

**MIDAS Spółka Akcyjna**

**LONG-FORM AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

## I. GENERAL NOTES

### 1. Background

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

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

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

The Company is the holding company of the Midas S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in note 25 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the audited financial statements for the year ended 31 December 2012.

The principal activities of the Company are as follows:

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

As at 31 December 2012, the Company's issued share capital amounted to 147 967 thousand zlotys. Equity as at that date amounted to 1 211 931 thousand zlotys.

In accordance with the information as at 31 December 2012 obtained in the course of the audit of the financial statements of the Company, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares (in thousand zlotys)	% of issued share capital
Zygmunt Solorz – Żak	976 580 055	976 580 055	97 658	66%
ING OFE	74 386 458	74 386 458	7 439	5%
Other shareholders	428 700 237	428 700 237	42 870	29%
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Total	1 479 666 750	1 479 666 750	147 967	100%
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According to the information as at 21 March 2013 obtained in the course of the audit of the financial statements of the Company, the following changes took place in the ownership structure of the Company's issued share capital during the financial year as well as between the balance sheet date and the date of the audit opinion:

- TFI Allianz on 7 February 2012 increased its share in the Company's issued share capital to 15 117 234 shares, equivalent to 15 117 234 votes at the General Shareholders' Meeting of the Company, which constituted 5,1082% of both the issued share capital and the total number of votes.
- TFI Allianz on 8 March 2012 decreased its share in the Company's issued share capital to 14 766 338 shares, equivalent to 14 766 338 votes at the General Shareholders' Meeting of the Company, which constituted 4,9898% of both the issued share capital and the total number of votes.
- ING OFE on 24 July 2012 increased its share in the Company's issued share capital to 74 386 458 shares, equivalent to 74 386 458 votes at the General Shareholders' Meeting of the Company, which constituted 5,03% of both the issued share capital and the total number of votes.

Movements in the issued share capital of the Company in the financial year were as follows:

	Number of shares	Par value of shares
Opening balance	295 933 350	29 593 335
Increase in share capital	1 183 733 400	118 373 340
Closing balance	<u>1 479 666 750</u>	<u>147 966 675</u>

During the financial year the issued share capital of the Company was increased by 118 373 thousand zlotys through an issue of 1 183 733 400 new ordinary shares with a par value of 0.10 zlotys each. The increase of the Company's issued share capital was registered on 18 April 2012 by District Court in Warsaw, XII Economic Department of the National Court Register.

As at 21 March 2013, the Company's Management Board was composed of:

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

The term of office of Mr. Wojciech Pytel as the President of the Management Board ended on 15 December 2012. On 14 December 2012 the Supervisory Board of the Company appointed: Mr. Krzysztof Adaszewski as the President of the Management Board (resolution no 5/5/2012), Mr. Maciej Kotlicki as a Vice-president of the Management Board (resolution no 6/5/2012) and Mr. Dariusz Łukasiewicz as a Vice-president of the Management Board

(resolution no 7/5/2012). The two-year term of office of the newly appointed Members of the Management Board started on 16 December 2012.

## **2. Financial Statements**

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

### **2.1 Auditors' opinion and audit of financial statements**

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board of the Company on 3 July 2012 to audit the Company's financial statements.

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

Under the contract executed on 27 July 2012 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2012.

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

Based on our audit, we issued an auditors' opinion including emphasis of matter dated 21 March 2013, stating the following:

#### **“To the Supervisory Board of Midas Spółka Akcyjna**

1. We have audited the attached financial statements for the year ended 31 December 2012 of Midas Spółka Akcyjna ('the Company') located in Warsaw, at Lwowska 19, containing the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2012 to 31 December 2012 and the summary of significant accounting policies and other explanatory notes ('the attached financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.

3. We conducted our audit of the attached financial statements in accordance with:
  - chapter 7 of the Accounting Act,
  - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.
4. In our opinion, the attached financial statements, in all material respects:
  - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position<sup>3</sup> as at 31 December 2012;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
  - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. Without qualifying our opinion, we draw attention to the fact that, as described in detail in note 17 to the attached financial statements, there is a legal dispute related to granting 1800 MHz frequency reservations to Mobyland Sp. z o.o. and Centernet S.A. The Management Board of the Company is not able to predict the final outcome of the above cases however is of the opinion that the above cases should not impact negatively the recoverable amount of the Company's investments in subsidiaries. Consequently, the attached financial statements do not contain any adjustments related to valuation of investments that could prove necessary in case of negative outcome of the above described issue for the subsidiaries of the Company.
6. We have read the 'Directors' Report for the period from 1 January 2012 to 31 December 2012 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated

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<sup>2</sup> Translation of the following expression in Polish: 'rzetelnie i jasno'

<sup>3</sup> Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'

19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).”

We conducted the audit of the Company's financial statements during the period from 19 November 2012 to 21 March 2013. We were present in the place where the Company's books of account are kept from 19 November 2012 to 23 November 2012 and from 11 February 2013 to 21 March 2013.

## **2.2 Representations provided and data availability**

The Management Board confirmed its responsibility for the truth and fairness<sup>7</sup> of the financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 21 March 2013, confirming that:

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

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

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

## **2.3 Financial statements for prior financial year**

The Company's financial statements for the year ended 31 December 2011 were audited by Wojciech Pułkownik, key certified auditor no. 10477, acting on behalf of Ernst & Young Audit sp. z o.o. located in Warsaw, Rondo ONZ 1, registered on the list of entities authorised to audit financial statements under no. 130. The key certified auditor issued an unqualified opinion including emphasis of matter paragraph on the financial statements for the year ended 31 December 2011. The emphasis of matter paragraph related to uncertainty as to the recoverable amount of investments in subsidiaries and to a legal dispute regarding frequency reservations granted to Mobyland Sp. z o.o. and Centernet S.A. The Company's financial statements for the year ended 31 December 2011 were approved by the General Shareholders' Meeting on 31 October 2012, and the shareholders resolved to cover the net loss incurred in the year ended 31 December 2011 with the profits generated in the future years.

The financial statements for the financial year ended 31 December 2011, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the

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<sup>7</sup> Translation of the following expression in Polish: “*rzetelność i jasność*”

resolution on the coverage of net loss and the Directors' Report, were filed on 8 November 2012 with the National Court Register.

The statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year ended 31 December 2011, together with the auditors' opinion and a copy of the resolution approving the financial statements were published in Monitor Sądowy i Gospodarczy No. 3550 on 31 December 2012.

The closing balances as at 31 December 2011 were correctly brought forward in the accounts as the opening balances at 1 January 2012.

### 3. Analytical Review

#### 3.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2010 - 2012. The ratios were calculated on the basis of financial information included in the financial statements for the years ended 31 December 2012 and 31 December 2011.

	2012	2011	2010
<b>Total assets</b>	1 238 270	1 012 865	239 434
<b>Shareholders' equity</b>	1 211 931	381 219	94 557
<b>Net profit/ loss</b>	6 987	(5 669)	(5 870)
<b>Return on assets (%)</b>	0.6%	(0.6%)	(2.5%)
$\frac{\text{Net profit/loss} \times 100}{\text{Total assets}}$			
<b>Return on equity (%)</b>	1.8%	(6.0%)	(6.3%)
$\frac{\text{Net profit/loss} \times 100}{\text{Shareholders' equity at the beginning of the period}}$			
<b>Liquidity I</b>	10.33	0.08	0.00
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			
<b>Liquidity III</b>	5.09	0.01	0.00
$\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Creditors days</b>	18 days	116 days	115 days
$\frac{\text{Trade creditors} \times 365}{\text{Costs of operating activity}}$			
<b>Stability of financing (%)</b>	97.9%	40.0%	39.5%
$\frac{(\text{Equity} + \text{long-term provisions and liabilities}) \times 100}{\text{Total liabilities, provisions and equity}}$			
<b>Debt ratio (%)</b>	2.1%	62.4%	60.5%
$\frac{(\text{Total liabilities and provisions}) \times 100}{\text{Total assets}}$			
<b>Rate of inflation:</b>			
Yearly average	3.7%	4.3%	2.6%
December to December	2.4%	4.6%	3.1%

### 3.2 Comments

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

Return on assets ratio in the years 2010 and 2011 was negative. In the year 2012 the ratio amounted to 0.6%.

Return on equity ratio in the years 2010 and 2011 was negative. In the year 2012 the ratio amounted to 1.8%.

Liquidity ratio I was close to zero in the year 2010, then increased to 0.08 at the end of the year 2011 and to 10.33 at the end of the year 2012.

Liquidity ratio III was close to zero in the year 2010, at the end of the year 2011 it amounted to 0.01. Then the ratio increased at the end of the year 2012 to 5.09.

Creditors days equaled 115 days in the year 2010 and 116 days in the year 2011. In the year 2012 the ratio decreased to 18 days.

Stability of financing ratio remained at a comparable level in the years 2010 and 2011, amounting to 39.5% and 40%, respectively. At the end of the year 2012 the ratio increased to 97.9%.

Debt ratio was stable in the years 2010 and 2011 amounting to 60.5% and 62.4%, respectively. The ratio then decreased to 2.1% at the end of the year 2012.



### **3.3 Going concern**

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2012 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 7 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2012, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2012 and that there are no circumstances that would indicate a threat to its continued activity.

## **II. DETAILED REPORT**

### **1. Accounting System**

The Company's accounts are kept using the Oracle Biznes Suit 11.5 computer system by Sferia S.A. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), including a chart of accounts approved by the Company's Management Board.

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

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

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

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2012.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2012.

In our audit opinion on the attached financial statements we have included an emphasis of matter that relates to the existing uncertainty regarding an ongoing legal dispute.

### **3. Additional Notes and Explanations to the Financial Statements**

The additional notes and explanations to the financial statements for the year ended 31 December 2012 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

### **4. Directors' Report**

We have read the Directors' report on the Company's activities in the period from 1 January 2012 to 31 December 2012 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

## 5. Conformity with Law and Regulations

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

on behalf of  
Ernst & Young Audit sp. z o.o.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

Key Certified Auditor

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Wojciech Pułkownik  
certified auditor  
no. 10477

Warsaw, 21 March 2013