



**MANAGEMENT REPORT  
ON THE OPERATIONS OF  
MIDAS S.A.  
IN 2013**

Warsaw, 21 March 2014

## Table of contents

<b>1</b>	<b>DESCRIPTION OF THE COMPANY MIDAS S.A.</b>	<b>4</b>
1.1	KEY INFORMATION ABOUT MIDAS S.A.	4
1.1.1	<i>The Company's business activity</i>	4
1.1.2	<i>Changes in the structure of the Company</i>	4
1.2	BRANCHES OF THE COMPANY	4
1.3	CHANGES IN THE PRINCIPLES OF MANAGING THE COMPANY	4
1.4	ORGANISATIONAL OR CAPITAL RELATIONS	4
1.5	DEPOSITS AND CAPITAL INVESTMENTS	7
<b>2</b>	<b>ACTIVITIES OF THE COMPANY</b>	<b>7</b>
2.1	PRINCIPAL PRODUCTS, GOODS AND SERVICES	7
2.2	KEY SALES AND SUPPLY MARKETS	7
2.3	IMPORTANT EVENTS, ACHIEVEMENTS AND FAILURES OF THE COMPANY AFFECTING ITS BUSINESS OPERATIONS	7
2.4	INFORMATION ON AGREEMENTS ENTERED INTO BY THE COMPANY	10
2.4.1	<i>Agreements of significant importance for the Company's business operations</i>	10
2.4.2	<i>Key transactions with related parties not concluded on an arm's length basis</i>	12
2.4.3	<i>Credit and loan agreements concluded and terminated</i>	12
2.4.4	<i>Loans and sureties granted and sureties and guarantees received</i>	12
2.5	INFORMATION ON EMPLOYMENT	14
2.6	GROWTH OF THE COMPANY	14
2.6.1	<i>Description of its development direction policy</i>	14
2.6.2	<i>Development prospects of the Company</i>	17
2.7	EVALUATION OF THE FEASIBILITY OF INVESTMENT PLANS	18
2.8	RISKS AND THREATS	18
2.8.1	<i>Risks associated with the Company's business operations</i>	18
2.8.2	<i>Risks associated with the Company's business environment</i>	21
2.8.3	<i>Risks associated with the operations of subsidiaries belonging to the Midas Group</i>	21
<b>3</b>	<b>FINANCIAL POSITION AND ASSETS OF THE COMPANY</b>	<b>21</b>
3.1	PRINCIPLES FOR THE PREPARATION OF ANNUAL SEPARATE FINANCIAL STATEMENTS	21
3.2	DESCRIPTION OF KEY ECONOMIC AND FINANCIAL FIGURES	22
3.3	FINANCIAL AND NON-FINANCIAL INDICATORS	23
3.4	CHANGES IN THE ISSUER'S INVESTMENT PORTFOLIO	23
3.5	DIFFERENCES BETWEEN ACTUAL FINANCIAL RESULTS AND ANY PREVIOUSLY PUBLISHED FORECASTS	24
3.6	USE OF PROCEEDS FROM THE ISSUE OF SERIES A BONDS	24
3.7	FINANCIAL INSTRUMENTS	24
3.7.1	<i>Employed financial instruments</i>	24
3.7.2	<i>Financial risk management objectives and methods</i>	24
3.8	CURRENT AND FORECAST FINANCIAL POSITION	24
3.9	EVENTS AND FACTORS LARGELY AFFECTING OPERATING AND FINANCIAL RESULTS	24
3.9.1	<i>Important events during the financial year</i>	24
3.9.2	<i>Extraordinary factors and events</i>	25
3.9.3	<i>Evaluation of events and factors affecting the results</i>	25
3.10	EVALUATION OF THE MANAGEMENT OF FINANCIAL RESOURCES	25
3.11	ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS	25
<b>4</b>	<b>STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2013</b>	<b>26</b>
4.1	DESCRIPTION OF CORPORATE GOVERNANCE PRINCIPLES APPLICABLE TO THE ISSUER	26

4.2	DESCRIPTION OF THE SCOPE OF THE ISSUER'S DEPARTURES FROM APPLICABLE CORPORATE GOVERNANCE PRINCIPLES ....	26
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 .....	28
4.4	SHARE CAPITAL.....	29
4.4.1	<i>Structure of the share capital</i> .....	29
4.4.2	<i>Large shareholders</i> .....	29
4.4.3	<i>Shareholders of the Company with special control rights, restrictions to voting rights and to transferability of the Company's shares</i> .....	30
4.4.4	<i>Direct shareholding and rights thereto held by persons managing and supervising the Company</i>	30
4.4.5	<i>Agreements which may affect proportions of shares held by the existing shareholders and bondholders</i> .....	32
4.4.6	<i>Employee stock plan</i> .....	33
4.4.7	<i>Acquisition of own shares</i> .....	33
4.5	PRINCIPLES OF AMENDING THE COMPANY'S STATUTE .....	33
4.6	PROCEDURES APPLICABLE TO GENERAL MEETINGS AND THEIR PRINCIPAL COMPETENCES AND DESCRIPTION OF SHAREHOLDERS' RIGHTS AND METHODS FOR THEIR EXERCISE.....	33
4.7	DESCRIPTION OF RULES FOR APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR RIGHTS.....	37
4.7.1	<i>Supervisory Board</i> .....	37
4.7.2	<i>Management Board</i> .....	39
4.8	COMPOSITION, CHANGES AND OPERATING PROCEDURES APPLICABLE TO MANAGING, SUPERVISING AND ADMINISTRATION BODIES OF THE COMPANY.....	39
4.8.1	<i>Supervisory Board</i> .....	39
4.8.2	<i>Audit Committee</i> .....	42
4.8.3	<i>Remuneration Committee</i> .....	43
4.8.4	<i>Management Board</i> .....	43
4.9	REMUNERATIONS OF MANAGING AND SUPERVISING PERSONS.....	44
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 .....	45
<b>5</b>	<b>OTHER INFORMATION .....</b>	<b>45</b>
5.1	PROCEEDINGS PENDING BEFORE A COURT, COMPETENT AUTHORITY FOR ARBITRATION PROCEEDINGS OR PUBLIC ADMINISTRATION AUTHORITY .....	45
5.2	POST-BALANCE SHEET DATE EVENTS .....	48
5.3	ENVIRONMENTAL ISSUES .....	48
5.4	IMPORTANT ACHIEVEMENTS IN THE AREA OF RESEARCH AND DEVELOPMENT .....	48
5.5	REGISTRY, COMMUNICATION AND ADDRESS DATA .....	49

# **1 Description of the company Midas S.A.**

## **1.1 Key information about Midas S.A.**

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

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

On 31 October 2012, the Ordinary General Meeting of Shareholders of the Company adopted a resolution amending the Statute, under which the business name of the Company was changed to Midas Spółka Akcyjna, and the abbreviated name to Midas S.A. The amendment of the Statute entered into force as of 12 February 2013, 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 loan 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 2013, 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 2013, there were no major changes in the way the Company was managed.

## **1.4 Organisational or capital relations**

The Company is part of the capital group (the "Midas Group") as defined in IAS 27 "Consolidated and Separate Financial Statements", in which the Company is the parent and its subsidiaries (as defined in IAS 27) are CenterNet S.A. with its registered office in Warsaw ("CenterNet" ), Mobyland Sp. z o.o. with its registered office in Warsaw ("Mobyland"), Conpidon Limited with its registered office in Nicosia ("Conpidon"), Aero2 Sp. z o.o. with its registered office in Warsaw ("Aero2") and, up to 31 July 2013,

Nova Capital Sp. z o.o. with its registered office in Warsaw ("Nova Capital"). Details of the holdings of shares in subsidiaries are set forth in Note 5 to the Financial Statements of Midas S.A. for the year ended 31 December 2013.

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

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

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

office in Nicosia, Cyprus (a subsidiary of Ortholuck, "Litenite"). To the best knowledge of the Company as at the date hereof:

1) Mr. Zygmunt Solorz-Żak holds shares in Karswell but the Company is not aware of what stake Mr. Zygmunt Solorz-Żak holds in the capital of Karswell,

2) Ortholuck holds a 51 per cent stake in Litenite,

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

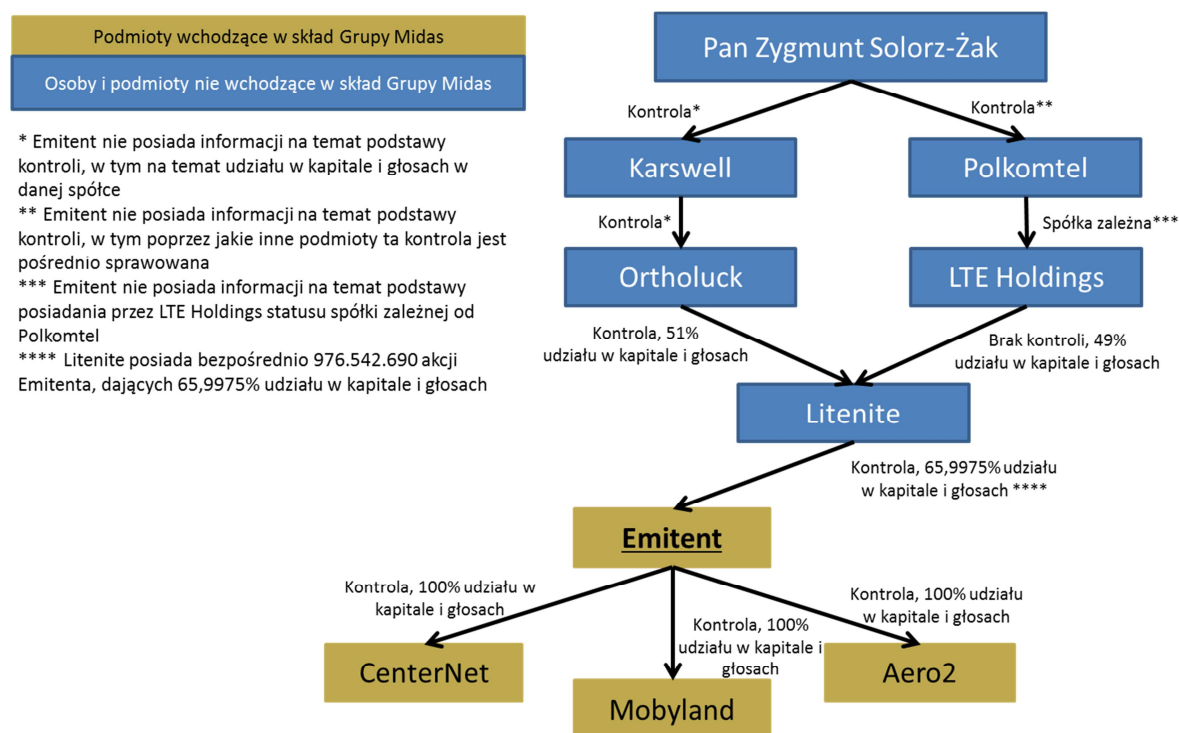
The Company does not possess any other information on how Mr. Zygmunt Solorz-Żak exercises control over Karswell, Ortholuck and Litenite.

As at 31 December 2013, the ZSZ Group also includes subsidiaries of the Company – CenterNet, Mobyland, Conpidon, and Aero2.

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

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

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



## **1.5 Deposits and capital investments**

The Company's primary investments are shares held in its subsidiaries, CenterNet, Mobyland and Aero2, in which the Company holds a 100 per cent share in the capital and voting rights. The ownership structure in the Midas Group and any changes thereto that occurred in 2013 are set forth in section 1.4 hereof. In 2013, the Company focused on providing the Midas Group with the right level of financing to carry out the strategy adopted by the Company. The Midas Group's capital expenditures primarily included investing into further expansion of the telecommunications infrastructure, carried out by Aero2. The primary component of these expenditures was investments in base stations and transmission centres. The above investments of Aero2 were largely carried out under Project 4100, described in the issue Prospectus approved by the Polish Financial Supervision Authority on 8 February 2012 (available on the Company's website at [http://www.midas-sa.pl/Relacje\\_inwestorskie/Gielda/Prospekt\\_emisyjny](http://www.midas-sa.pl/Relacje_inwestorskie/Gielda/Prospekt_emisyjny), hereinafter, the "Prospectus").

## **2 Activities of the Company**

The Company's core business is the activity of holding companies. The holding activities carried out by the Company in 2013 primarily involved coordinating the operations of the Midas Group. Those activities are conducted on the territory of Poland. In addition, in 2013 the Company pursued such activities as raising capital necessary for the implementation of the Midas Group's investment plans through an issue of bonds (further described in pt. 2.3 below) and starting up bank loans (further described in pt. 2.4.1 below).

### **2.1 Principal products, goods and services**

Due to the nature of its operations, the Company practically does not manufacture products or goods and does not provide services. The principal products, goods and services manufactured by the Midas Group are described in detail in the Management Report on the operations of the Midas Group in 2013.

### **2.2 Key sales and supply markets**

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

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

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

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

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

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

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

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

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



On 24 April 2013, the Management Board of the Company resolved to carry out a cross-border merger of the Company and Conpidon Limited (the “Merger”), in which the Company has 100 per cent of the shares in the share capital. The decision to conduct the Merger of the Company and Conpidon reflected the belief of the Management Board of the Company that the Merger was the fastest and most effective way to streamline the structure of the Midas Group. The long-term goal for the Merger was for the Company to directly hold 100 per cent of the shares in the share capital of Aero2, which was in line with the strategy of the Midas Group. Detailed information in this regard is contained in section 1.4 of this report. The Company reported on the Merger in Current Reports No. 14/2013, 15/2013, 20/2013, 28/2013 and 3/2014.

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

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

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

## **2.4 Information on agreements entered into by the Company**

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

#### Investment credit agreement with Alior Bank S.A.

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna (the "Bank") a loan agreement (the "Agreement") for investment credit (the "Credit") of PLN 150 million to finance the expansion of a network of relay stations by companies in the Midas Capital Group. Under the Agreement, the Company can use the Credit after meeting the specific conditions of use of the Credit specified in the Agreement (of which more below), but no later than by 31 March 2015. The Credit will be repaid in 12 quarterly capital instalments in the following amounts: PLN 1.5 million for the first three instalments; PLN 16.2 million for the next 8 instalments, and PLN 15.9 million for the last instalment. Capital instalments will be paid on the day on which each quarter ends, beginning with 30 June 2015 until 31 March 2018. The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank's margin, will be repaid in monthly periods. The Management Board of the Company reported on the conclusion of the Agreement, as well as the terms and conditions of utilising and securing the Credit, in Current Report No. 4/2013. As part of the preparations for releasing the Credit, all of the conditions precedent in the Agreement were fulfilled, that is: (i) provision by the companies CenterNet, Mobyland and Aero 2 (jointly the "Guarantors"), and also by Inwestycje Polskie Sp. z o.o. ("Inwestycje Polskie"), of a declaration of submission to enforcement under Article 97 of the Banking Law, (ii) documenting the own contribution made in the amount of PLN 50 million, (iii) documenting the assigning of bonds issued by the Company or another entity of the Midas Group for the total issue price of PLN 200 million and with repurchase due after the date on which the Credit is repaid or, in the case of an entry permitting the bondholder to demand earlier repurchase, a documented commitment by Mr Zygmunt Solorz-Żak that if, as a result of such a demand, the value of the issue falls below the amount of PLN 200 million, Mr Solorz-Żak or an entity appointed by him will additionally take up the bonds issued on the conditions of the repurchased bonds such that, up to the time when the Credit is repaid, the total liabilities from the bonds issued is not less than PLN 200 million (the total amount of bonds covered by the possibility of earlier repurchase will not be greater than PLN 100 million, (iv) the establishment of legal security for the Credit, (v) the provision to the Bank of the documents specified in the Agreement, including the proof of payment of the application for entering a contractual mortgage on the property constituting the subject of the security and appropriate resolutions/consents of the bodies of the Company and the bodies of the Guarantors and Inwestycje Polskie for drawing down the Credit and presenting and positively verifying, by the Bank, loan agreements concluded between the Company and the Guarantors, (vi) the lack of changes in the legal state of the properties constituting the security for the Credit. The Company reported on the fulfilment of those conditions precedent in Current Reports No. 23/2013, 26/2013, 31/2013 and 33/2013, corrected by Current Report No. 33/2012 K (due to a misprint). Up to 31 December 2013, the Company drew down part of the credit in the amount of PLN 46 million. Moreover, on 8 January 2014 (a post-balance sheet date event), a further tranche of the credit was drawn down, in the amount of PLN 20 million. The funds from the credit were sent directly to the bank account of the Company's subsidiary Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013.

#### Establishment of security for the series A bonds

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

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

- a) 204,200 shares in Mobyland with a nominal value of PLN 500 each interest and a total nominal value of PLN 102,100,000, owned by the Company, giving entitlement to 204,200 votes at the Shareholders Meeting of Mobyland, and constituting 100 per cent of the share capital of Mobyland and valued as at 23 November 2012 at the total amount of PLN 262,011,000 (the book value in the books of account of the Company is PLN 178,770,000)
- b) 221,000 shares in Aero2 with a nominal value of PLN 50 each and a total nominal value of PLN 11,050,000, owned by Conpidon, giving entitlement to 221,000 votes at the Shareholders Meeting of Aero2, and constituting 100 per cent of the share capital of Aero2 and valued as at 23 November 2012 at the total amount of PLN 973,182,000 (the book value in the books of account of the Company is PLN 548,444,000)
- c) 4,264,860 shares issued in paper form in CenterNet with a nominal value of PLN 17.30 each share and a total nominal value of PLN 73,782,078, owned by the Company, giving entitlement to 4,264,860 votes at the Shareholders Meeting of CenterNet, and constituting 100 per cent of the share capital of CenterNet and valued as at 23 November 2012 at the total amount of PLN 262,011,000 (the book value in the books of account of the Company is PLN 238,989,000).

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

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

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

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

#### **2.4.3 Credit and loan agreements concluded and terminated**

##### Credit from Alior Bank

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

##### Repayment of loans

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

#### **2.4.4 Loans and sureties granted and sureties and guarantees received**

##### Loans granted to subsidiaries

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

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

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

Company	Amount of loan (PLN)	Date loan granted	Date loan repaid	Interest rate and other conditions of the loan
Mobyland	40,000	22 April 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	25,000	7 May 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	23,000	25 September 2013	30 March 2018	cost of servicing the Alior loan plus margin
Mobyland	20,000	26 September 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013

Aero2	18,000	19 September 2013	30 March 2018	cost of servicing the Alior loan plus margin
Mobyland	17,000	22 August 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	16,000	22 July 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Mobyland	16,000	9 September 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	15,000	27 May 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	15,000	19 June 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Mobyland	15,000	29 October 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	14,000	27 March 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Mobyland	14,000	5 December 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	12,000	26 June 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	10,000	23 April 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	9,000	22 August 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	5,000	5 December 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	5,000	23 December 2013	30 March 2018	cost of servicing the Alior loan plus margin
Aero2	2,000	22 August 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013

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

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

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

guarantees was set at PLN 300 million. The guarantees were granted to the Company gratuitously. On that same day, the Guarantors submitted effective declarations on submission to enforcement under Article 97 of the Banking Law. The Company points out that each of the Guarantors is an entity which is a 100-per cent subsidiary of the Company, whereas no ties exist between the Guarantors and Alior Bank or between the Company and Alior Bank. The Company published information on this event in Current Report No. 31/2013.

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

## **2.5 Information on employment**

As at 31 December 2013, 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 4.17. Similarly, as at 31 December 2012, the number of such employees was 3.92.

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

In implementing its strategy, the Midas Group was the first operator in Poland to provide telecommunications services based on the LTE/HSPA+ technologies, which today (due to restrictions associated with subscriber terminals currently available) allows for radio data transfer at maximum download speeds of up to 150 Mbps and maximum upload speeds of up to 50 Mbps. The aptness of investing in the development of advanced technologies is confirmed by the growth of Internet services visible on other markets.

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

- 1) Acquisitions of telecommunications assets holding frequencies or new concessions for frequencies necessary to pursue the strategy.
- 2) The construction of a nationwide telecommunications network based on the HSPA+ and LTE technologies. Ultimately, the Midas Group plans to use approximately 4,800 LTE-technology base stations, of which approximately 4,600 will support the HSPA+ technology as well.
- 3) Wholesale sale of high quality telecommunications services, in particular Internet access, to retail operators with their own large customer bases.
- 4) Implementation of a cost-effective business model through:
  - a. outsourcing services to the best providers of services in terms of the price-to-quality ratio,
  - b. maintenance agreements with infrastructure suppliers generating the lowest costs,
  - c. use of synergies within the Midas Group and the ZSZ Group,
  - d. building a flat and flexible goal-oriented organisational structure.

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

In 2013 the Group implemented Project 4100, which constitutes phases two and three in the expansion of the telecommunications network of the Midas Group. As part of the second phase, approximately 3,400 base stations will be incorporated in the telecommunications network used by the Midas Group. The Management Board of the Company, given the degree of advancement of this phase, estimates that the phase should be completed in the second quarter of 2014. In the third phase of the Group's network expansion, which is treated as an option by the Management Board of the Company (there is no certainty as to its implementation), the Group intends to incorporate in the telecommunications network of the Midas Group up to approximately 700 newly-built base stations and complete network optimisation. This

phase is currently planned to be implemented in the years 2014-2016. Furthermore, the Management Board of the Company expects that as part of each phase of expansion of the telecommunications network, existing base stations may be purchased from other infrastructural telecommunications providers as long as such stations are offered for sale and there is economic justification for such purchases. In the opinion of the Company's Management Board, expansion of the telecommunications network is an important internal factor for the growth of the business of the Midas Group.

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

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

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

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

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

- 1) the above-mentioned time and technology advantage over other LTE operators,
- 2) cost synergies,
- 3) no need to invest in additional frequencies,
- 4) economies of scale in business negotiations,
- 5) acquiring its own telecommunications network,



- 6) creating a comprehensive offer for wholesale data transfer sales.

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

### **2.6.2 Development prospects of the Company**

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

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

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

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

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

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

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

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

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

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

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

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

## **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 2014–2016 in association with the cost of the projects carried out by the Midas Group. As described in detail in pt. 2.6.1 of this report, those investments concern the expansion of the Midas Group's telecommunications network and are financed out of funds from bank loans, bond issues and own cash flows from operations. As at 31 December 2013, the Company had cash resources in the amount of PLN 65,543,000. (the Group had cash resources in the amount of PLN 100,247,000), as well an unused line of credit in Alior Bank in the amount of PLN 104 million (as at the date of publication of this report, PLN 84 million), which will be designated for the implementation of the above investments. Moreover, for the expansion of the telecommunications network of the Midas Group, it is planned to obtain debt financing of about PLN 360 million or in another amount, where such financing, in the Company's opinion, will be granted under conditions more beneficial or making it possible to implement the Midas Group's strategy in a more flexible way. As at the date hereof, the Management Board does not see any real threat to the feasibility of investment plans, but it draws attention to the risks associated with financing, as described in section 2.8 hereof.

## **2.8 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 (beyond that obtained during 2013) in the form of a bank loan. Therefore, the Management Board of the Company intends to conclude a loan agreement with the BZ WBK/Banco Santander bank consortium, on the basis of an understanding signed in 2012 known as Term Sheet 1, or to obtain other debt financing, where such financing, in the Company's opinion, will be granted under conditions more beneficial or making it possible to implement the Midas Group's strategy in a more flexible way.

The Company cannot guarantee that the above efforts aimed at obtaining funding will be successful. The Company also cannot guarantee that, should it be necessary to obtain financing from sources other than listed above, such financing will be available under acceptable market conditions, or that it will be made available at all. If it is not possible to find such financing, the Midas Group would have to significantly modify its plans for financing its strategy, including in particular projects already started. 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 Company cannot guarantee that the possible departure of some managers or possible inability to find personnel having appropriate knowledge and experience in the area of management and operations will not have a negative impact on the operations, financial position and results of the Company. Such circumstances may arise, in particular, as a result of a departure caused by a conflict of interests.

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

#### Risk associated with the shareholding structure

The Company is controlled by the Deputy Chairman of the Issuer's Supervisory Board, Mr. Zygmunt Solorz-Żak. A change in the shareholding structure may occur, for example, as a result of a disposal of the Company's shares in an entity indirectly holding the Company's shares through, as the case may be, a company controlled by Mr. Zygmunt Solorz-Żak or by Mr. Zygmunt Solorz-Żak or as a result of the Company's shares not being subscribed in the event of possible future issues of the Company's shares or as a result of a distribution of property between Mr. Zygmunt Solorz-Żak and Ms. Małgorzata Żak following the divorce proceedings between them. In the future, the following scenarios are possible with respect to the shareholding structure:

- 1) the Issuer continues to be controlled by the Deputy Chairman of the Supervisory Board, Mr. Zygmunt Solorz-Żak, in which case his current controlling influence on the Issuer's business is maintained, including key decisions adopted by the General Meeting (the "GM") of the Issuer,
- 2) the majority block of shares in the Company is held by an entity other than an entity controlled by Mr. Zygmunt Solorz-Żak,
- 3) no entity is controlling the Issuer.

The above situations will affect the decisions made by the Issuer's GM, including decisions on: appointing and recalling Supervisory Board members, amending the Statute and increasing the Issuer's share capital, and other important matters that fall in the scope of the Issuer's GM's powers.

There is also no guarantee that the above-described potential change in the shareholding structure would not affect the business relationship between the Midas Group and the important business partners of the Midas Group, i.e. Cyfrowy Polsat S.A. and Polkomtel, controlled by Mr. Zygmunt Solorz-Żak. Any changes in these relationships that are unfavourable for the Midas Group may have a significant negative impact on the operations and financial results of the Midas Group.

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 27 February 2014), the transfer made in 2013 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 he intended to consider in the future a combination of the Midas Group's and Polkomtel's operating activities if it is consistent with the obligations of Polkomtel or the Midas Group under loans, debt instruments or other agreements that Polkomtel or the Midas Group may at the time be a party to, as well as taking into account the then-prevailing internal or external economic, business and commercial conditions. The Issuer cannot give an assurance of whether, when, on what terms and conditions and in what form such a business combination will actually take place.

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

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

#### Risk related to high debt

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

## **2.8.2 Risks associated with the Company's business environment**

### Risks associated with the macroeconomic situation

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

### Risks associated with a changing legal environment (including tax)

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

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

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

## **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 2013 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 2013 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.

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

## **3.2 Description of key economic and financial figures**

### Statement of financial position

As at 31 December 2013, the value of the investment portfolio amounted to PLN 966,203,000 and remained unchanged compared to 2012.

The balance of receivables (including loans granted) at the end of 2013 was PLN 445,567,000 as compared to PLN 138,004,000 at the end of the previous year. This increase resulted from short-term and long-term loans granted to the subsidiaries Aero2 and Mobyland.

Cash at the end of 2013 amounted to PLN 65,543,000, as against PLN 134,036,000 at the end of 2012. The decline in value is a result of loans granted to subsidiaries.

The equity on the balance sheet date was PLN 1,212,020,000 and, compared to the end of 2012, it rose by PLN 89,000 of which PLN 4,000 constituted an increase resulting from the issue of shares of the Company, and PLN 85,000 was the net profit for 2013 (key factors affecting the net profit were described below).

Liabilities amounted to PLN 313,722,000 as at 31 December 2013 and increased by PLN 287,383,000 compared to the end of 2012. The increase results mainly from external financing obtained (bond issue and investment credit) for the expansion of the Group's telecommunications network.

### Statement of comprehensive income

In 2013, the Company recognised revenue from basic operations in the amount of PLN 22,154,000 as compared to PLN 6,490,000 for the previous year. This result was affected by interest revenue on loans granted to subsidiaries.

In 2013 operating expenses reached PLN 26,526,000 compared with PLN 6,705,000 in the previous year. The growth in costs is connected with servicing debt on securities issued. The most important operating costs items in 2013 were: operating expenses of PLN 22,657,000 (including interest on bonds issued of PLN 19,978,000, commission for investment credit obtained in the amount of PLN 897,000, interest on investment credit of PLN 746,000), the costs of outsourced services of PLN 1,831,000 and payroll costs of PLN 1,796,000.

The total net profit of the Company for 2013 was PLN 85,000, as compared to a profit of PLN 6,987,000 the year before.

### Statement of cash flow

In 2013 net cash flows from operating activities amounted to PLN -238,702,000 as against PLN -84,799,000 in the previous year. The main factor affecting cash flows in 2013 was the granting of loans to subsidiaries for the expansion of the telecommunications network.

In 2013 net cash flows from investing activities amounted to PLN -142,000 as against PLN -1,135,000 in the previous year.

In 2013, net cash flows from financing activities amounted to PLN 170,351,000, compared to PLN 216,726,000 in the previous year. The main factor affecting the amount of cash flows from financing activities in 2013 was the issue of Company bonds.

### 3.3 Financial and non-financial indicators

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

	2013	2012
<b>liquidity - liquidity ratio I</b>		
$\frac{\text{total current assets}}{\text{current liabilities}}$	421.75	10.33

#### liquidity - liquidity ratio III

$\frac{\text{cash}}{\text{current liabilities}}$	109.42	5.09
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#### liabilities repayment period

$\frac{\text{trade liabilities} \times 365 \text{ days}}{\text{value of goods and materials sold} + \text{cost of products sold}}$	6 days	8 days
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#### debt to assets ratio (%)

$\frac{(\text{total equity and liabilities} - \text{equity}) \times 100}{\text{total assets}}$	20.6%	2.1%
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### 3.4 Changes in the Issuer's investment portfolio

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

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

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

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

### **3.5 Differences between actual financial results and any previously published forecasts**

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

### **3.6 Use of proceeds from the issue of series A bonds**

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

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

### **3.7 Financial instruments**

#### **3.7.1 Employed financial instruments**

Key financial instruments used by the Company include bonds, credit, loans, cash and short-term deposits. Such financial instruments are aimed at sourcing funding for the Midas Group's operations.

The Company does not use financial derivatives in its business activities. As described in Note 18 to the consolidated financial statements of the Company, at the moment of initial disclosure of a liability from a bond identified as an embedded derivative (an option for early repurchase) in accordance with the definition in IAS 39 and applied to its disclosure in the financial statements.

#### **3.7.2 Financial risk management objectives and methods**

Financial risk is associated with unexpected changes in cash flows arising, among others, from operating activities of the Midas Group. Key risks of the Company's financial instruments include interest rate risk, price risk, liquidity risk, currency risk and credit risk. The policies for managing each of the above risks are presented in Note 27 to the financial statements of Midas S.A. for 2013.

### **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 2013 of the issue of series A bonds and the signing of a credit agreement with Alior Bank (as set forth in detail in section 2.4.1 hereof), the Management Board of the Company believes that its financial position will not significantly deteriorate in the future. Regardless of the foregoing, the Company's Management Board emphasises the financing risk and risk related to high debt, as set forth in section 2.8.1 hereof.

### **3.9 Events and factors largely affecting operating and financial results**

#### **3.9.1 Important events during the financial year**

In 2013, the events having a significant impact on the Company's performance were:

- the signing of an investment credit agreement with Alior Bank S.A. and the release of the credit,
- the issue of series A bonds in the Company,



- Aero2's submission of order under the cooperation agreement within the scope of mutual services using the telecommunications infrastructure with Polkomtel.

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

### **3.9.2 Extraordinary factors and events**

According to the Management Board of the Company, in 2013 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 A bonds and the start-up of credit from Alior Bank allowed the Company to continue to implement its strategy, among other things, by expanding its telecommunications network as part of Project 4100, which allowed it to gain a competitive advantage and made the Midas Group more effective in providing wholesale wireless data transfer services. Furthermore, the safe and relatively attractive investment of cash surpluses in bank deposits significantly influenced the level of financial income for the Company. The Management Board of the Company points out that, to the extent that progress is made on expanding the Midas Group's telecommunications network, changes may occur in the relationship between the Company's financial income (a decrease) and the Company's financial costs, resulting from such factors as loans drawn down and bonds issued (an increase).

## **3.10 Evaluation of the management of financial resources**

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

## **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 21 March 2013, is the Company Ernst & Young Audyt Polska Sp. z o.o. (formerly Ernst & Young Audit Sp. z o.o.) with its registered office in Warsaw ("E&Y"). E&Y is entered in the list of entities authorised to audit financial statements, kept by the National Board of Statutory Auditors under number 130. The Company reported on the appointment of the entity authorised to audit and review the financial statements of the Company and the Midas Group in Current Report No. 7/2013.

The financial statements of the Company and the consolidated financial statements of the Midas Group for 2013 were audited by E&Y under an agreement entered into on 26 July 2013 for the period of the review/audit together with the auditor's opinion and report.

Detailed information is found below on the fees (in PLN '000) for the entity authorised to audit financial statements in 2013 (as well as in 2012):

	2013	2012
Mandatory audit of financial statements	40	40
Other evidencing services, including the audit of the financial statements	25	25
Tax advisory services	-	-
Other services	10	90
<b>Total</b>	<b>75</b>	<b>155</b>

## 4 Statement of compliance with corporate governance principles in 2013

### 4.1 Description of corporate governance principles applicable to the Issuer

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

The Best Practices of WSE Listed Companies are available on the website dedicated to corporate governance at- [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are no detailed records kept in the Company as to the course of the General Meeting, including all statements and questions. Participants of the General Meeting, pursuant to the provisions of the 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.

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

and

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

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

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

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

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

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

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

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

- 1) internal division of responsibilities in the preparation of financial statements;
- 2) ongoing internal supervision over accounting duties;
- 3) preparation and internal distribution (the Management Board, the Supervisory Board) of interim financial reports containing balance sheets, profit and loss accounts, cash flow statements of the Company's subsidiaries and consolidated accounts for the entire Midas S.A. Capital Group;

- 4) internal procedures and regulations relating, among other things, to concluding significant transactions and obligations (in accordance with the Statute and rules of procedure of the Company's management and supervisory bodies);
- 5) internal review and approval of financial statements prior to their publication;
- 6) periodic review and audit of financial statements by an auditor

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

Since 2012, within the Company's Supervisory Board, there is an Audit Committee composed of: Andrzej Abramczuk, Mirosław Mikołajczyk and Jerzy Żurek. In the Company's opinion, Mirosław Mikołajczyk and Jerzy Żurek meet the criteria set out in Article 86 par. 4 of the Act of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and public supervision, i.e. they satisfy independence conditions specified in the Act, and are qualified in the field of accounting as corporations where they acted or act as members of the management board, prepared financial statements, and pursuant to the Accounting Act, the obligations of such individuals as members of the management board included ensuring the preparation of such statements and approving the same. The composition of the Audit Committee is also, in the opinion of the Company, consistent with the provisions of Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive directors (...), referred to in Best Practices for WSE Listed Companies. Specific tasks of the Audit Committee are described in section 4.8.2 hereof.

## **4.4 Share capital**

### **4.4.1 Structure of the share capital**

As at 31 December 2013 and as at the date hereof, the Company's share capital amounts to PLN 147,966,675 and is divided into 1,479,666,750 ordinary bearer shares with a nominal value of PLN 0.10 each, of which:

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

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

### **4.4.2 Large shareholders**

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

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

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

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

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

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

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

There are no securities carrying any special control rights over the Company and there is no preference as to the voting rights attached to shares of the Company or shareholders of the Company. As at the date of publication of this report, there are no restrictions on exercising voting rights or on transferring the ownership right to the Company's securities.

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

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

<b>Name and surname</b>	<b>Position</b>	<b>Shares in the Company as at 31 December 2013</b>	<b>Nominal value of shares held in the Company (PLN)</b>
Wojciech Pytel	Chairman of the Supervisory Board	none	N/A
Zygmunt Solorz-Żak (*)	Deputy Chairman of the Supervisory Board	none	N/A
Andrzej Abramczuk	Secretary of the Supervisory Board	none	N/A
Andrzej Chajec (**)	Member of the Supervisory Board	none	N/A
Krzysztof Majkowski (***)	Member of the Supervisory Board	60,000	6,000
Mirosław Mikołajczyk	Member of the Supervisory Board	none	N/A
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, 976,542,690 shares in the Company having a nominal value equal to PLN 97,654,269.00. Information on this subject is contained in section 4.4.2 hereof.

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

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

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

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

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

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

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

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

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

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

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

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



rights under the Polkomtel Pledge. If there are circumstances permitting the exercising of the Return Option and Ortholuck actually exercises the same, it will hold, jointly with the shares currently held, 100 per cent of the shares in Litenite and the control of the Company will not change.

At the same time, the Management Board points out that, on 14 November 2013, in Current Report No. 22/2013, Cyfrowy Polsat announced that on 14 November 2013 Cyfrowy Polsat concluded a conditional investment agreement with three shareholders of Metelem Holding Company Limited ("Metelem"), that is, with the companies: Argumenol Investment Company Limited with its registered office in Nicosia, Cyprus, Karswell Limited with its registered office in Nicosia, Cyprus, whose shares represent about an 83.77 per cent share in Metelem (the "Sellers"), for a transfer of shares in Metelem as an in-kind contribution to cover shares to be issued by Cyfrowy Polsat (the "Agreement"). Metelem indirectly holds a 100 per cent stake in the share capital of Polkomtel, operator of the "Plus" mobile network. Under the Agreement, the Sellers will take up a total of 243,932,490 shares in the conditionally increased share capital of Cyfrowy Polsat, at an issue price of PLN 21.12 (the "New Share Issue"). The New Share Issue will be taken up in exchange for an in-kind contribution in the form of shares in Metelem representing a total of about 83.77 per cent of the capital of Metelem.

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

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

#### **4.4.6 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 2013 and, at the date of publication of this report, did not hold any own shares. Additional information on the sale transaction of 5,000 own shares of the Company is contained in section 4.4.2 hereof.

### **4.5 Principles of amending the Company's Statute**

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

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

Pursuant to Article 399 of the CCC, the General Meeting is convened by the Management Board. The Supervisory Board has the right to convene the Ordinary General Meeting (the "OGM") if the

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

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

Pursuant to Article 24 of the Statute and Article 401 of the CCC, the Supervisory Board or a shareholder or shareholders representing at least 1/20 of the share capital may request that specific issues be placed on the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than twenty-one (21) days before the date scheduled for the General Meeting. The request should include a justification or a draft resolution concerning the proposed item on the agenda. The request may be submitted in writing (sent to the address of the Company) or as an electronic document saved in PDF format sent to the email address of the Company at: wz@midas-sa.pl. The Management Board is obliged to immediately, but no later than eighteen (18) days before the date scheduled for the General Meeting, announce changes to the agenda, introduced at the request of the shareholders.

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

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

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

applicable laws. The power to cancel the General Meeting will be vested only in the body or person that has convened the General Meeting.

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

Pursuant to Article 402<sup>1</sup> of the CCC, the General Meeting of the Company is convened by a notice posted on the Company's website and as prescribed for the distribution of current information in accordance with the provisions of the Act on the Public Offering. The notice should be made at least twenty-six days before the date of the General Meeting.

Pursuant to Article 402<sup>1</sup> of the CCC, every notice on the General Meeting of a public company should include at least:

- 1) the date, time and place of the General Meeting together with a detailed agenda,
- 2) a precise description of the procedures for participating in the General Meeting and exercising voting rights, and in particular information on:
  - a. shareholders' rights to request that specific issues be placed on the agenda of the General Meeting,
  - b. shareholders' rights to submit draft resolutions on matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,
  - c. shareholders' rights to submit draft resolutions on matters placed on the agenda during the General Meeting,
  - d. procedures for exercising voting rights by proxy, including, in particular, forms used for proxy voting purposes and procedures for notifying the company electronically of the appointment of that proxy,
  - e. options and procedures for participation in the General Meeting using electronic communication means,
  - f. procedures for taking the floor during the General Meeting using electronic communication means,
  - g. procedures for exercising voting rights by correspondence or using electronic communication means,
- 3) the registration date for participation in the General Meeting, as referred to in Article 406<sup>1</sup> of the CCC,
- 4) information that the right to participate in the General Meeting is vested only in persons who are shareholders of the Company on the record date for participation in the General Meeting,
- 5) indication where and how a person entitled to participate in the General Meeting can obtain the full text of the documentation to be presented to the General Meeting and draft resolutions or, if no resolutions are scheduled to be adopted, comments of the Management Board or the Supervisory Board of the Company, relating to matters brought to the agenda of the General Meeting or matters to be placed on the agenda before the date of the General Meeting,

- 6) reference to the website where respective information on the General Meeting is published.

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

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

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

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

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

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

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

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

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

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

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

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

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

## **4.7 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 shares 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 of the Management Board,
- 5) entering into agreements on joint business with third parties (consortium agreements),
- 6) carrying out legal transactions whose value is higher than 15 per cent of the Company's net assets as at the date of the balance sheet for the last financial year,
- 7) subscribing for shares or holdings in another company,
- 8) convening the General Meeting and setting its agenda,
- 9) granting sureties or guarantees, assuming debts, establishing mortgages or pledges,
- 10) purchasing or disposing of real estate or shares therein.

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

#### **4.8.1 Supervisory Board**

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

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

- 6) Mirosław Mikołajczyk – Member of the Supervisory Board
- 7) Jerzy Żurek – Member of the Supervisory Board

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

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

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

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

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



by another member of the Supervisory Board elected by members of the Supervisory Board. Pursuant to Article 18 par. 1 of the Statute, the Supervisory Board meets at least once every quarter.

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

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

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

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

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

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

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

#### **4.8.2 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:

- Andrzej Chajec
- Krzysztof Majkowski
- Jerzy Żurek

#### **4.8.4 Management Board**

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

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

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

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

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

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

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

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

## **4.9 Remunerations of managing and supervising persons**

The table below shows the value of salaries, bonuses or benefits from their functions in 2013, separately for each of the Issuer's managing and supervising persons.

Name and surname	Position	Gross value of remuneration (PLN '000)
Krzysztof Adaszewski	President of the Management Board <sup>1</sup>	668.1
Dariusz Łukasiewicz	Vice-President of the Management Board <sup>2</sup>	506.1
Maciej Kotlicki	Vice-President of the Management Board	470.4
Wojciech Pytel	Deputy Chairman of the Supervisory Board <sup>3</sup>	49
Zygmunt Solorz-Żak	Deputy Chairman of the Supervisory Board	7
Andrzej Abramczuk	Secretary of the Supervisory Board <sup>4</sup>	18.5
Andrzej Chajec	Member of the Supervisory Board <sup>5</sup>	5
Krzysztof Majkowski	Member of the Supervisory Board	7
Mirosław Mikołajczyk	Member of the Supervisory Board	7
Jerzy Żurek	Member of the Supervisory Board	7

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

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

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

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

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

Apart from the above remuneration for serving on bodies of the Company shown in the table, in 2013 none of the managing or supervising persons received:

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

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

## **5 Other information**

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

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

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

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

[http://midas-sa.pl/Relacje\\_inwestorskie/Raporty\\_gieldowe/Raporty\\_okresowe](http://midas-sa.pl/Relacje_inwestorskie/Raporty_gieldowe/Raporty_okresowe)

#### Proceedings concerning frequency reservations for CenterNet and Mobyland

In the proceedings pending before the Provincial Administrative Court in Warsaw (the "PACW") on the basis of a complaint of Polkomtel against the decisions of the President of the OEC of 30 November 2007, under which the President of the OEC made 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 19 November 2012 the PACW issued a judgement under which, on the merits of the case, it repealed entirely the complaint of Polkomtel (in connection with the withdrawal of the complaint by a procedural submission made before the hearing).

In the grounds of the ruling dismissing PTC's complaint, the PACW emphasised in particular that the primary argument of that complaint concerning a breach of substantive law due to a failure to examine in the reservation proceedings the prerequisites referred to in Article 114 par. 3 of the Telecommunications Law is unjustified, as the prerequisites set forth in the above regulation are subject to examination by the President of the OEC at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The PACW found the other points of the above complaint, referring to procedural irregularities, to be groundless or irrelevant to the direction of the resolution adopted by the President of the OEC (Current Report No. 53/2012).

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

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

In the matter concerning a repeal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating - in the scope

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

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

#### Proceedings for the reservation of frequencies for Aero2

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

On 21 May 2009, the President of the OEC announced a tender for a frequency reservation in the 2570-2620 MHz range, for the entire area of Poland, designated for the provision of telecommunications services in broadband wireless mobile networks, up to 31 December 2024 ("Tender 2.6"). In response to the tender announcement, Milmex Systemy Komputerowe sp. z o.o. ("Milmex") and Aero2 submitted bids. Because of a number of formal deficiencies, the offer submitted by Milmex was not admitted to the material evaluation stage. In effect, the offer submitted by Aero2 was judged as the best. After the announcement of the results, Milmex filed a motion for invalidation of the Tender 2.6. In its decision of 28 December 2010, No. DZC-WAP-5176-9/09(112), the President of the OEC refused to invalidate the Tender 2.6. The above decision was upheld by a decision of the President of the OEC of 20 November 2012, No. DZC-WAP-5176-9/09(237). Milmex filed a complaint against that decision to the PACW in Warsaw. By a judgement of 27 June 2013 (case file No. VI SA/Wa 464/13), the PACW dismissed the complaint. Milmex filed a cassation appeal against that judgement with the Supreme Administrative Court. The date for hearing the case in the Supreme Administrative Court has not yet been determined.

#### Other proceedings

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

## **5.2 Post-balance sheet date events**

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

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

## **5.3 Environmental issues**

In 2013, 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 2013.

## **5.4 Important achievements in the area of research and development**

In 2013, the Company carried out no research and development activities.



## 5.5 Registry, communication and address data

Registered name of the Issuer:	Midas Spółka Akcyjna The Issuer may use the abbreviated name MIDAS S.A.
Place of registration:	The Issuer is registered in the Commercial Register of the National Court Register kept by the District Court for the 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 address:	<a href="mailto:biuro@midas-sa.pl">biuro@midas-sa.pl</a>
Website:	<a href="http://www.midas-sa.pl">http://www.midas-sa.pl</a>

### SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

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Krzysztof Adaszewski

President of the Management  
Board

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Maciej Kotlicki

Vice-President of the  
Management Board

Warsaw, 21 March 2014