Current Reports No. 35/2012 of 23 July 2012 and No. 39/2012 of 3 September 2012). Credit 1 is to be granted for a period of 7 years, where the period within which the Company will be able to utilise the allotted amount of Credit 1 is a maximum of 3 years (the "Availability Period"). In the Availability Period, the interest on Credit 1 will be variable, calculated on the basis of the WIBOR 6M rate increased by the margin of Bank 1. In the remaining period, the interest on Credit 1 will be fixed, and determined at market

level. Repayment of the principal of Credit 1 is to take place in 8 equal semi-annual instalments, where the first instalment is due 6 months following the completion of the Credit 1 Availability Period. Interest will be calculated on the basis of the principal amount of Credit 1 used and remaining to be repaid, in reference to the above rules of interest for Credit 1, and will be payable in quarterly instalments. The above conditions of granting and charging interest on Credit 1 are subject to the approval of the Swedish and Finnish export agencies, and may therefore be changed. The Management Board of the Company plans to allocate funds from Credit 1 for financing Phase III of the expansion of the telecommunications network, comprising, inter alia, the construction of 700 base stations and the optimisation of the telecommunications network.

Security for Credit 1 will consist of: an insurance policy issued by the Swedish and Finnish export agencies, an assignment of wholesale agreements signed or to be signed in the future with Polkomtel, a pledge on assets of the Project (telecommunications network elements), a pledge on shares and ownership interests in subsidiaries of the Company, a pledge on frequencies held by subsidiaries of the Company, a letter of support from the main shareholder of the Company, a cash deposit in a minimum amount of 10 per cent of the value of Credit 1, and an interest rate swap (IRS).

Term Sheet 1 is governed by British law. The above-described main conditions of Term Sheet 1 will become binding provided that: (a) there are no disadvantageous changes in the political and economic situation in Sweden, Finland or Poland, or in the business or financial condition of the Company, (b) there are no disadvantageous changes in the business, operational, financial condition of the Company or of its prospects or of its subsidiaries, understood as the capital group, which could affect its ability to punctually discharge its liabilities resulting from Term Sheet 1, (c) the conditions are given final approval by Bank 1 and the Swedish and Finnish export agencies.

Term Sheet 1 in no way constitutes a binding agreement, but sets out the basic conditions on which Bank 1 has agreed to make financing available to the Company for the expansion of the telecommunications network. On the basis of those conditions, the Company and Bank 1 will negotiate the detailed provisions of the credit agreements and other legal documents, including agreements concerning security for the repayment of Credit 1.

The Company published information on the signing of the above documents in Current Report No. 49/2012 of 5 November 2012.

Framework agreement with Sferia S.A.

On 21 December 2012, the Company concluded a framework agreement with Sferia S.A. with its registered office in Warsaw (“Sferia” or, jointly with the Company, the “Parties”) (the “Framework Agreement”). The Framework Agreement is the result of the Management Board of the Company implementing a procedure for an issue of zero-coupon bonds having a maximum eight-year maturity period (the “Bonds”) and of Sferia expressing initial interest in acquiring the Bonds. The subject of the Framework Agreement is to establish the rules under which:

- a) the Company will issue and Sferia will take up one or more series of Bonds for a total issue price not exceeding PLN 200,000,000;
- b) the Parties will conclude a separate agreement on the Company supplying Sferia with a telecommunications network through which Sferia will be able to provide telecommunications services (the “Supply Agreement”);

c) the Parties will conclude a wholesale agreement on the basis of which Sferia will wholesale services created in the telecommunications network to the Midas Group, and the Company will have the right to further resell those services (the “Wholesale Agreement”);

d) the Parties will make settlements for the Bonds issued by the Company and taken up by Sferia.

On the basis of the Framework Agreement, the Company will be authorised to submit to Sferia, in the period from the signing of the Framework Agreement to 31 December 2013, one or more proposals for purchasing the Bonds for a total issue price of not more than PLN 200,000,000, and Sferia will be obliged to accept each such purchase proposal which is in accordance with the provisions of the Framework Agreement. The Bonds will be issued promptly after the Company receives a declaration on acceptance of a purchase proposal, where the Bonds will be issued to Sferia promptly after the Company receives confirmation of payment of the issue price, determined each time in the purchase proposal on the basis of a discount rate which will not differ significantly from the market conditions applicable to this type of financial instrument. In accordance with the provisions of the Framework Agreement, the Company may issue, rather than a single series, several series of the Bonds, and the Bonds may be held in material or dematerialised form, as registered or bearer bonds. The Bonds will not have to be listed on the ASO Catalyst or on another organised trading platform.

Moreover, the Parties undertook to conclude, within 6 months from signing the Framework Agreement, a Supply Agreement pursuant to which the Company or a subsidiary of the Company (the “Midas Group”) will supply Sferia with a telecommunications network (the “Telecommunications Network”) which Sferia will be able to use to provide telecommunications services utilising the latest available technologies, under conditions no worse than the LTE technology, and using the frequencies which Sferia will have the right to utilise. On the basis of the Supply Agreement, the Midas Group will be entitled to receive remuneration from Sferia, on market conditions, in exchange for supplying the Telecommunications Network during the period set out in the Supply Agreement, where the Midas Group’s performance as specified in the Supply Agreement will be fully discharged within 8 years following the date of concluding the Supply Agreement.

In addition, in the Framework Agreement, the Parties undertook to conclude a Wholesale Agreement within 12 months following the date on which Sferia acquires the right to utilise a frequency allowing it to provide LTE services in Poland.

The conclusion of the Supply Agreement and the Wholesale Agreement is dependent on the fulfilment of the following conditions precedent:

- a) the Supervisory Board of the Company consents to the conclusion of the Supply Agreement,
- b) Sferia obtains the right to utilise a frequency allowing it to provide LTE services in Poland.

In the Framework Agreement, the Parties expressed their consent to a contractual offset of the liabilities of the Company resulting from the Bonds issued on the redemption date, from early redemption or immediate redemption, against the liabilities of Sferia to that date and resulting in particular from the Supply Agreement.

In the opinion of the Company, the estimated total value of the contracts and settlements which the Framework Agreement concerns may exceed 10 per cent of the value of the Company’s equity. At present, however, the Company is not able to state what the value of each of the agreements or orders or their total value will be.

The Company published information on the conclusion of the agreement in Current Report No. 55/2012 of 21 December 2012.

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

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

2.4.3 Concluded and terminated credit and loan agreements

Repayment of loans to Nova

In April 2012, the Company repaid a total of four loans granted to the Company by Nova at a time during which Nova was not yet part of the Midas Group. The total nominal value of loans granted was PLN 7,420,000. The interest rate on three of the above loans was 5 per cent per annum, and the fourth bore interest on the basis of the 1M WIBOR rate increased by 2 percentage points. The maturity date of the above loans was 31 December 2012. The total amount repaid in 2012 was PLN 7,533,000, of which PLN 523,000 was interest computed from the date of granting each loan until the date of repayment. The loans were repaid in full.

2.4.4 Loans and sureties granted and sureties and guarantees received

Loan agreements with Aero2

In 2012, as a result of three loan agreements (the "Agreements") concluded with Aero 2 Sp. z o.o. ("Aero 2"), the Company granted Aero2 a loan for a total of PLN 90,000,000. Pursuant to the Agreements, the interest rate of the loans is equal to WIBOR 1M + 3 percentage points per year and the maturity dates are 31 December 2013 (the maturity dates for two of the above three loans, initially falling on 29 June 2012, were postponed under appropriate annexes signed in 2012 and are scheduled for 31 December 2013). The loans were granted for the purpose of financing the investments carried out by the Midas Group (Current Report No. 13/2012 and Current Report No. 28/2012).

Loan agreement with Conpidon Limited

In April 2012, the Company granted Conpidon Limited a loan in the amount of EUR 75,000. The loan bears interest at 3.5 per cent per annum. The loan matures on 31 December 2013. The loan was granted for the purpose of financing the ongoing operations of Conpidon Limited.

2.5 Employment data

As at 31 December 2012, the number of persons (in full time equivalents) employed in the Company under employment contracts and those working with the Company under civil law contracts was 3.92. Similarly, as at 31 December 2011, the Company had 3.58 such employees.

2.6 Growth of the Company

2.6.1 Description of its development direction policy

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

The Midas Group has 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, within the next 1-2 years Midas Group will have a significant competitive advantage over other operators active on the Polish market of broadband Internet based on LTE/HSPA+ technologies. Individual competitive operators, according to the Company, do not currently have sufficient 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.

The Issuer expects that within 1-2 years, at the earliest, operators on the Polish market may be able to build necessary infrastructure and to acquire or arrange necessary frequency resources allowing for the provision of services based on the LTE technology. Based on press releases, the Issuer estimates that competitive market operators, PTC and "Polska Telefonía Komórkowa-Centertel" Sp. z o.o. ("PTK Centertel"), which began sharing the telecommunications network, expect that a common network will be fully operational in 2014. 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.

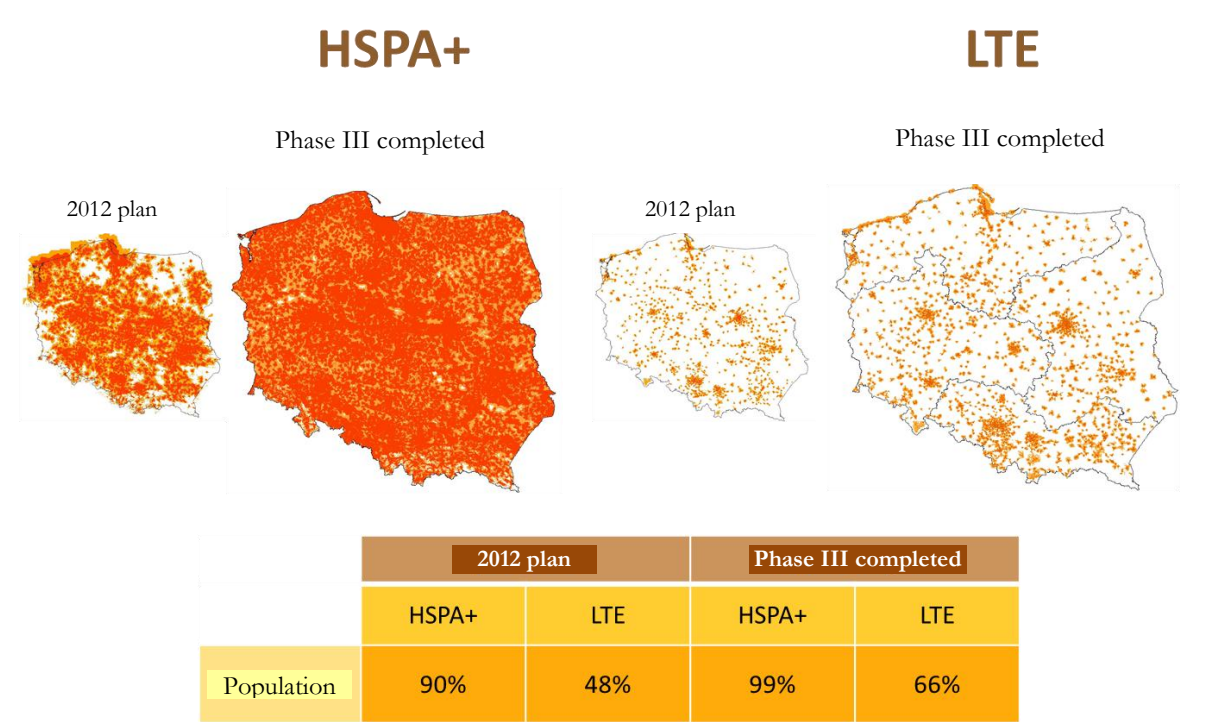
Following the implementation of the strategy, the Midas Group as the first operator in Poland provides telecommunications services based on LTE/HSPA+ technologies, which today (due to restrictions associated with subscriber terminals currently available) allows for radio data transmission at maximum download speeds of up to 150 Mb/s and maximum upload speeds of up to 50 Mb/s. Trends in the area of further development of Internet services, perceivable on other markets, justify investments in the development of advanced technologies.

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

- 1) Acquisitions of telecommunications assets holding frequencies or new concessions for frequencies necessary to pursue the strategy.
- 2) 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 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.

In addition, the Midas Group has a modern telecommunications network including, among others (as at the end of 2012): (i) approximately 690 base stations used by Midas Group and operating based on HSPA+ technology, of which approximately 680 also support LTE, and (ii) approximately 1,560 base stations operating in the HSPA+ technology in the frequency band owned by Aero2, incorporated into

the telecommunications network used by the Midas Group in cooperation with Polkomtel, of which approximately 685 also support LTE. Thanks to such cooperation with Polkomtel for joint use of the telecommunications infrastructure, there is a possibility for further expansion of the telecommunications network carried out at lower costs of such expansion compared to independent expansion of this network as well as relatively faster. As at the end of 2012, the telecommunications network of the Midas Group provided HSPA+ coverage for approximately 90 per cent of the population and LTE coverage for approximately 48 per cent of the population. Ultimately, within 3 years, the Midas Group intends to reach the number of base stations providing a coverage of approximately 99 per cent of the Polish population based on the HSPA+ technology, and about 66 per cent of the population based on the LTE technology. The diagram below illustrates HSPA+ and LTE coverage as at the end of 2012 and proposed coverage of these technologies upon completion of phase III of the telecommunications network expansion:



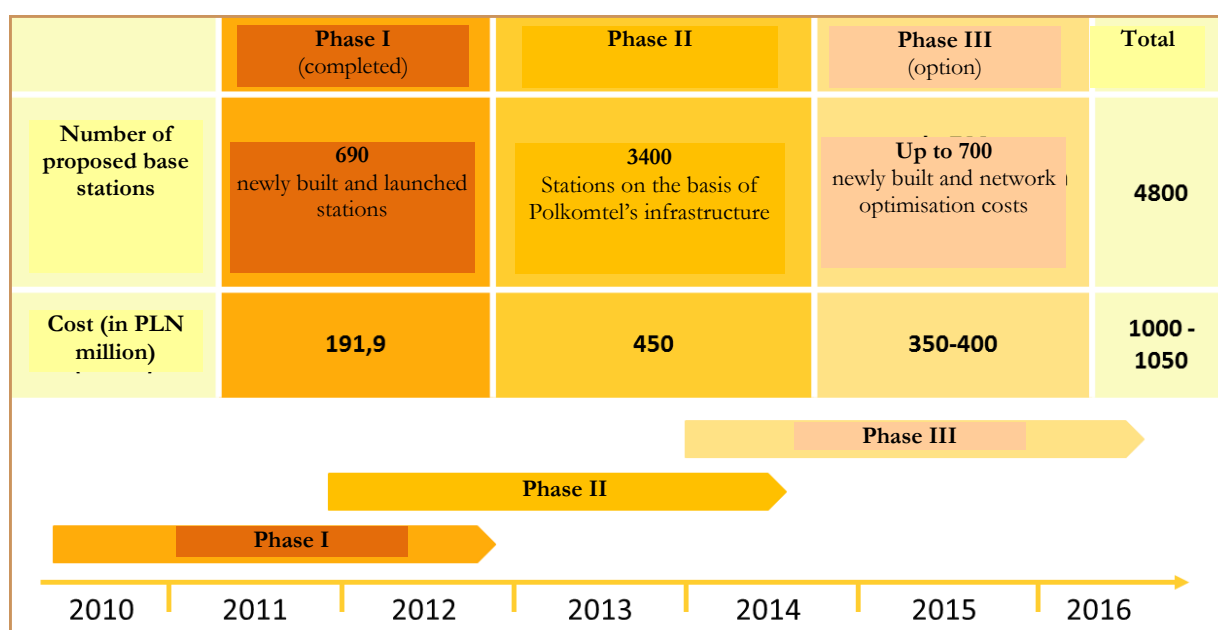
In November 2012, the Midas Group completed Project 700, which represents the first stage in the expansion of the telecommunications network of the Midas Group. As part of that project, Aero2 acquired or built a network of base stations together with transmission infrastructure making it possible to jointly use, under the Aero2 telecommunications network, 690 base stations operating in the HSPA+ and LTE technologies. In total, the expenses for Project 700 came to PLN 191.9 million net. The Group is currently implementing Project 4100, which represents phase two in the expansion of the telecommunications network of the Midas Group. As part of this phase, approximately 3,400 base stations will be incorporated in the telecommunications network used by the Midas Group. 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 expected 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 2012 (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 partly on debt financing - proposed credit obtained on the terms set forth in Term Sheet 1 (approximately PLN 360 million), and 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.

The Issuer estimates that the total level of debt financing required to implement the Group's development strategy, i.e. 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 is an important internal factor for the growth of the business of the Company.

The diagram below illustrates the implementation schedule and the anticipated costs of the expansion of the Midas Group's telecommunications network:



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 the rest of the 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 transmission 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.

2.6.2 Development prospects of the Company

According to the Management Board of the Company, at least by the end of 2013, the following events may have a significant impact on the development prospects of the Company and the Midas Group:

- 1) the Midas Group obtaining financing to implement the strategy of the Midas Group, which includes financing the remaining portion of phase two of the telecommunications network expansion, and phase three, which will involve, in particular:
 - a proposed bond issue (described in section 2.3 hereof)
 - obtaining debt financing under the credit agreement concluded with Alior Bank on 28 February 2013 (as set forth in section 5.2 hereof) and Term Sheet 1 (as set forth in section 2.4.1 hereof)
- 2) competitors of the Midas Group being awarded frequency reservations in the 1800 MHz range,
- 3) conclusion of the tender for frequency reservations in the 800 MHz and 2600 MHz range (digital dividend),
- 4) final and binding resolution of court proceedings regarding frequencies in the 1800 MHz and 900 MHz range (as set forth in section 5.1 hereof),
- 5) increasing popularity of LTE and the corresponding increased usage of data transmission services ordered by wholesale customers of the Group and possible subsequent orders for such services.

2.7 Evaluation of the feasibility of investment plans

In accordance with its strategy, the Company intends to invest any obtained funds in telecommunications and IT projects, and in the further development of the Midas Group in particular. Therefore, significant negative cash flows might be expected in the years 2013–2016 in association with the cost of the projects carried out by the Midas Group. Detailed information in this respect is presented in section 2.6.1 hereof. As at the date hereof, the Management Board does not see any real threat to the feasibility of investment plans, but it draws attention to the risks associated with financing, as described in section 2.8 hereof.

2.8 Risks and threats

2.8.1 Risks associated with the Company's business operations

Risk associated with the Midas Group's strategy

Midas Group pursues its operating strategy in the telecommunications industry. Given the high level of competition in that industry and the high degree of innovation among technologies offered, there is a risk that this strategy may need to be modified. For this reason, the Midas Group cannot guarantee that its strategic initiatives, and in particular the one concerning further expansion of the telecommunications

infrastructure by Aero2, will bring positive results in the time frame anticipated, or that, if they do not, there will be no negative impact on the 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 in the form of a bank loan and Bond issuance. Consequently, in 2012, the Management Board of the Company signed Term Sheets (described in section 2.4.1 above) and under Term Sheet 2, in 2013, it concluded an investment credit agreement with Alior Bank (after the balance sheet date, as set forth in section 5.2 hereof). Furthermore, the Company's Management Board adopted a resolution on undertaking steps aimed at issuing Bonds and obtained from Mr. Zygmunt Solorz-Żak a declaration in which he expressed his readiness to purchase the Company's Bonds in the amount of approximately PLN 200 million, or to appoint an entity which will purchase those Bonds in his stead.

The Company cannot guarantee that despite their advanced status, as described above, 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. In the case where 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.

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

The operations of the Company are dependent on the quality of the work of its employees and management. The Management Board of the Issuer cannot guarantee that 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 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 or ownership interests 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 Capital Group.

The Management Board of the Company notes, as set forth in the Annual report of the Capital Group of Cyfrowy Polsat S.A. (published on 12 March 2013), the transfer of ownership of the shares in Pola Investments Ltd (the majority shareholder of Cyfrowy Polsat) to the family foundation TiVi Foundation with its registered office in Vaduz, Liechtenstein, founded by Mr. Zygmunt Solorz-Żak. In theory, it cannot be ruled out that a similar situation may occur with respect to shares in companies through which Mr. Zygmunt Solorz-Żak controls the Company.

Furthermore, the Issuer points out that Mr. Zygmunt Solorz-Żak exercising control over the Issuer notified the latter that it intended to consider in the future a combination of the Midas Group's and Polkomtel's operating activities if it will be consistent with the obligations of Polkomtel or Midas Group under loans, debt instruments or other agreements that Polkomtel or Midas Group will then 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 combination of businesses will actually take place.

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. Malgorzata 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 related to high debt

The Issuer notes that in the event of a Bond issuance and obtaining financing through a loan, as set forth in sections 2.4.1 and 2.6.1 hereof, the level of interest debt will increase significantly. Therefore, there will be a marked growth in the risk of insolvency of the Company towards its creditors, particularly banks or bondholders. There is, after all, a possibility that Midas Group companies may be unable to service such a high debt or fulfil certain other covenants. As a result, there is a risk that 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 in whole or in part the funds invested, even upon instituting the procedure of satisfying claims from the Issuer's assets, in particular, the collaterals established (if any) or may not obtain the expected rate of return on the investment.

2.8.2 Risks associated with the Company's business environment

Risks associated with the macroeconomic situation

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

Risks associated with a changing legal environment (including tax)

Some risk to the Company's operations may come from changes in laws or in its different interpretations. Possible changes, in particular in provisions relating among others to business activities, telecommunications, environment protection, intellectual property, labour law, social security law and commercial law, may follow directions which could have a negative effect on the Midas Group's operations. New regulations may entail interpretation issues, inconsistent courts' decisions, 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 regulations and how they are interpreted have on the Midas Group's financial position.

A similarly important source of risk are possible changes in telecommunications laws due to 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 transmission technologies or resulting in limitations in terms of availability of multimedia contents (including such contents shared in violation of intellectual property rights) in the Internet, which may bring a decrease in demand for data transmission 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 transmission.

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

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

Considering the fact that all previous investments of the Company focused on the telecommunications industry, the Management Board of the Company points out that the risks described in the Management Report on the operations of the Midas Capital Group in 2012 will also have an indirect impact on the

success of the Company's strategy and investment policy. Therefore, the risks described in the Report on the operations of the Midas Capital Group in 2012 will also apply indirectly to the Company.

3 Financial position and assets of the Company

3.1 Principles for the preparation of annual separate financial statements

These financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") and the IFRS approved by the European Union.

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

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

3.2 Description of key economic and financial figures

Statement of financial position

As at 31 December 2012, the value of the investment portfolio amounted to PLN 966,203,000 and remained unchanged compared to 2011.

The balance of receivables at the end of 2012 was PLN 138,004,000 as compared to PLN 42,197,000 at the end of the previous year. This increase resulted from loans granted to subsidiaries: Aero2 and Conpidon.

Cash amounted to PLN 134,036,000 at the end of 2012 as against PLN 3,244,000 at the end of 2011. This increase is due to the series D share issue.

The equity on the balance sheet date was PLN 1,211,931,000 and, compared to the end of 2011, it rose by PLN 830,712,000 of which PLN 823,725,000 constituted an increase resulting from the issue of shares of the Company, and PLN 6,987,000 was the net profit for 2012 (key factors affecting the net profit were described below).

The liabilities amounted to PLN 26,339,000 as at 31 December 2012 and decreased by PLN 605,307,000 compared to the end of 2011. The decrease is mainly due to repayment of liabilities to Litenite from the acquisition of the subsidiary, Conpidon, in December 2011, redemption of debt securities and repayment of all loans obtained.

Statement of comprehensive income

In 2012, the Company recognised investment income in the amount of PLN 13,661,000 as compared to PLN 1,843,000 for the previous year. This result was influenced by interest income on loans granted to subsidiaries and interest accrued on funds from the series D share issue, invested in interest-bearing bank deposits.

In 2012, operating expenses reached PLN 2,847,000 compared to PLN 2,028,000 in the previous year. The most important operating expense items in 2012 were the cost of outsourced services of PLN 1,270,000 and payroll costs of PLN 1,269,000.

The total net profit of the Company for 2012 equalled PLN 6,987,000, as compared to a loss of PLN 5,669,000 the year before.

Statement of cash flow

In 2012, net cash flows from operating activities amounted to PLN 5,101,000 as against PLN -1,677,000 in the previous year.

In 2012, net cash flows from investing activities amounted to PLN -91,035,000, compared to PLN -218,729,000 in the previous year. The main factor affecting cash flows in 2012 was the final settlement of the purchase price of Conpidon and repayment of loans to subsidiaries.

In 2012, net cash flows from financing activities amounted to PLN 216,726,000, compared to PLN 223,510,000 in the previous year. The main factor affecting the amount of cash flows from financing activities in 2012 was the issue of the Company's shares.

3.3 Financial and non-financial indicators

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

	2012	2011	2010
liquidity - liquidity ratio I			
$\frac{\text{total current assets}}{\text{current liabilities}}$	10.33	0.08	0.0
liquidity - liquidity ratio III			
$\frac{\text{cash}}{\text{current liabilities}}$	5.09	0.01	0.00
liabilities turnover			
$\frac{\text{trade liabilities x 365 days}}{\text{value of goods and materials sold + cost of products sold}}$	18 days	116 days	216 days
debt to assets ratio (%)			
$\frac{(\text{total equity and liabilities} - \text{equity}) \times 100}{\text{total assets}}$	2.1%	62.4%	60.5%

3.4 Changes in the Issuer's investment portfolio

In 2012, there were no major changes in the Company's investment portfolio.

On 27 November 2012, the District Court for the 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 Daycon Trading Ltd as the target company, by way of transferring all of the assets of the target to the acquiring company.

On 27 December 2012, Aero2 acquired 8,529 shares in Nova from Sensor Overseas Ltd, which represented 5.84 per cent of the shares in Nova Capital. On 28 December 2012, AERO2 acquired 53,614 shares in Nova from MAT Fundusz Inwestycyjny Zamknięty, which represented 36.73 per cent of the shares in Nova Capital. Thus, as at 31 December 2012, Aero2 held 85.2 per cent of the shares in Nova.

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

3.5 Differences between actual financial results and any previously published forecasts

The Management Board of the Company did not publish any forecasts for 2012.

3.6 Use of proceeds from the issue of series D shares and debt papers

Following the issue of series D shares in 2012, the Issuer raised PLN 828,613,380. Until the date of this report, the Issuer used the proceeds from the issue of series D shares as follows:

- 1) PLN 548,000,000 was allocated towards payment of the price for 100 per cent of the shares in Conpidon Limited,
- 2) PLN 71,500,000 was used to repay the Company's nominal indebtedness through early redemption of commercial papers series MID0612.1, MID0612.2 and MID0612.3 issued by the Company. The above papers were redeemed for the total amount of PLN 71,854,000 which included PLN 71,500,000 of the nominal value of the papers, and PLN 354,000 of interest due for the period from 1 April 2012 to 26 April 2012.
- 3) PLN 103,298,000 was allocated by the Issuer towards expanding the telecommunications network, carried out as part of the completed Project 700 and the pending Project 4100.

In 2012, the Company issued series MID0612.3 debt papers with a nominal value of PLN 1,000 each (the "Papers"), with a total nominal value of PLN 20,000,000, with the issue price equal to their nominal value. The proceeds from the issue of the Papers were designated for bridge financing of investments being implemented by the Midas Group. Additional information in this regard is contained in section 2.4.1 hereof.

3.7 Financial instruments

3.7.1 Employed financial instruments

Key financial instruments used by the Company include loans, papers, cash and short-term deposits. Such financial instruments are aimed at sourcing funding for the Midas Group's operations. Furthermore (as stated in section 2.6.1 hereof, among others), the Company intends to utilise bank loans and bonds as another form of financing the operations of the Midas Group.

The Company does not use financial derivatives in its business activities.

3.7.2 Financial risk management objectives and methods

The financial risk is associated with unexpected changes in cash flows arising, among others, from operating activities of the Midas Group. Key risks of the Company's financial instruments include interest rate risk, price risk, liquidity risk, currency risk and credit risk. The policies for managing each of the above risks are presented in Note 27 to the 2012 financial statements of Midas S.A.

3.8 Current and forecast financial position

The Management Board of the Company considers the Company's financial position to be good. In addition, following the successful completion in March 2012 of the issue of series D and signing Term Sheets (as set forth in detail in section 2.4.1 hereof) and signing on 28 February 2013, as part of Term Sheet 2, an investment credit agreement (as set forth in detail in section 5.2 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.

3.9 Events and factors largely affecting operating and financial results

3.9.1 Important events during the financial year

In 2012, the events with a significant impact on the Company's performance were:

- issue of series D shares of the Company (a description of the use of proceeds from the issue of series D shares is included in section 3.6 hereof).
- settlement of the agreement on a mutual offset of receivables with Litenite Limited (as set forth in section 2.4.1 hereof).

3.9.2 Extraordinary factors and events

According to the Management Board of the Company, in 2012 there were no extraordinary factors or events.

3.9.3 Evaluation of events and factors affecting the results

In the opinion of the Management Board of the Company, the above factors and events contributed to the implementation of the strategy of the Company and the Midas Group. In particular, the successful issue of series D shares has allowed the Company to continue to implement its strategy, among other things, by expanding its telecommunications network as part of the completed Project 700 and commenced 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, safe and relatively attractive investment of funds obtained from the issue of series D shares in bank deposits significantly influenced the level of finance income for the Company. The Management Board of the Company notes that along with the expansion of the telecommunications network of the Midas Group, a change will occur in the ratio of the Company's finance income (which will decrease) to the Company's finance costs stemming from loans incurred as bonds issued (which will increase).

3.10 Evaluation of the management of financial resources

Proceeds from the issue of series D shares and proceeds from accepted orders from Polkomtel and Cyfrowy Polsat permitted the Midas Group in 2012 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 Company's liquidity was managed by focusing on detailed analyses of the receivables turnover and due dates of the Company's liabilities as well as on an on-going monitoring of bank accounts, as well as on raising equity and debt. Furthermore, the Management Board of the Company safely and relatively attractively invested in bank deposits funds obtained, among other things, from the series D share issue. In view of the foregoing, the Management Board of the Company has not identified any threats to financial resource management.

3.11 Entity authorised to audit financial statements

The entity authorised to audit and review financial statements of the Company and of the Midas Group, in accordance with the resolution of the Supervisory Board of the Company, is 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 financial statements of the Company and the consolidated financial statements of the Midas Group for 2012 were audited by E&Y under the agreement entered into on 27 July 2012 for review/audit together with the auditor's opinion and report.

Detailed information on the fees for the entity authorised to audit financial statements in 2012 (as well as in 2011) is presented in Note 26 to the financial statements of Midas S.A. for the year ended 31 December 2012.

4 Statement of compliance with corporate governance principles in 2012

4.1 Description of corporate governance principles applicable to the Issuer

In 2012, the Issuer was subject to the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies" attached to Resolution No. 20/1287/2011 of the Supervisory Board of the WSE of 19 October 2011. This document contains the rules of corporate governance the Issuer volunteered to apply.

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

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

In 2012, 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 1 third indent "- enable online broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.”,

and

- 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.”.

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 By-laws of the General Meeting of Shareholders. On 17 October 2011, the General Meeting adopted a resolution amending the Rules of Procedure of the General Meeting under which the Rules of Procedure were supplemented by a provision stating that the Fund can provide the opportunity to participate in the General Meeting using electronic communication means through: 1) real-life broadcasts of the General Meeting, 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other

than the general meeting, 3) exercising voting rights in person or by proxy during the General Meeting. 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.

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

On 31 October 2012, 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.

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."

This principle is currently not being applied. 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 provisions of the Code of Commercial Companies, 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, and if it continues not to be applied, it will notify this in a report that will be published in EBI.

- 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 "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.

In section IV "Best Practices Applied by Shareholders":

- principle 10) "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 By-laws of the General Meeting of Shareholders. The By-laws of the General Meeting state that the Company may enable 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, 3) exercising voting rights personally or by proxy during the General Meeting. 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.

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

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

assessment of the Company's financial statements are included by the Supervisory Board of the Company in its annual report.

The principal systems of internal control in relation to the preparation of financial statements of the Company are:

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

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

Since 2012, within the Company' 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.

4.4 Share capital

4.4.1 Structure of the share capital

As at 31 December 2012 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, including:

- 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 D series 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.

4.4.2 Large shareholders

The table below shows the structure of shareholders of the Company which, as at 31 December 2012, 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 2013. The following list was been drawn up on the basis of notifications received by the Company from the shareholders pursuant to Article 69 of the Act on the Public Offering and pursuant to Article 160 of the Act on Trading in Financial Instruments of 29 July 2005 (hereinafter, the "Act on Trading").

Name of the shareholder of the Company	Number of shares	%	Number of votes (**)	%
Zygmunt Solorz-Żak (*)	976,547,690	65.9978	976,542,690	65.9977
ING Otworthy Fundusz Emerytalny	74,386,458	5.0273	74,386,458	5.0273
Other shareholders	428,737,602	28.9749	428,737,602	28.9750
Shares of the Company	1,479,666,750	100.00	1,479,661,750	100.00

(*) Mr Zygmunt Solorz-Żak, acting as the 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, as well as through (iv) the Company, within the scope of 5,000 own shares in the Company held by the Company.

(**) The number of shares and votes does not account for the votes carried by 5,000 own shares of the Company held indirectly by Litenite Limited (under Article 364 of the CCC, Midas S.A. does not exercise voting rights from its own shares).

From the date of the previous interim report of the Company, i.e. since 14 November 2012, until the date hereof, i.e. 21 March 2013, there have been no changes in the ownership structure of significant blocks of shares in the Company.

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

There are no securities carrying any special control rights over the Company and there is no preference as to the voting rights attached to shares of the Company or shareholders of the Company. The only restriction in exercising voting rights applies to the Company, which pursuant to Article 364 of the CCC does not exercise voting rights from its own shares. As at the date of publication of this report, there are no restrictions on transferring the ownership right to the Company's securities.

4.4.4 Direct shareholding and rights thereto held by persons managing and supervising the Company

The following table summarises direct shareholding in the Company by managing and supervising persons as at the end of the reporting period, i.e. as at 31 December 2012. In the period from 31 December 2012 until the date of publishing this report, i.e. 21 March 2013, 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 2012	Nominal value of shares held in the Company (PLN)
Wojciech Pytel	Chairman of the	none	N/A

	Supervisory Board			
Zygmunt Solorz-Żak (*)	Deputy Chairman of the Supervisory Board	none		N/A
Andrzej Abramczuk	Secretary of the Supervisory Board	none		N/A
Krzysztof Majkowski	Member of the Supervisory Board	237,000		23.700
Mirosław Mikołajczyk	Member of the Supervisory Board	none		N/A
Jerzy Żurek	Member of the Supervisory Board	none		N/A
Krzysztof Adaszewski	President of the Management Board	none		N/A
Maciej Kotlicki	Vice-President of the Management Board	none		N/A
Dariusz Łukasiewicz	Vice-President of the Management Board	none		N/A

(*) Mr. Zygmunt Solorz-Żak holds indirectly, through entities directly or indirectly controlled, 976,547,690 shares in the Company (including 5,000 own shares of the Company held by the Company) with a nominal value of PLN 97,654,769.00. This information is contained in section 4.4.2 hereof.

From the date of the previous interim report of the Company, i.e. since 14 November 2012, until the date of this report, i.e. 21 March 2013, there have been no changes in the number of shares in the Company held directly by the managing and supervisory persons in the Company.

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 and ownership interests held by Mr. Zygmunt Solorz-Żak in those entities or any other entities related to the Company through Mr. Zygmunt Solorz-Żak.

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

Under the agreement entered into in December 2011 by and 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). 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 the case when certain events take place, including for example violations of the obligations between Ortholuck and LTE Holdings under the respective agreement between such entities in relation to 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 others 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 encumbering them with another pledge, on certain terms and conditions, as a security 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").

In the event that there are circumstances permitting Polkomtel to exercise its rights under the Polkomtel Pledge, as referred to above, and Polkomtel actually exercises the same, then it will take over control of

the Company. However, in the event that there are circumstances enabling exercising the Call Option 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 at the same time there are 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. In the event that there are circumstances entitling 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.

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

4.4.6 Employee stock plan

The Company does not operate any employee stock plan.

4.4.7 Acquisition of own shares

The Company did not acquire its own shares in 2012.

As at 31 December 2012, the Company owned 5,000 own shares. In 2012, the block on the shares of the Company was released, which block secured the claim of Alchemia SA with respect to series X02.09.A papers issued by the Company on 18 November 2009. Until the date hereof, the balance of its own shares has not changed.

4.5 Principles of amending the Company's Statute

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

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

In 2012, the Ordinary General Meeting of the Company adopted amendment of the By-laws of the General Meeting, which adapted it to the amended Statute of the Company in connection with the Act of 30 March 2012 Repealing the Act on National Investment Funds and their Privatisation and Amending Certain Acts (Current Report No. 46/2012). Amendments to the By-laws of the General Meeting enter into force as of the date of the next General Meeting of the Company (immediately following the one at which the amendment was adopted).

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 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@midasnfi.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@midasnfi.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 may not 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 placed on the Company's website and as prescribed for the distribution of current information in accordance with the provisions of the Act on the Public Offering. The notice should be made at least twenty-six days before the date of the General Meeting.

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

- 1) the date, time and place of the General Meeting together with a detailed agenda,
- 2) a precise description of the procedures for participation in the General Meeting and exercise 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 on the appointment of such 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) record 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 case, the public company sends the forms free of charge to each shareholder at his/her/its request. The forms should contain a 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) of 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 objects 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 the 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 the PDF format: scan of the proxy, scan of ID, passport or another document permitting to identify the shareholder as the principal and the proxy established, email address and telephone number of the shareholder and the proxy provided that the proxy is not released from the obligation to submit, when drawing up the list of persons entitled to participate in the General Meeting, any documents for his/her identification. Rules applicable to identifying shareholders apply mutatis mutandis to notices served on the company on revocation of the proxy.

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

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

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

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

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

4.7.1 Supervisory Board

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

Members of the Supervisory Board are appointed and recalled by the General Meeting. As replacement for a resigning or deceased member, before the expiry of the mandate, the Supervisory Board may co-opt

a member of the Supervisory Board. Only the members of the Supervisory Board elected or approved by the General Meeting vote on resolutions on co-opting a member of the Supervisory Board. Co-opted members of the Supervisory Board are presented for approval at the next General Meeting.

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

- a) evaluation of the financial statements for the previous financial year;
- b) evaluating the report of the Management Board on the operations of the Company;
- c) submitting to the General Meeting a written report on the results of the activities referred to in 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 ownership interests 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.

4.7.2 Management Board

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

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

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

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

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

4.8.1 Supervisory Board

As at 31 December 2012, 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) Krzysztof Majkowski - Member of the Supervisory Board
- 5) Mirosław Mikołajczyk - Member of the Supervisory Board

6) Jerzy Żurek - Member of the Supervisory Board

On 14 December 2012, Mr. Andrzej Chajec submitted his resignation as Member of the Supervisory Board of the Company, without stating any reason for the resignation. Therefore, acting in accordance with the Statute of the Company, on 14 December 2012, the Supervisory Board of the Company adopted a resolution under which, effective as of 16 December 2012:

- a) it co-opted Mr. Wojciech Pytel, President of the Management Board, to the Supervisory Board until 15 December 2012, that is, until the end of the term of office of the Management Board, and appointed Mr. Wojciech Pytel as Chairman of the Supervisory Board of the Company, where, in accordance with the By-laws of the Supervisory Board of the Company, a co-opted member of the Supervisory Board will be presented to the next meeting of the General Meeting of Shareholders of the Company for approval;
- b) it elected Mr. Zygmunt Solorz-Żak (then Chairman of the Supervisory Board) to act as Deputy Chairman of the Supervisory Board of the Company.

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 the conflict of interest and are required to abstain from voting on these matters. A member of the Supervisory Board may not 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 adopted this way are valid provided that all the members of the Supervisory Board are previously notified about the content of the resolution as stipulated in Article 19.1 of the Statute. Passing resolutions as specified in Article 19.2 and 19 par. 3 of the Statute cannot apply to electing the Chairman and Deputy Chairman of the Supervisory Board, appointing a member of the Management Board and recalling and suspending such persons.

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

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

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

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

4.8.2 Audit Committee

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

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

4.8.3 Remuneration Committee

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

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

- Krzysztof Majkowski
- Jerzy Żurek

4.8.4 Management Board

As at 31 December 2012, 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
- 3) Dariusz Łukasiewicz - Vice-President of the Management Board

In connection with the term of office of the Management Board of the Company ending on 15 December 2012, the Supervisory Board of the Company, acting in accordance with the Statute of the Company, on 14 December 2012 appointed the following Members of the Management Board for a new, two-year term of office beginning on 16 December 2012:

- a) Mr. Krzysztof Adaszewski, entrusting him with the role of President of the Management Board,
- b) Mr. Maciej Kotlicki, entrusting him with the role of Vice-President of the Management Board,
- c) Mr. Dariusz Łukasiewicz, entrusting him with the role of Vice-President of the Management Board.

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

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

- a) conclusion by the Company of a material agreement with 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.

4.9 Emoluments of managing and supervising persons

The table below shows the value of salaries, bonuses or benefits from their functions in 2012, separately for each of the Issuer's managing and supervising persons.

Name and surname	Position	Gross salary (PLN '000)
Krzysztof Adaszewski	President of the Management Board ^{1, 10}	780
Maciej Kotlicki	Vice-President of the Management Board ²	475
Dariusz Łukasiewicz	Vice-President of the Management Board ³	0
Wojciech Pytel	Chairman of the Supervisory Board ^{4, 7}	475
Zygmunt Solorz-Żak	Deputy Chairman of the Supervisory Board ⁵	4
Andrzej Abramczuk	Secretary of the Supervisory Board ⁸	164
Andrzej Chajec	Member of the Supervisory Board ^{6, 9}	202
Krzysztof Majkowski	Member of the Supervisory Board	2
Mirosław Mikołajczyk	Member of the Supervisory Board	2
Jerzy Żurek	Member of the Supervisory Board	2

(¹) from 16 December 2012; served as a Management Board Member from 1 January 2012 to 15 December 2012

(²) from 16 December 2012; served as a Management Board Member from 1 January 2012 to 15 December 2012

(³) from 16 December 2012

(⁴) from 16 December 2012; served as Management Board President from 1 January 2012 to 15 December 2012

(⁵) from 16 December 2012; served as Chairman of the Supervisory Board from 1 January 2012 to 15 December 2012

(⁶) to 14 December 2012

(⁷) remuneration received for serving as Management Board President

(⁸) the value of the remuneration includes remuneration in the amount of PLN 162,000 for services rendered to Nova and Mobyland

(⁹) the value of the remuneration includes remuneration in the amount of PLN 200,000 for bonuses for former members of the management board of Aero2

(¹⁰) the value of the remuneration includes remuneration in the amount of PLN 306,000 for an employment contract with Aero2

In 2012, none of the managing or supervising persons received:

- remuneration, awards or benefits 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 and awards received for functions in authorities of the subordinated entities (save for the above bonus for former members of the management board of Aero2).

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

In 2012, no agreements with managing persons providing for compensation in the event of their resignation or dismissal without cause or when their dismissal or termination results from a merger of the Company following acquisition were effective.

5 Other information

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

In 2012, 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 UKE. However, indirectly, handing down a binding resolution in each of these proceedings may result in the President of the UKE ruling to sustain, change or repeal the previous resolutions that directly concern frequency reservations for CenterNet and Mobyland or frequency reservations granted to Aero2.

Proceedings concerning frequency reservations for CenterNet and Mobyland

In the proceedings pending before the Voivodship Administrative Court in Warsaw (the "WSAW") on the basis of the complaint of Polkomtel against the decisions of the President of the UKE of 30 November 2007, under which the President of the UKE made the reservation of frequencies for CenterNet and Mobyland and refused such reservations to PTC and Polkomtel ("Reservation Decision 1") and the decision of 23 April 2009, upholding Reservation Decision 1 after re-examining the case ("Reservation Decision 2"), on 26 July 2012 the Supreme Administrative Court (the "NSA") issued a judgement under which it repealed entirely the judgement of the WSAW of 11 February 2011 and referred the matter for further review by the WSAW (Current Report No. 37/2012). The judgement of the NSA was issued as a result of reviewing the cassation appeals filed by the President of the UKE, the Polish Economic Chamber for Electronics and Telecommunications, CenterNet and Mobyland. In its justification of that judgement, the NSA shared the opinion presented in the above-mentioned appeals that evidence in the case allowed reliable determination that Mobyland is actually, from a legal point of view, the same company that previously operated under the name Tolpis Sp. z o.o. ("Tolpis"), because Mobyland was established as a result of a relevant change of the name of Tolpis. In such circumstances, in the opinion of the NSA, there were no reasonably justified premises for the WSAW to doubt the capacity of Mobyland to exercise the rights, in the reservation proceedings, which had previously been acquired during the tender as a result of an offer in the tender being submitted by Tolpis, still operating at the time under its original name. The NSA also stated that, contrary to the position of the WSAW, there were no doubts concerning the possibility of effective representation, in the reservation proceedings, of the company operating under the name Tolpis Sp. z o.o. and then using a new name, Mobyland, by the member of its management board, who was appointed to this position after the adoption of the resolution concerning the change of name of the company, but before the registration of that change in the National Court Register. The NSA also stated that, in the present conditions, there were no circumstances revealed that would actually prove a lack of capacity of this company to meet the obligations connected with using the granted frequencies at the moment the President of the UKE reconsidered the case for granting a frequency reservation to CenterNet and Mobyland and which could therefore justify the need of the WSAW to reverse the decision of the President of the UKE in order to ascertain whether there were any premises justifying a refusal to grant the above-mentioned reservations.

Upon reconsidering the matter, on 19 November 2012, the WSAW issued a judgement under which it dismissed for substantive reasons the complaint filed by PTC and discontinued the proceedings instituted

on the basis of Polkomtel's complaint (due to this complaint being withdrawn under a pleading filed before the hearing).

In the grounds of the ruling dismissing PTC's complaint, the WSAW 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 UKE at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The WSAW 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 UKE (Current Report No. 53/2012).

In the Issuer's opinion, the WSAW judgement in practice perpetuates the situation, reinstated earlier upon issuance of the above NSA judgement of 26 July 2012, of legally effective provision to CenterNet and Mobyland of the ability to use the frequency in the range of 1800 MHz. Therefore, the subsidiaries may fully operate the frequencies granted to them under the decision of the President of the UKE and thus continue to carry out the strategy of the Group. The aforementioned judgement of the WSAW is not final. Both the President of the UKE and the participants in the proceedings could file a cassation appeal against the WSAW's judgement with the Supreme Administrative Court (NSA) within 30 days after receiving the WSAW'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 NSA.

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 UKE of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 September 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 WSAW of 6 July 2012. In a written justification of the judgement, the WSAW sustained the theses presented in the oral justification and stated that the President of the UKE 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 UKE should have invalidated the tender in its entirety. Furthermore, in the opinion of the WSAW, the functional interpretation applied by the President of the UKE 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 WSAW stated that, while resolving the above issue, it did not analyse the motivations and correctness of actions of the President of the UKE when issuing the First and Second Decision of the President of the UKE. On 8 November 2012, Mobyland and CenterNet filed cassation appeals against the judgement of the WSAW of 6 July 2012. Currently, CenterNet and Mobyland are awaiting processing of the cassation appeal by the NSA. 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 UKE 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 for invalidation of the tender. In its decision of 28 November 2012, the President of the UKE refused to invalidate the tender. The parties are entitled to file motions seeking further review of the matter.

Proceedings for the reservation of frequencies for Aero2

By the decision of 9 December 2008 the President of the UKE granted frequency reservations in the 885.1-890.1 MHz and 930.1-935.1 MHz ranges to Aero2. After PTC, PTK Centertel and Polkomtel filed the motion for re-examination of the case the above decision was upheld by the decision of the President of UKE of 22 July 2010. PTC, PTK Centertel and Polkomtel filed complaints against the decision to the WSAW. By the judgement of 24 June 2011, the WSAW dismissed all complaints as unfounded. The foregoing judgement was appealed against to the Supreme Administrative Court through cassation appeals filed by PTK Centertel and PTC so the above judgement of the WSAW is not yet final. The NSA is scheduled to examine the matter on 9 April 2013.

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 UKE refused to invalidate the Tender. The above decision was upheld by the decision of the President of the UKE of 29 October 2010. PTC, Polkomtel and PTK Centertel filed complaints against the decision to the WSAW. By the judgement of 26 September 2011 the WSAW dismissed the above complaints. The foregoing judgement was appealed against to the Supreme Administrative Court through cassation appeals filed by PTK Centertel and PTC, so the above judgement of the WSAW is not yet final. 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 UKE 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 UKE. 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.

5.2 Subsequent events

On 17 January 2013, the Company redeemed early debt papers series MID0611C, subscribed by CenterNet, for a total value of PLN 3,171,000, including interest for a total of PLN 921,000. Subsequently, on 11 March 2013, the Company redeemed early debt papers series MID0611B, held by Mobyland, for a total value of PLN 23,062,000, including interest for a total of PLN 3,062,000. As a result of the above transactions, as at the date of publication hereof, the Company has no obligations under the debt papers.

On 31 January 2013, Mobyland and Cyfrowy Polsat signed an understanding concerning the agreement of 15 December 2010, which expanded the range of the Data Transfer Services in the Mobyland network to include the range of the Polkomtel network.

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 (the “Decision”), 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 an amendment 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.

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna (the “Bank”) a loan agreement (the “Agreement”) for investment credit (the “Credit”) in the amount of PLN 150 million to finance the expansion of a network of relay stations by companies forming the Midas Capital Group. Under the Agreement, the Company can use the Credit after meeting specific conditions of use of the Credit, specified in the Agreement, 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 WIBOR 1M rate increased by the Bank’s margin, will be repaid in monthly periods. The conclusion of the Agreement, as well as the terms and conditions of utilising and securing the Credit, were notified by the Company’s Management Board in Current Report No. 4/2013.

On 6 March 2013, the Company’s Management Board adopted a resolution on issuing series A bonds (the “Resolution”). In accordance with the content of the Resolution, the Management Board decided that the Company should issue not more than 600,000 zero-coupon secured series A bearer bonds with a nominal value of PLN 1,000 per bond (the “Bonds”). The Bonds will not be in the form of a document, and they will be registered in the depository of securities in accordance with the Act on Trading in Financial Instruments. The Bonds will be the subject of an application for introduction to the alternative system of organised trading by Gielda Papierów Wartościowych w Warszawie S.A. (Catalyst market). The issue price of one Bond has been specified on the basis of the nominal value of one Bond reduced by the unit discount value (set in accordance with clauses of the BII) and is 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 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 interests and to establish other forms of security of the Bonds (the “Pledge Agreement”). In performance of the Agreement, the Issuer established security for the Bonds in the form of its own in blanco promissory note issued and submitted to BondTrust PTP, together with a promissory note declaration authorising BondTrust PTP to fill in the promissory note to 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 Aero 2 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 terms and conditions of the Pledge Agreement were described in detail in Current Report No. 6/2013.

5.3 Environmental issues

In 2012, due to the nature of its operations, the Company did not identify any environmental issues, regarding them as irrelevant for the assessment of the Company's position. These issues have been identified as relevant for the assessment of the position of the companies forming part of the Midas Group and set forth in section 5.4 of the Management Report on the operations of the Midas S.A. Capital Group in 2012.

5.4 Important achievements in the area of research and development

In 2012, the Company carried out no research and development activities.

5.5 Registry, communication and address data

The registered name of the Issuer:	Midas Spółka Akcyjna The Issuer may use the abbreviated name MIDAS S.A.
Place of registration:	The Issuer is registered in the Commercial Register of the National Court Register kept by the District Court for the 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 Code of Commercial Companies as well as on the basis of its Statute.
Country of the registered office:	Republic of Poland
Address:	ul. Lwowska 19, 00-660 Warsaw
Telephone number:	+48 22 249 83 10
Fax number:	+48 22 249 83 13
Email:	biuro@midasnf.pl
Website:	http://www.midasnf.pl

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski	Maciej Kotlicki	Dariusz Łukasiewicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board

Warsaw, 21 March 2013