

**MIDAS Spółka Akcyjna
CAPITAL GROUP**

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

I. GENERAL NOTES

1. Background

The holding company of the Capital Group (hereinafter 'the Group' or 'the Capital Group') is Midas S.A. ('the holding company', 'the Company', previous name: Narodowy Fundusz Inwestycyjny Midas Spółka Akcyjna).

The holding 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 holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU.

The holding 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 principal area of operations of the Group is telecommunications industry in Poland.

As at 31 December 2012, the Company's issued share capital amounted to 147 967 thousand zlotys. Equity as at that date amounted to 969 672 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%
	=====	=====	=====	=====

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 holding 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 the District Court in Warsaw, XII Economic Department of the National Court Register.

As at 21 March 2013, the holding 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. Group Structure

As at 31 December 2012, the Midas S.A. Group consisted of the following subsidiaries (direct or indirect):

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
CenterNet S.A.	Purchase accounting	Audit in progress	Ernst & Young Audit sp. z o.o.	31 December 2012
Mobyland Sp. z o.o.	Purchase accounting	Audit in progress	Ernst & Young Audit sp. z o.o.	31 December 2012
Aero2 Sp. z o.o.	Purchase accounting	Audit in progress	Ernst & Young Audit sp. z o.o.	31 December 2012
Conpidon Limited	Purchase accounting	Audit not required	Audit not required	31 December 2012
Nova Capital Sp. z o.o.	Purchase accounting	Audit in progress	Ernst & Young Audit sp. z o.o.	31 December 2012

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in Note 2 of the summary of significant accounting policies and other explanatory notes ("the additional notes and explanations") to the consolidated financial statements of the Group for the year ended 31 December 2012.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated 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 holding company on 3 July 2012 to audit the Group's financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor in charge of the audit 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 holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2012.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated 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 consolidated financial statements of Midas S.A. Capital Group ('the Group'), for which the holding company is Midas Spółka Akcyjna ('the Company') located in Warsaw, at Lwowska 19 street, for the year ended 31 December 2012 containing the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated 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 consolidated financial statements').
2. The truth and fairness¹ of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation 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 consolidated financial statements and the 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 consolidated 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 and whether they truly and fairly² reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit of the attached consolidated 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

¹ Translation of the following expression in Polish: 'rzetelność i jasność'

² Translation of the following expression in Polish: 'rzetelne i jasne'

basis, documentation supporting the amounts and disclosures in the attached consolidated 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 consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

4. In our opinion, the attached consolidated financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position³ as at 31 December 2012;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
 - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
5. Without qualifying our opinion, we draw attention to the fact that, as described in detail in note 32.1 to the attached consolidated 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 results and financial position of the Group. Therefore, the attached consolidated financial statements do not contain any adjustments related to frequency reservations' valuation that could prove necessary in case of negative outcome of the above described issue for the Group companies.
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 consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments)."

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

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness⁷ of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the

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

⁷ Translation of the following expression in Polish: "*rzetelność i jasność*"

correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements, consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 21 March 2013, from the Management Board of the holding company confirming that:

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

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

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

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group 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 on the consolidated financial statements for the year ended 31 December 2011. The emphasis of matter paragraph related to uncertainty as to the recoverable amount of goodwill and to a legal dispute regarding frequency reservations granted to Mobyland Sp. z o.o. and Centernet S.A. The consolidated financial statements for the year ended 31 December 2011 were approved by the General Shareholders' Meeting on 31 October 2012.

The consolidated financial statements of the Group for the financial year ended 31 December 2011, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 8 November 2012 with the National Court Register.

The consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated 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.

4. Analytical Review

4.1 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 2011 and 31 December 2012. The financial data for the year 2010 has been restated and takes into account the error correction included in the financial statements for the year ended 31 December 2011. Moreover, financial data for the year 2011 has been restated in relation to the final settlement of provisional accounting related to the acquisition of Mobyland and Conpidon Group as described in note 9 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2012.

	2012	2011	2010
Total assets	1 420 309	1 373 915	141 389
Shareholders' equity	969 672	341 541	(58 202)
Net profit/ loss	(175 620)	87 436	(74 015)
Return on assets (%)	(12.4%)	6.4%	(52.3%)
$\frac{\text{Net profit/loss} \times 100}{\text{Total assets}}$			
Profit margin (%)	(195.5%)	283.8%	(521.4%)
$\frac{\text{Net profit/loss} \times 100}{\text{Sales of services and goods for resale}}$			
Liquidity I	0.8	0.1	0.1
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			
Liquidity III	0.59	0.04	0.03
$\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			
Debtors days	216 days	118 days	57 days
$\frac{\text{Trade debtors} \times 365}{\text{Sales of services and goods for resale}}$			

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 (in thousand zlotys)

Creditors days	54 days	170 days	221 days
Trade creditors x 365			
Costs of operating activity			
Stability of financing (%)	80.4%	38.3%	(36.5%)
(Equity + long-term provisions and liabilities) x 100			
Total liabilities, provisions and equity			
Debt ratio (%)	31.7%	75.1%	141.2%
(Total liabilities and provisions) x 100			
Total assets			
Rate of inflation:			
Yearly average	3.7%	4.3%	2.6%
December to December	2.4%	4.6%	3.1%

4.2 Comments

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

Return on assets ratio in the years 2010 and 2012 was negative. In the year 2011 the ratio amounted to 6.4%.

Profit margin was negative in the years 2010 and 2012. In the year 2011 it amounted to 283.8%.

Liquidity ratio I remained stable at the level of 0.1 in the year 2010 and 2011. In the year 2012 the ratio increased to 0.8.

Liquidity ratio III remained at a comparable level in the years 2010 and 2011, i.e. 0.03 and 0.04, respectively. In the year 2012 the ratio increased to 0.59.

Debtors days in the year 2012 amounted to 216 days and increased in comparison to the years 2011 and 2010, when the ratio amounted to 118 and 57 days, respectively.

Creditors days decreased and in the year 2012 amounted to 54 days, in comparison to 170 days and 221 days respectively in the years 2011 and 2010.

Stability of financing ratio in the year 2010 was negative and amounted to (36.5%). In the year 2011 the ratio increased significantly to the level of 38.3% and in the year 2012 amounted to 80.4%.

Debt ratio amounted in the year 2010 to 141.2%, then it decreased to 75.1% in the year 2011 and 31.7% in the year 2012.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding 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 6 of the additional notes and explanations to the audited consolidated financial statements for the year ended 31 December 2012, the Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities 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 their continued activity.

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 11 of the additional notes and explanations to the Group's consolidated financial statements for the year ended 31 December 2012.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2012.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

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

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method of determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 18 of the additional notes and explanations to the consolidated financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. As at 31 December 2012 there was no non-controlling interest in the Capital Group.

Information on shareholders' funds has been presented in notes 24 and 25 of the additional notes and explanations to the consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2012 and include the financial data for the period from 1 January 2012 to 31 December 2012.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

During the financial year the Group did not sell any shares in subordinated entities.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2012.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting.

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated 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.

9. Directors' Report

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 consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

10. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' 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

Wojciech Pułkownik
certified auditor
no. 10477

Warsaw, 21 March 2013