PKF

OPINION AND REPORT OF INDEPENDENT AUDITOR

on consolidated financial statements of

Capital Group MCI Management S.A.

seated in

Warsaw

for the financial year ended 31.12.2013

The opinion contains 3 pages

Opinion of the intependent auditor
on the consolidated financial statements
for the financial year ended
31 December 2013

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the Shareholders of MCI Management S.A.

We have audited the accompanying consolidated financial statements of MCI Management S.A., seated in Warsaw at 53rd Emilia Plater Street ("the Parent Entity"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility

Management of the Parent Entity is responsible for preparation and fair presentation of these consolidated financial statements in accordance with in accordance with International Financial Reporting Standards, as adopted by European Union, the requirements for issuers of securities admitted to trading on an official stock-exchange listing market and other applicable regulations and preparation of the Report on the Group's activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, No. 330 with amendments) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the Report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements and whether the financial statements are derived from properly maintained accounting records.. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the accounting records from which they are derived are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Capital Group Private Equity Managers S.A. have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then, in accordance with International Accounting Standards, International Financial Reporting Standards as adopted by the European Union and the requirements for issuers of securities admitted to trading on an official stock-exchange listing market, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Explanations to the auditor's opinion

Without qualifying our opinion as for the correctness and fairness of the audited consolidated financial statements, we would like to draw attention to the fact that in the explanatory note no. 34 to consolidated financial statements in section concerning the methods of consolidation, the Management of the Company justified their decision why they excluded the entities, thereof shares are in the portfolio of closed-end investment funds, from the consolidation under acquisition accounting method. The investment certificates issued by these entities are owned by the Entities from Capital Group MCI Management S.A.

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Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and the information is consistent with the consolidated financial statements and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements..

Signed on the Polish original

Ewa Ogryczak
Certified Auditor No. 11577

Key Certified Auditor
On behalf of PKF Consult Sp. z o.o.
registration number 477

6/1B Orzycka Street
02-695 Warsaw

Warsaw, 18 March 2014

MCI Management SA

Consolidated Financial Statements
for the period from 1 January to 31 December 2013

Translation from the Polish original

MCI Management SA Capital Group

Consolidated Financial Statements
for the period from 1 January to 31 December 2013

For the shareholders of MCI Management SA

In line with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities (Journal of Laws No. 33, item 259) the Board of Directors is obligated to provide the preparation of the annual Financial Statements which give a fair and a true view of the Company's assets and financial standing as at the end of 2013, and the profit or loss for the period.

The components of the Financial Statements are presented in this document in the following order:

The Directors' report is appended to these Financial Statements.

The Financial Statements have been approved of for publication and signed by the Company's Board of Directors.

Chairman of the Board of Directors
Tomasz Czechowicz

Vice Chairman of the Board of Directors
Sylwester Janik

Member of the Board of Directors
Magdalena Pasecka

Member of the Board of Directors
Wojciech Marcińczyk

Member of the Board of Directors
Norbert Biedrzycki

Accounting records kept by:
Mazars Polska Sp. z o.o.
00-549 Warszawa, ul. Piękna 18

Warsaw,18 March 2014

Consolidated statement of comprehensive income

	NOTES	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Continuing operations			
Revenue	2	78 179	31 737
Cost of sales	4	(3 620)	(1 108)
Gross profit		**74 559**	**30 629**
Gains (losses) on investments	1	135 539	25 012
General and administrative costs	4	(13 405)	(9 425)
Other operating income	5	1 103	747
Other operating expenses	6	(7 777)	(2 362)
Operating profit		**190 019**	**44 601**
Finance costs	8	(11 251)	(9 094)
Finance income	7	3 389	1 461
Profit before tax		**182 157**	**36 968**
Income tax	9	4 158	4 604
Net profit from continuing operations		**186 315**	**41 572**
Profit/ loss from discontinued operations		(137)	-
Net profit for the period		**186 178**	**41 572**
Attributable to:			
- owners of the parent		**186 178**	**41 572**
- non-controlling interest		-	-
		186 178	**41 572**
Other net comprehensive income			
Exchange differences arising from the translation of foreign operations		(567)	-
		(567)	**-**
		185 611	**41 572**
Earnings per share	23	**2,99**	**0,67**
Diluted earnings per share	23	**2,95**	**0,72**

Consolidated statement of financial position

	NOTES	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Non-current assets			
Tangible non-current assets		328	463
Intangible assets		11	125
Goodwill	10	80 174	85 714
Other investments in other parties		185	228
Borrowings granted to other parties	13	446	423
Deferred tax assets	9	9 698	7 308
Trade and other receivables	12	500	131
Other financial assets	11	667 118	568 111
		758 460	**662 503**
Current assets			
Trade and other receivables	12	100 540	75 412
Borrowings granted to related entities	13	255	239
Borrowings granted to other parties	13	1 129	2 664
Other financial assets	11	11 610	18 906
Cash and cash equivalents	14	67 632	19 879
		181 166	**117 100**
Assets classified as held for liquidation		**562**	**-**
Total assets		**940 188**	**779 603**
Equity and liabilities			
Share capital	15	62 347	62 347
Capital redemption reserve		458 600	436 200
Other equity reserves		44 584	38 794
Other comprehensive income		(690)	(123)
Own shares		(8 959)	(8 958)
Retained profit/ loss from previous periods		21 342	2 314
Net profit for the period		186 178	41 572
Equity attributable to the owners of the parent		**763 402**	**572 146**
Non-controlling interests		-	-
Total equity		**763 402**	**572 146**
Non-current liabilities			
Bank loans and borrowings	17	226	267
Bonds	16	84 800	34 908
Deferred tax liabilities	9	323	2 132
		85 349	**37 307**
Current liabilities			
Trade and other payables	19	1 055	100 069
Bank loans and borrowings	17	41	450
Bonds	16	35 495	28 390
Current provisions	18	12 308	12 229
Bills of exchange	20	42 538	29 012
		91 437	**170 150**
Total equity and liabilities		**940 188**	**779 603**

Consolidated statement of changes in equity

	Share capital	Retained profit/loss from previous periods	Net profit for the period	Capital redemption reserve				Other equity reserves				Other comprehensive income	Own shares	Capital attributable to owners of the parent	Minority shares	Total equity
				Share issue as part of conversion of convertible bonds	Share issue - execution of the manag. option programme	Share issue above the nominal value	Profit distribution	Fund for Settlement of the Buy Back Programme	Settlement of costs of the Managerial Share Option Programme	Measurement of the equity component of the bonds	Unregistered increase of share capital	Exchange differences arising on translation of foreign operations				
Balance as at 01.01.2012	**62 347**	**(1 586)**	**18 679**	**28 175**	**1 641**	**106 440**	**280 479**	**22 413**	**11 104**	**4 817**	-	**-**	**(8 623)**	**525 886**	**94**	**525 980**
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity	-	(14 779)	-	-	-	-	19 465	-	460	-	-	-	-	5 146	(94)	5 052
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	(123)	-	(123)	-	(123)
Fund for Settlement of the Buy-Back Programme	-	-	-	-	-	-	-	-	-	-	-	-	**(335)**	(335)	-	(335)
Transfer of profit/ loss	-	18 679	(18 679)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ loss for the period	-		41 572	-	-	-	-	-	-	-	-	-	-	41 572	-	41 572
Balance as at 31.12.2012	**62 347**	**2 314**	**41 572**	**28 175**	**1 641**	**106 440**	**299 944**	**22 413**	**11 564**	**4 817**	**-**	**(123)**	**(8 958)**	**572 146**	**-**	**572 146**
Balance as at 01.01.2013	**62 347**	**2 314**	**41 572**	**28 175**	**1 641**	**106 440**	**299 944**	**22 413**	**11 564**	**4 817**	**-**	**(123)**	**(8 958)**	**572 146**	**-**	**572 146**
Capital increase		-	-	-	-	-	-	-	-		100	-	-	100	-	100
Measurement of financial assets	-	-		-	-	-	-	-	5 690	-	-	-	-	5 690		5 690
Changes in equity	-	(22 544)	-	-	-	-	22 400	-	-	-	-	-	(1)	(145)	-	(145)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	(567)	-	(567)	-	(567)
Transfer of profit/ loss	-	41 572	(41 572)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ loss for the period	-	-	186 178	-	-	-	-	-	-	-	-	-	-	186 178	-	186 178
Balance as at 31.12.2013	**62 347**	**21 342**	**186 178**	**28 175**	**1 641**	**106 440**	**322 344**	**22 413**	**17 254**	**4 817**	**100**	**(690)**	**(8 959)**	**763 402**	**-**	**763 402**

Consolidated statement of cash flows

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Net profit for the reporting period	**186 178**	**41 572**
Adjustments for:		
Income tax	(152)	-
Depreciation and amortisation of tangible non-current assets	133	82
Depreciation and amortisation of intangible non-current assets	115	125
(Gain)/loss on disposal of property, plant and equipment	-	(3)
Profit on disposal of securities	(4 002)	15 684
Losses (profits) on changes in fair value of other financial assets recognised at fair value	(131 537)	14 311
Interest income	(2 130)	(5 539)
Interest expenses	11 146	12 003
(Gains)/losses on translation differences	(142)	(1)
Other adjustments	(277)	(19 167)
Adjustment for goodwill	5 540	-
Change in the level of provisions	79	(3 915)
Change in the level of trade and other receivables	(25 497)	(64 831)
Change in the level of trade and other payables	(6 990)	(25 571)
Change in the level of deferred income tax assets and liabilities	(4 199)	1 220
Change in the level of accruals and prepayments	-	32
	(157 913)	**(75 570)**
Net proceeds from operating activities	**28 265**	**(33 998)**
Cash flows from investing activities		
Interest received	-	369
Cash outflows for purchase of property, plant and equipment	(39)	(50)
Cash outflows for acquisition of bills of exchange	-	(124 833)
Proceeds from sales and repayment of bills f exchange	-	128 206
Cash outflows for borrowings granted	-	(2 575)
Proceeds from borrowings granted	1 603	3 693
Cash outflows for purchase of bonds	-	(5 000)
Proceeds from bonds	4 552	1 403
Cash outflows for purchase of certificates	(4 402)	(18 029)
Proceeds from sales of certificates	10 452	-
Proceeds from sale of subsidiaries	36 666	-
Other cash flows from investing activities	-	1 656
	48 832	**(15 160)**
Cash flows from financing activities		
Net proceeds from issue of shares and other instruments, capitals and equity contributions	409	301
Issue of own bills of exchange	64 274	29 495
Repayment of own bills of exchange with interest	(49 599)	(1 113)
Repayment of loans	(60)	-
Taking up borrowings	-	246
Repayment of taken up borrowings with interest	(409)	-
Issue of bonds	84 350	-
Repayment of issued bonds	(116 414)	(79 500)
Interest paid on bonds	(11 349)	(9 169)
Other	-	81 183
	(28 798)	**21 443**
Adjustment related to assets intended for liquidation	(548)	
Net increase /(decrease) of cash and cash equivalents	47 751	(27 715)
Cash and cash equivalents opening balance	19 879	47 578
Change in the level of cash due to exchange differences	2	16
Cash and cash equivalents closing balance	**67 632**	**19 879**

Selected figures converted into EUR

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000	Period: from 01.01.2013 to 31.12.2013 EUR'000	Period: from 01.01.2012 to 31.12.2012 EUR'000
Revenue	78 179	31 737	18 566	7 604
Profit (loss) on operating activities	190 019	44 601	45 125	10 686
Profit (loss) before tax	182 157	36 968	43 258	8 858
Net profit/ loss	186 178	41 572	44 213	9 961
Net cash from operating activities	28 265	(33 998)	6 712	(8 146)
Cash flows from investing activities	48 832	(15 160)	11 596	(3 632)
Cash flows from financing activities	(28 798)	21 443	(6 839)	5 138
Net increase / (decrease) of cash and cash equivalents	47 751	(27 715)	11 340	(6 641)
Assets, total	940 188	779 603	226 704	190 696
Non-current liabilities	85 349	37 307	20 580	9 126
Current liabilities	91 437	170 150	22 048	41 620
Equity	763 402	572 146	184 076	139 951
Share capital	62 347	62 347	15 034	15 250
Number of shares (in units)	62 346 627	62 346 627	62 346 627	62 346 627
Profit (loss) per ordinary share (in PLN / EUR)	2,99	0,67	0,71	0,16
Book value per share (in PLN / EUR)	12,24	9,18	2,95	2,24

The selected figures presented in this report have been converted into EURO in line with the following principles:

- certain items of assets and liabilities as at the reporting date - according to the average exchange rate determined by the National Bank of Poland applicable as at the last reporting date - as at 31 December 2013 – 4,1472, and as at 31 December 2012 – 4,0882 respectively
- certain items of the income statement and the cash flow statement for the period from 1 January to 31 December of a given year – according to the average rate calculated as the arithmetic mean of exchange rates determined by the National Bank of Poland as at the last day of each month in a given year - for the period from 1 January to 31 December 2013 – 4,2110, and for the year 2012 – 4,1736 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information about the Parent Company

MCI Management SA (hereinafter referred to as MCI or the Company) was registered in the Commercial Register on 21 July 1999 in the District Court for the city of Wrocław Fabryczna with the number RHB 8752. By decision of the District Court for the city of Wrocław - Fabryczna in Wrocław, VI Commercial Division of the National Court Register, on the day of 28 March 2001 the Company was registered in the National Court Register with the number 0000004542.

- REGON (statistical number): 932038308
- NIP (tax identification number): 899-22-96-521

- The Company's registered office is in ul. Emilii Plater 53 in Warsaw,
- The Company's lifetime is indefinite.

The Company does not have internal organisational units.

Compliance statement

The Financial Statements of the Parent Company have been prepared in line with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS).

The consolidated Financial Statements have been prepared in line with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS).

Functional and presentation currency

Figures in the Financial Statements are presented in the Polish currency (zloty) after rounding to full thousands. The Polish zloty is the functional currency of the Parent Company.

Approval of the Financial Statements

The Financial Statements for the previous period, i.e. from 01 January 2012 to 31 December 2012 have been approved of with a Resolution of the Ordinary Shareholders' Meeting.

Composition of the Capital Group

As at 31 December 2013 the MCI Management SA Capital Group was composed of the following entities:

Parent Company

- **MCI Management SA** - is a firm which manages closed-end investment funds of the private equity and venture capital type

Direct subsidiaries – members of the MCI Management SA Capital Group:

- **MCI Fund Management Sp. z o. o. MCI.PrivateVentures S.K.A.**
- a firm which holds the majority of the MCI Group's financial assets in form of investment certificates managed by MCI Capital TFI

- ***MCI Fund Management Sp. z o. o. II MCI.PrivateVentures S.K.A.**

- ***MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A.**

- **MCI Fund Management Sp. z o. o.**
  A General Partner to MCI Fund Management Sp. z o. o. MCI.PrivateVentures S.K.A.

- **Private Equity Managers SA**
  The firm's business operations primarily include activities of holding companies.

Indirect subsidiaries - members of the Private Equity Managers SA Capital Group:

- **Private Equity Managers SA** – a parent company in the PEM SA Capital Group (dominant company of a lower level to MCI Management SA)

- **MCI Capital Towarzystwo Funduszy Inwestycyjnych SA**
  Investment fund company which manages investment funds.

- **PEMSA Holding Limited**
  A firm of a Cypriot law registered in Cyprus which holds certificates of the MCI.Partners FIZ fund.

- **MCI.Partners Fundusz Inwestycyjny Zamknięty (closed-end investment fund)**
  A fund which holds in its portfolio shares of the company which manages assets shares of its general partner.

- **MCI Asset Management Sp. z o. o. S.K.A.**
- A company which manages funds: MCI.PrivateVentures FIZ, MCI.BioVentures FIZ, Helix Ventures Partners FIZ , Internet Ventures FIZ.
-
- ***MCI Asset Management Sp. z o. o. II S.K.A.**
  A company which holds MCI Asset Management Sp. z o.o. SKA in its portfolio.

- ***MCI Asset Management Sp. z o. o. IV S.K.A.**
-
- **MCI Asset Management Sp. z o. o.**
- General partner of MCI Asset Management Sp. z o.o. SKA

- ****ImmoPartners Sp. z o.o. Asset Management SKA**
  A company which manages the real estate investment trust MCI.CreditVentures FIZ.

- ****ImmoPartners Sp. z o. o**
  General partner of ImmoPartners Sp. z o.o. Asset Management SKA

*Companies established in 3Q of 2013
** Companies in liquidation since January 2014 – **see Note No. 10 "Goodwill"**

The consolidated entities use the same methods of valuation and Financial Statements preparation.

The companies listed above have been consolidated using the full method.

In all subsidiaries listed above - the Company holds - directly or indirectly - 100% of shares and 100% of votes.

1. Profits and losses on investments

The item "profits and losses on the change of fair value" comprises revaluation of financial assets, primarily of investment certificates of funds from the MCI Group. The funds conduct investing activities in the portfolio companies, of which in the companies presented in the introduction to the Financial Statements and listed on the MCI's Internet website.

Valuation of investment certificates is performed quarterly based on the measurement up to the fair value (market value) of the portfolio companies belonging to these funds.

Revaluation of certificates to their fair value from quarterly valuations is recognised in the Company's profit or loss for the year at the end of each quarter.

Figures relating to the current period are as follows:

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Revaluation of investment certificates		
Investment certificates of MCI.TechVentures 1.0	26 878	27 787
Investment certificates of MCI.EuroVentures 1.0	118 829	31 033
Investment certificates of MCI.BioVentures FIZ	(8 249)	(16 013)
Investment certificates of Helix Ventures Partners FIZ	(2 563)	916
Investment certificates of Internet Ventures FIZ	(2 567)	136
Investment certificates of MCI.CreditVentures FIZ	(4 278)	4 349
Investment certificates of MCI Partners FIZ	-	123
	128 050	**48 331**
Revaluation of shares		
ABC Data SA	-	(32 064)
IMMO Partners SKA	-	(8 352)
Digital Avenue SA	(49)	(450)
Alternative Investment Partners Sp. z o.o.	6	(191)
	(43)	**(41 057)**
Other items	7 532	17 738
	135 539	**25 012**

Notes to the revaluation of investment certificates/ material increase in the value of assets in 2013:

- A material increase of the certificate values is observed in the fund MCI.EuroVentures FIZ. The high increase of the fund value was affected by increased market value of assets listed on stock exchanges, of the companies: Indeks and ABC Data, as well as by over PLN 23 million dividends received from these companies in 2013.
- The Fund TechVentures reported a sustainable increase of the certificate values mainly due to the received dividend from Invia.cz and the disposal of shares at the amount of circa PLN 28 million, as well as to good operating results in the e-commerce companies.

2. Revenues

Revenues principally include revenues from managing six investment funds by companies from the PEM Group (MCI Capital TFI SA and MCI Asset Management SKA).

Revenues constitute primarily:

- **Fixed fee** is a fee calculated and collected on a quarterly basis. It constitutes a percent of asset value of a given investment fund (determined in the statute of the funds) - average rates are circa 2,75%. Measurements of the fund assets are prepared at the end of each quarter and the fixed fee is calculated based on the measured asset value. The fee is collected from all investment certificates regardless of if they are held by the MCI Group or other parties from outside the MCI Group.

- A fee which depends on the increase of net asset value of a sub-fund to an investment certificate (hereinafter referred to as **success fee)** is a fee dependent on the increase of fund asset value above a defined value (most frequently collected on the asset value increase above 10%) and is due at the date of certificate issues, redemptions and at the year end.

Income from managing investment funds – comparison 2013 and 2012

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Managing the fund MCI.TechVentures 1.0	9 110	7 825
Managing the fund MCI.EuroVentures 1.0	5 690	3 241
Managing the fund Helix Ventures Partners FIZ	1 800	1 801
Managing the fund MCI.BioVentures FIZ	264	820
Managing the fund MCI.CreditVentures FIZ	531	482
Managing the fund Internet Ventures FIZ	2 358	2 000
Managing the fund Gandalf Aktywnej Alokacji SFIO	-	395
Total fixed fee	**19 753**	**16 591**
Variable fee for managing MCI.EuroVentures 1.0	57 290	-
Variable fee for managing MCI.TechVentures 1.0	238	15 073
Total success fee	**57 528**	**15 073**
Other income	898	73
Total income	**78 179**	**31 737**

The exceptionally high increase of management income, as compared to the previous period, results primarily from the paid success fees for managing the sub-fund MCI.EuroVentures 1.0.
The payment was in 2014. It was the first time since the establishment of the fund MCI.EuroVentures 1.0 that the fee above was collected.

Also the fixed fees increased as compared to the previous period, which results from net increase of assets in funds which are the basis for collecting the fixed fee. The fund MCI.EuroVentures 1.0 attained an exceptionally high 24% increase of asset value in 2013, mainly due to the company's very good operating results in this fund's portfolio – ABC Data SA, and what follows - increase of its market value and share value at Stock Exchange. Also the fund MCI.TechVentures revealed material increase of assets as a result of increased value of portfolio companies and of obtaining over PLN 40 million proceeds from the recently held certificates.

3. Value of managed assets (by net value of funds as regards traditional funds) constituting the basis for collecting management fees

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000	% value of certificates held by MCI Group
MCI.TechVentures 1.0 FIZ	367 257	294 237	76%
MCI.EuroVentures 1.0 FIZ	352 514	238 336	100 %
MCI.BioVentures FIZ	4 455	16 871	91%
**MCI.CreditVentures FIZ	52 036	51 519	100%
MCI.Partners FIZ	170 807	89 634	100%
*Helix Ventures Partners FIZ	40 000	40 000	50%
*Internet Ventures FIZ	100 000	100 000	50%
	1 087 068	**830 597**	

* Commitment funds - all investors' liabilities in accordance with the agreement on fund establishment/ value on which a defined % of the management fee is collected.
** The fund put in liquidation on 27 December 2013. Assets are transferred to the MCI.BioVentures FIZ.

4. Costs by type

The Company incurred the following operating costs – specification by type:

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Depreciation and amortisation of tangible and intangible non-current assets	(248)	(207)
Materials and energy use	(92)	(89)
*Bought-in services	(4 552)	(3 932)
Management of funds	(1 834)	(70)
Taxes and charges	(225)	(94)
**Remuneration	(9 009)	(5 375)
Employee benefits	(149)	(68)
Social security	(96)	(115)
Other expenses	(820)	(583)
	(17 025)	**(10 533)**
General and administration costs	(13 405)	(9 425)
Cost of sales	(3 620)	(1 108)
	(17 025)	**(10 533)**

*Higher costs of bought-in services as compared to 2012 resulted primarily from higher costs of legal services and tax advisory related to the restructuring of the MCI Group.

Higher remuneration in 2013 relates primarily to incentive programmes for Members of the Board of Directors in the MCI S.A. Group – **more information in Note No. 32 – Incentive programme

5. Other operating income

The Company attained the following operating income:

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Damages and reimbursement of court costs	-	1
Income from re-invoicing of costs	63	125
Income from organising seminars and promotional events	148	40
Other operating income	288	518
Related provisions	437	-
Income from sub-lease	15	63
Sales of debts	97	-
Other	55	
	1 103	**747**

6. Other operating expenses

The Company incurred the following operating expenses

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Costs of provisions	(248)	(802)
Re-invoiced costs	(138)	(68)
Impairment losses on receivables	(210)	(360)
*VAT related costs	(1 108)	-
Impairment losses on goodwill of ImmoPartners	(5 540)	-
Other operating expenses	(533)	(1 132)
	(7 777)	**(2 362)**

* It is related to the VAT payment arising on the decision of tax authorities after controlling the company's operations for 2007. Interest paid for the period from 2007 to the payment day in 2013 shall be added to this amount. Interest of TPLN 772 have been recognised in the financial expenses in the item below. More information on this subject is presented in Note No.15 „Indication of proceedings before court, arbitrary proceedings before a competent body or a body of public administration" to the Directors' Report for 2013.

7. Financial income

The Company attained the following financial income:

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Interest on short-term bank deposits	463	619
Gains and losses on translation differences	160	15
*Income from guarantees	1 099	443
Interest on bonds	-	305
Income from interest on borrowings and bills of exchange	716	-
Other financial income (relates primarily to exchange differences arising on revaluation of the Financial Statements of PEMSA Holding)	951	79
	3 389	**1 461**

*The payment relates to guarantees of bank loans in the following entities:

- TravelPlanet T PLN111
- NaviExpert T PLN 255
- Subfundusz TechVentures 1.0 (sub-fund) T PLN 476
- Subfundusz EuroVentures 1.0 T PLN 257

8. Financial expenses

The Company incurred the following financial expenses:

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Costs of interest on:		
Issued bills of exchange	(1 433)	(845)
Bank loans	(19)	(23)
Received borrowings	80	(83)
Issued bonds	(9 002)	(7 785)
*Budget interest	(772)	-
Gains and losses on translation differences	(18)	(25)
Other	(87)	(333)
	(11 251)	**(9 094)**

*Budget interest relate primarily to interest on VAT defined in **Note No. 6 "Other operating expenses"**

9. Income tax

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Current tax	(42)	-
Deferred tax	4 200	4 604
	4 158	**4 604**

Tax losses which can be used in the following periods

Incurred in the year year	Incurred in the amount of PLN'000	Used in the amount of PLN'000	To use in the amount of PLN'000	To use by year
Tax losses for 2009	2 790	1 395	1 395	2014
Tax losses for 2010	11 553	5 769	5 784	2015
Tax losses for 2011	839	212	627	2016
Tax losses for 2012	6 716	36	6 680	2017
Tax losses for 2013	11 852	-	11 852	2018
	33 750		**26 338**	

Deferred tax assets

	Tax losses possible to deduct 000' PLN	Interest and bonuses on bonds 000' PLN	*Other assets 000' PLN	Total 000' PLN
Balance as at 31 December 2011	**876**	**306**	**2 903**	**4 085**
Effect on profit or loss	2 377	14	832	3 223
Effect on equity	-	-	-	-
Balance as at 31 December 2012	**3 253**	**320**	**3 735**	**7 308**
Effect on profit or loss	1 751	(239)	878	2 390
Effect on equity	-	-	-	-
Balance as at 31 December 2013	**5 004**	**81**	**4 613**	**9 698**

*Other deferred tax assets relate primarily to:
- JTT provision – T PLN 2 184
- Incentive programmes for Board Members – T PLN 892
- Valuation of investment certificates of Helix Ventures Partners FIZ – T PLN 590
- Valuation of investment certificates of Internet Ventures FIZ – T PLN 674
- Accruals and other provisions – T PLN141

Deferred tax liabilities

	Revaluation of portfolio companies 000' PLN	Interest 000' PLN	Other liabilities 000' PLN	Total 000' PLN
Balance as at 31 December 2011	**1 145**	**351**	**1 435**	**2 931**
Effect on profit or loss	(1 145)	565	(219)	(799)
Effect on equity	-	-	-	-
Balance as at 31 December 2012	**-**	**916**	**1 216**	**2 132**
Effect on profit or loss	1	(916)	(894)	(1 809)
Effect on equity	-	-	-	-
Balance as at 31 December 2013	**1**	**-**	**322**	**323**

10. Goodwill

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
MCI Asset Management sp. z o.o. SKA	80 174	80 174
*Immopartners sp. z o.o. Asset Management SKA	-	5 540
	80 174	**85 714**

* Impairment – of the total amount T PLN 5 540

Impairment write-off

The Company written-off the Company's goodwill established at the purchase of Immopartners sp. z o.o. Asset Management SKA.
MCI Capital TFI SA sub-contracted the management of the fund MCI.CreditVentures FIZ to the company Immopartners sp. z o.o. Asset Management SKA .
The PEM Group decided to combine assets of the two investment funds – MCI.CreditVentures fund (which was put in liquidation on 29 December 2013) and MCI.BioVentures FIZ fund.

Due to the above the company ImmoPartners was put in liquidation at the beginning of 2014, and the management of the assets of all funds which were managed by PEM (TFI) is currently entrusted to MCI Asset Management sp. z o.o. SKA. Goodwill which was established at the purchase of the companies Immopartners have been written-off.

Test for impairment

In order to determine if impairment write-off should be recognised, the Company compared the carrying value of assets and liabilities of MCI Asset Management sp. z o.o. SKA and goodwill assigned to it with its recoverable value. The recoverable value corresponds to value-in-use.

Goodwill of MCI Asset Management sp. z o.o. SKA has not been written-off.

11. Other financial assets

Non-current financial assets

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Investment certificates of MCI.EuroVentures 1.0	352 513	238 314
Investment certificates of MCI.TechVentures 1.0	280 139	252 449
Investment certificates of MCI.BioVentures FIZ	4 062	12 298
Investment certificates of Helix Ventures Partners FIZ	8 133	8 820
Investment certificates of MCI.CreditVentures FIZ	21 036	54 549
Investment certificates of Internet Ventures FIZ	1 235	1 681
	667 118	**568 111**

Current financial assets

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Cash equivalents	11 610	14 518
Bonds Śpiący Rycerz Sp. z o.o.	-	3 355
Bonds MCI.BioVentures FIZ	-	1 033
	11 610	**18 906**

Cash equivalents constitute received current bills of exchange.

12. Trade and other receivables

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Trade receivables	515	15 163
Impairment write-off on receivables	(41)	(473)
Net trade receivables	474	14 690
Receivables from related parties	98 665	19 534
Impairment write-off on receivables on account of share disposal	48	(236)
Tax/ budget receivables	-	178
Prepayments	719	177
Other receivables	1 134	41 200
	101 040	**75 543**
Of which:		
Non-current:		
Receivables on account of share disposal and other financial receivables	-	50
Impairment write-off on share disposal	-	(8)
Other receivables	500	89
Non-current:	**500**	**131**
Current:	**100 540**	**75 412**

Receivables from related parties

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Alternative Investment Partners Sp. z o. o.	2	12
*MCI Private Ventures FIZ	67 471	-
**MCI Credit Ventures FIZ	31 131	-
MCI.BioVentures FIZ	37	-
MCI Helix Ventures Partners FIZ	3	-
Tomasz Czechowicz	18	114
Aleksandra Czechowicz	-	7
MCI.Ventures Project Sp. z o.o. SKA	1	19 400
Other	2	1
	98 665	**19 534**

*It relates to receivables on account of variable fee payment for managing the sub-fund MCI.EuroVentures 1.0. The Resolution on the payment of the variable fee was passed in December 2013. The fee was paid in 2014 by the date of the approval of these Financial Statements.

It was the first time since the establishment of the fund MCI.EuroVentures 1.0 that the fee above was collected, prior to the day of the approval of these Financial Statements.

**Receivables of T PLN 31 000 from MCI CreditVentures FIZ arise on the purchase of investment certificates by the fund as a result of the liquidation commencement. The certificates were purchased with free cash.

The Company's fair value does not materially differ from the net book value.

13. Borrowings granted

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Borrowings granted to related parties	255	239
Borrowings granted to other parties	1 525	3 087
	1 830	**3 326**

Borrowings granted to related parties

Lender	Borrower	Interest rate	PLN'000
MCI Management SA	MCI VentureProjects sp. z o.o.	8,92%	255

Borrowings granted to other parties

Lender	Borrower	Interest rate	PLN'000
MCI Management SA	Natural person	5,99%	112
MCI management SA	Natural person	5,99%	335
MCI Asset Management Sp. z o.o. SKA	ABCD Management Sp. z o.o. SKA	9,14%	1 128
			1 575

The borrowings are entered into for one year. There are no overdue borrowings.

14. Cash and cash equivalents

Cash and cash equivalents relate to cash deposited in bank accounts and on fixed-term deposits.

15. Equity

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Share capital issued and paid	62 347	62 347
No. of shares	62 347	62 347
Nominal value per share	1	1
Nominal value of all shares	**62 347**	**62 347**

Material Shareholders of the Company:

	Share in share capital		Share in the total No. of votes during Shareholders' Meeting	
	No.of shares in items.	Share in share capital	No. of votes during Shareholders' Meeting	Share in the total No. of votes during Shareholders' Meeting
Alternative Investment Partners Sp. z o.o	30 658 446*	49,10%	30 658 446	50,58%
Funds related to Quercus Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna (an Investment Fund Company Quercus)	4 287 938**	6,87%	4 287 938	7,00%
MCI Management Spółka Akcyjna	1 837 405*	2,94%		

* balance as at 12 March 2014
** balance as at 17 December 2013
The difference between the share in the share capital and the share in the total No. of votes during the Shareholders' Meeting arises from the fact that voting on shares owned by the issuer is excluded.

16. Bonds

Bonds issued by the Company

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Opening balance - liability as at issue date at nominal value	147 600	142 300
Issue related costs	(2 117)	(1 394)
Carrying value of liability as at issue date	**145 483**	**140 906**
Equity component (without deferred tax)	-	(2 168)
Liability component as at issue date	**145 483**	**138 738**
Accrued interest – accrued costs	19 521	24 150
Paid interest – all series	(17 259)	(20 090)
Payment of bonds of the E series issued in 2010	(27 450)	(79 500)
	120 295	**63 298**
Non-current part	84 800	34 908
Current part	35 495	28 390
	120 295	**63 298**

The tables below present the balance of liabilities on bond issue, their purchase date and the balance of interest paid as at 31.12.2013 – at nominal value.

Bond series	Allotment date	Redemption date	No. of bonds	Value of bonds 000' PLN	Paid interest 000' PLN
Series F	2011-04-01	2014-03-31	35 350	35 350	7 539
Series H1	2013-04-03	2016-04-11	36 000	36 000	1 416
Series H2	2013-06-26	2016-06-28	18 800	18 800	674
Series H3	2013-12-19	2016-12-19	30 000	30 000	-
				120 150	**9 629**

17. Loans and borrowings

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Non-current		
Bank loan - non-current part	226	267
	226	**267**
Current		
Bank loan - current part	41	41
Borrowings	-	409
	41	**450**
Total loans and borrowings	**267**	**717**

The loan above was taken out to purchase a company car.

18. Current provisions

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
*For court litigation costs and losses	11 492	11 271
For other expenses	816	958
	12 308	**12 229**

*The provision was established for legal costs related to court litigation for compensation for bringing the company JTT to liquidation due to wrong decisions of tax officials.

19. Trade and other liabilities

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Trade liabilities	550	147
Liabilities to related parties	-	9
Tax liabilities	161	71
Liabilities on account of social security and other charges	41	26
Liabilities on account of issued bills of exchange	-	3 268
Accruals	237	4 345
*Other liabilities	66	92 203
	1 055	**100 069**
Of which:		
Non-current part	-	-
Current part	1 055	100 069
	1 055	**100 069**

* 2012 balance of liabilities includes primarily liabilities related to the purchase of PEM SA from MCI.EuroVentures FIZ at T PLN 92 048.

20. Liabilities on account of bills of exchange

For formal reasons the Group does not have cash pool allowing direct management of the Group liquidity. Financial surpluses are deposited in the Group between companies and funds managed with the help of current financial instruments (bills of exchange) on market terms.

As at 31.12 2013 the Group had liabilities on account of bills of exchange to the following parties:

	Nominal EUR'000	Nominal PLN'000	Interest % per year
*MCI.Private Ventures FIZ (sub-fund of MCI.TechVentures 1.0)	3 116		1%
*MCI.Private Ventures FIZ (sub-fund of MCI.EuroVentures 1.0)		18 500	4,15%
*MCI.Private Ventures FIZ (sub-fund of MCI.EuroVentures 1.0)		4 000	4,20%
ABCD Management Sp. z o.o. SKA (subsidiary of MCI.EuroVentures 1.0)		7 000	3,65%

* Liabilities to related parties

21. Employee benefits

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Costs of employment	9 011	4 903
Costs of social security	94	120
Share options granted to Members of the Board and employees	62	282
Other employee benefits	87	63
	9 254	**5 368**

The table below presents information on the average employment (including the Board of Directors):

	Balance as at 31.12.2013 No. of employees	Balance as at 31.12.2012 No. of employees
Board of Directors	7	7
Supervisory Board	6	13
Operational staff	15	16
Accounting and administration	5	8
	33	**44**

Remuneration to key personnel

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Board of Directors		
Current employee benefits on account of appointment	1 047	1 589
Share options granted to Members of the Board and incentive programme	5 339	282
Fixed fee for the use of cars	58	38
	6 386	**1 909**
Supervisory Board		
Remuneration for Supervisory Board meetings	104	73
Costs of incentive programme	42	-
	146	**-**

Receivables on account of advances and other receivables from Board Members	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Roman Cisek	-	51
Tomasz Czechowicz	18	23
Sylwester Janik	8	-
Wojciech Marcińczyk	2	-
	28	**74**

22. Remuneration paid to auditor of the Financial Statements

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Audit of annual Financial Statements	129	119
Half-year review of Financial Statements	63	48
Other services	-	10
	192	**177**

23. Earnings per share and diluted earnings per share

Earnings per share

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Earnings attributable to the Company's shareholders	186 178	41 572
Weighted average No. of ordinary shares (in thousands)	62 347	62 347
Basic earnings per share (in PLN per one share)	**2,99**	**0,67**

Diluted earnings per share

	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Earnings attributable to the Company's shareholders	186 178	41 572
Costs of interest on convertible bonds (after deducting tax)	-	3 708
Earnings applied when determining diluted earnings per share	186 178	45 280
Weighted average No. of ordinary shares (in thousands)	62 347	62 347
Adjustments for:		
incentive programme based on the issue of shares (thousands)	22	-
subscription warrants (thousands)	142	347
share options (thousands)	522	-
Weighted average No. of ordinary shares for the purposes of diluted earnings per share (thousands)	63 033	62 694
Diluted earnings per share (in PLN per one share)	**2,95**	**0,72**

24. Events after the reporting period (balance sheet date)

Sale of shares of Private Equity Managers SA to another subsidiary

On 5 March 2014 the Company made a contribution in-kind of 45% shares of Private Equity Managers SA to its subsidiary MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A.

Sale of shares of Private Equity Managers SA to an investment fund

On 5 March 2014 MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A. made a contribution in-kind of 100% shares of Private Equity Managers SA (which constitutes 49% of all shares of the company) to the investment fund MCI.PrivateVentures FIZ (sub-fund of MCI.EuroVentures 1.0) in exchange for investment certificates of the fund.

The shares were measured at fair value as at 24 February 2014. The adjusted net asset method was chosen to measure the shares value.

After the completion of activities related to the decrease of the share capital of PEM (redemption of 14.010.507 own shares of PEM SA) which is planned at the end of March 2014, the shareholding structure in PEM shall be the following:

- 45% of shares shall be held by MCI Fund Management Spółka z ograniczoną odpowiedzialnością IV MCI.PrivateVentures Spółka komandytowo – akcyjna,
- 49% of shares shall be held by MCI.PrivateVentures FIZ with the sub-fund MCI.EuroVentures 1.0,
- 6% of shares shall be held by MCI Management SA.

MCI Fund Management Spółka z ograniczoną odpowiedzialnością IV MCI.PrivateVentures Spółka komandytowo – akcyjna shall be offering the shares in the PRE-IPO process of PEM SA.

The presented transactions have been made to optimise the sales of shares of Private Equity Managers SA.

25. Dividend payments

Information about dividends for Shareholders of MCI Management SA

On 13 June 2011 the Board of Directors of MCI Management SA passed a resolution on adopting new principles of the dividend policy for 2011 – 2016. In line with the resolution the Company will recommend the profit distribution for the accounting periods 2011 – 2016 and will submit at the Shareholders' Meeting a proposition of dividend payment from the annual net profit of the total amount not higher than 5% of the MCI Capital Group's net assets at the day when the payments have been approved of. The objective of the new dividend policy is to secure the shareholders' participation in the Company's profits through the payment of the dividend depending on circumstances defined in the resolution and after obtaining the approval of the Ordinary Shareholders' Meeting. The Board's application related to the dividend payments in a given accounting year shall depend on the amount of attained profit, financial position, current liabilities (including limitations arising on terms of bond issues), possibilities of using equity reserves and assessment performed by the Board of Directors and the Supervisory Board of the Company's perspective in given market conditions.

By the day of publishing this report no dividends were paid to the shareholders of MCI Management SA.

26. Changes in the applied accounting policies

On 1 January 2013 the Group changed the presentation of granted bills of exchange moving these bills of exchange from cash and cash equivalents to other financial assets.

27. Financial risk management

Terms of financial risk management

The Group is exposed to the following risks:
- market risk including foreign currency risk and interest rate risk,
- credit risk,
- liquidity risk.

The Group financial risk management is coordinated by the Parent Company in close cooperation with managers of subsidiaries. The following objectives play the most important role in the risk management process:

The Group does not undertake transactions on financial markets for speculations.

The parent company did not formally indicate any derivatives as a hedge of cash flows in line with IAS 39 (hedging derivatives). The most material risks to which the Group is exposed are presented below.

MARKET RISK

From the MCI Group's perspective the major risk relates to share prices/ rates, shares in companies and to investment certificates of closed-end investment funds. Only part of these assets is traded on active markets. The majority of assets is not traded (quoted). The above results from the specificity of business operations run by the MCI Group.

The MCI Group's market position and its professional investment team consistently created mitigate the risk of investing in non-public assets.

Foreign currency risk sensitivity analysis
The majority of transactions in the Group are in the Polish currency. The Group is exposed to foreign currency risk due to international transactions of share sales and purchases which are conducted primarily in EURO. The Group has not taken any loans in foreign currencies. In rare cases the Group concludes contracts denominated in foreign currencies (lease contracts). The Company prefers to define fees in settlements with counterparties in PLN, as a result of which the foreign currency risk is mitigated. There are no material balances of assets and liabilities (mainly trade receivables and liabilities and cash and cash equivalents) in foreign currencies.

Interest rate sensitivity analysis
Interest rate risk management is focused on reducing fluctuations of interest flows on account of assets and financial liabilities with a variable interest rate. The Group is exposed to interest rate risk in relation to the following groups of assets and financial liabilities:
- granted borrowings - the risk does not occur because borrowing interest rates are fixed (determined at the date of contract conclusion) except for one borrowing whose interest rate will be dependent on WIBOR as at its repayment date;

- loans, borrowings taken - the risk does not occur because borrowing interest rates are fixed (determined at the date of contract conclusion). At present the Group has loans bearing varying interest rate (WIBOR rate for one-month PLN deposits applicable in the first month in which the loan has been used, and changed on the last working day of each month, determined based on the quotation of two working days before the day when the interest changed, increased by margins of 2,5 percentage points per year;
- own issued debt securities - the Group has largest liabilities with a variable interest rate on account of issue of convertible and ordinary shares.

The Company is not hedged against the interest rate risk.

The Company measures the interest rate risk using the sensitivity analysis.
The sensitivity analysis is based on the assumptions that net financial costs include the following elements exposed to the interest rate risk:
- interest risk on debt based on the varying interest rate (not including derivatives which meet the criteria of hedge accounting) and
- change of fair value of derivatives which do not meet the hedge accounting criteria.

The risk of changing the price of financial assets
The risk of changing the price of financial assets - to which net asset value of investments funds translates directly - may be examined in the following areas:
- Risk related to high valuation of companies - potential investments
  The risk related to the loss of potential investments due to lack of possibilities to offer competitive investment terms or due to the increase of investment risk related to higher costs of an investment commencement. When valuations of companies on stock markets and in comparative transactions decrease, this risk also decreases.
- Risk related to a decrease in the value of financial instruments (shares, investment certificates) of MCI, its subsidiaries and companies managed by MCI measure fair value of their assets at least once a quarter. Hence, changes in fair values are reflected in the prepared Financial Statements on an ongoing basis. Valuation methods are partly based on market rates of listed companies or on comparative data of companies listed on the Polish and foreign stock exchanges. There is a risk of deterioration the MCI Group's results (reflecting the changes of valuations mentioned above) in the moment of significant downturn on stock exchanges.

The direct exposure to the risk of changes in prices of financial instruments held by the MCI Group relates to shares quoted on public market. Closed-end investment funds ultimately cannot hold in their portfolio more than 20% of assets in the form of shares of public companies and instruments issued by the State Treasury. The price risk management in the MCI Group involves adequate diversification of investment portfolio, which mitigates the investment risk. MCI tries to mitigate the defined risk through applying the rule of not investing amounts higher than 20% of the whole portfolio of its investments in one investment. However, at the date of publishing the Financial Statements the MCI Group (together with funds managed by MCI) has one company which exceeds this level – ABC Data SA

CREDIT RISK

The Group monitors client and debtors' outstanding payments on a continuous manner and analyses the credit risk individually or in particular classes of assets defined according to credit risk (resulting e.g. from industry, region or structure of recipients). Additionally, as part of credit risk management the Group concludes transactions with counterparties of confirmed creditworthiness. This relates primarily to the allocation of available funds in the form of borrowings to entities from the MCI Group.

As regards trade receivables the Group is not exposed to credit risk in connection with an individual material counterparty or counterparties of similar characteristics. Based on historically established tendencies of overdue payments, outstanding receivables for which no impairment write-offs have been recognised do not show a material deterioration in quality - the majority of them fall into the "up to 6 months" category and there is no threat to their effective collectability.

The credit risk of cash and cash equivalents, of market securities and financial derivatives is considered immaterial due to high creditworthiness of entities being counterparts to transactions, of which are mostly banks.

LIQUIDITY RISK

The Capital Group may be exposed to liquidity risk, i.e. inability to settle financial liabilities on a timely manner. The Group manages the liquidity risk through monitoring payment dates and demand for cash with regard to the servicing of payments (current transactions are monitored on a weekly basis) and demand for cash. Demand for cash is compared with available sources of funding (of which primarily through the assessment of ability to obtain financing in the form of loans, borrowings, bonds) and is confronted with investments of unallocated funds.

The Group manages the risk through monitoring liquidity ratios based on carrying amounts, analysing the level of liquid assets in relation to cash flows and maintaining access to diverse sources of funding (of which also to credit facilities).

The liquidity management process is optimised through centralised management of funds in the MCI Group where liquid excesses of cash generated by individual companies from the Group are invested in borrowings and other instruments issued by companies from the Group (less credit risk). The surpluses of the Company's cash are invested in current liquid financial instruments, e.g. bank deposits.
Another liquidity risk management method is also maintaining open and undrawn amounts of credit lines. These are established as provisions for liquidity purposes.
The liquidity risk is regularly monitored by the Company using the following measurements:
liquidity ratios, analyses of maturity dates of undiscounted contractual cash flows on account of financial liabilities.

The statement of financial position discloses contractual value of liabilities without taking account of the discount in relation to measurement of liabilities at depreciated cost.

Capital management

The Capital Group manages capital to ensure the Group can continue as a going concern and to ensure the expected rate of return to shareholders and other parties interested in the Group's financial standing.

In the period covered in the consolidated Financial Statements the ratios presented above were at the following levels:

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
Capital:		
Equity	763 402	572 146
Subordinate borrowings received from the owner	-	-
Capital arising on measurement of cash-flow hedging instruments (-)	-	-
Capital	**763 402**	**572 146**
Total funding sources:		
Equity	763 402	572 146
Loans, borrowings, other debt instruments	120 562	64 015
Financial leasing	-	-
Total funding sources	**883 964**	**636 161**
Equity ratio to total funding sources	86,36%	89,94%
EBITDA:		
Profit (loss) on operating activities	190 019	44 601
Depreciation	(248)	(207)
EBITDA	**190 267**	**44 808**
Debt:		
Loans, borrowings, other debt instruments	120 562	64 015
Financial leasing	-	-
Debt	**120 562**	**64 015**
Debt ratio to EBITDA	63,36%	142,87%

28. Transactions with related parties

Transactions between the Parent Company and its subsidiaries were offset during the consolidation process and have not been disclosed herein.

Transactions with related parties have been disclosed in the following Notes:
- Trade and other receivables – **Note No. 12**
- Loans granted – **Note No. 13**
- Trade and other liabilities – **Note No. 19**

29. Bank guarantees

Loan guarantee granted by Alior Bank S.A. for the benefit of MCI.PrivateVentures FIZ

On 28 September 2012 MCI Management S.A. guaranteed security for the loan granted by Alior Bank S.A. for the benefit of MCI.PrivateVentures - closed-end investment fund, by signing "Declaration on submission to enforcement under the bank enforcement order" as loan collateral of T PLN 60 000 granted to the sub-fund MCI.EuroVentures 1.0. The bank may execute the enforcement under the enforcement order within 24 months following the termination date of the loan agreement up to the amount of T PLN 120 000. Remuneration due to MCI for the guaranteed security was determined at the amount of 1% of the loan annually.

Loan guarantee granted by Raiffeisen Bank Polska S.A. for the benefit of Naviexpert Sp. z o.o.

On 25 April 2013 MCI Management S.A. guaranteed security for the loan granted by Raiffeisen Bank Polska S.A. to Naviexpert Sp. z o.o. of T PLN 1 000 by signing "Guarantee for repayment of liabilities". The Company is obligated under the guarantee to pay the bank any amount up to T PLN 1 000. The guarantee expires on 7 April 2014. Remuneration for the guaranteed security shall be 10% of the Guarantee amount per year until 30 June 2013, and 30% of the Guarantee amount per year from 1 July 2013 until the Guarantee expiration date.

Loan guarantee granted by Alior Bank S.A. for the benefit of Private Equity Managers

On 30 September 2013 MCI Asset Management S.K.A. and Private Equity Managers guaranteed security of T PLN 40 000 for the loan granted by Alior Bank S.A. to Private Equity Managers by signing "Declaration on submission to enforcement under the bank enforcement order" submitting themselves to enforcement up to T PLN 80 000. The bank may request a declaration of enforceability within 24 months following the Agreement termination date. The Company MCI Asset Management SKA belongs to the PEM S.A Group. Until today the loan has not been started because conditions to start it have not been met.

As at 31 December 2013 and the date of publishing these Financial Statements there were no other borrowings or guarantees granted by MCI Management S.A., particularly to its related parties, the equivalent of which constitutes at least 10% of the issuer's equities.

The amount of the received loan has been allocated to pay a part of liabilities on account of own share purchase with the aim of redemption. On 18 December 2013 The Extraordinary Shareholders' Meeting of the company Private Equity Managers S.A. resolved the redemption of 14.010.507 own shares in the Company's share capital. The redemption nominal value is T PLN 14 011. The redemption if performed through purchasing shares by the Company at the total fee of T PLN 80 000.
As at the day of signing these Financial Statements the redemption of own shares was not registered in the National Court Register.

30. Contingent assets and liabilities

Contingent assets

Related to the lawsuit against Anna Hejka

These were presented in Note No.15 „Indication of proceedings before court, arbitrary proceedings before a competent body or a body of public administration" to the Directors' Report for 2013.

Contingent liabilities

Related to Sweetener

Until the end of 2014 Arthur Holding GmbH, former shareholder of ABC Data SA and an entity which sold this company's shares to MCI, is entitled to receive proceeds (amount defined in percentages) from the sales of shares of ABC Data SA held by entities in the MCI Capital Group, granted that the sales price of such a share exceeds the share price of PLN 2.61.

More data on the agreement and the manner of calculating sweetener is disclosed in Note 46 "Contingent liabilities" to the consolidated Financial Statements of the Capital Group for 2011.

The Company did not establish provisions.

Related to claims for compensation – Anna Hejka

These were presented in Note No.15 „Indication of proceedings before court, arbitrary proceedings before a competent body or a body of public administration" to the Directors' Report for 2013.

31. Changes in the structure of the MCI SA Capital Group

Establishment of new subsidiaries

In the second half of 2013 the Capital Group conducted tax optimisation of its capital structure. This was related to changes in the legal provisions pertaining to corporate income tax (CIT) which related to partnerships limited by shares subject to CIT based on applicable law.

With the aim of tax optimisation new partnerships limited by shares were established with an extended reporting period which in the first extended reporting period will not be subject to the new Act on CIT.

The following companies have been established:

- MCI Fund Management Sp. z o. o. II MCI.PrivateVentures S.K.A. - to this company MCI Management S.A. made a contribution in-kind of 100% shares of MCI Fund Management Sp. z o. o. MCI.PrivateVentures S.K.A.

- MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A. V - MCI Management S.A. made a contribution in-kind of 49% shares of Private Equity Managers SA

- MCI Asset Management Sp. z o. o. II S.K.A. - to this company MCI Parners FIZ made a contribution in-kind of 100% shares of MCI Asset Management S.A.

- MCI Asset Management Sp. z o. o. IV S.K.A.

32. Incentive programme

Incentive programme for Members of the Board 2012

The incentive programme was resolved on 05 June 2012.
The programme comprises the period from 1 January 2012 to 31 December 2012 and includes:

- Tomasz Czechowicz – Chairman of the Board of Directors,
- Magdalena Pasecka – Member of the Board of Directors

The participants listed above are authorised to share subscription which will take the form of issuing by the Company subscription warrants in the minimal number of 400.000 items. The subscription warrants will entitle to take up not more than 400.000 bearer shares of the series "I" of a nominal value of PLN 1.00 per each share.

The participants of the programme shall be entitled to take up:

- Chairman of the Board Tomasz Czechowicz – not more than 300.000 shares
- Member of the Board Magdalena Pasecka – not more than 100.000 shares

Each warrant gave entitlement to take up 1 share of MCI Management S.A. The criterion of subscribing warrants was the following: 50% of their value – realisation of individual goals for 2012 and the other 50% of the value - remaining in the Company's Board until the Shareholders' Meeting for 2012.

To realise the Incentive Programme, on 5 June 2012 the Ordinary Shareholders' Meeting resolved a Company's conditional share capital increase by an amount not higher than PLN 400,000.00 PLN. The conditional increase is realised by issuing series "I" bearer shares in the number not higher than 400.000 items.

In 2013 the Supervisory Board of MCI Management S.A. in relation to the realisation of priorities for 2012 resolved:

- to grant to the Chairman of the Board 95% of the maximum number of warrants dedicated to the Chairman in the Incentive Programme for 2012, which gives the right to take up 285 750 of the Company's shares **- the shares have not been taken up**. The shares have not been taken up by Tomasz Czechowicz because the consent of the Polish Financial Supervision Authority (KNF) is required for this purpose, which means control gained in an indirect manner of MCI Capital TFI S.A. Tomasz Czechowicz expects KNF's decision in this regard.

- to grant to the Company's CFO 100% of the maximal number of warrants dedicated to the Board Member and CFO in the Incentive programme for 2012, which gives the right to take up 100 000 of the Company's shares - **the shares have been taken up.**

Incentive programme for Tomasz Czechowicz, Chairman of the Board

The incentive programme was resolved on 8 April 2013.
The programme comprises the period from 1 January 2012 to 31 December 2012 and includes Tomasz Czechowicz – Chairman of the Board of MCI Management S.A.

The object of the programme was a maximum of 560.000 items of bearer ordinary shares which have been purchased by MCI Management S.A. as part of the Buy Back Programme. The criterion of granting shares included conducting the largest asset sales transaction in the history of MCI (exit from Mall.cz).

- In 2013 Mr Tomasz Czechowicz was granted 522.440 shares of MCI Management S.A. - **the shares have not been taken up**. The shares have not been taken up by Tomasz Czechowicz because the consent of the Polish Financial Supervision Authority (KNF) is required for this purpose, which means control gained in an indirect manner of MCI Capital TFI S.A. Tomasz Czechowicz expects KNF's decision in this regard.

The cost of the programme was T PLN 3,910 and was recognised in the accounting books at fair value at the day of granting the instrument, i.e. at 28 June 2013.

Incentive programme for 2013 addressed to Members of the Board of Directors of MCI Management SA

On 28 June 2013 the Supervisory Board in its resolution no. 4 adopted the Incentive Programme for 2013 addressed to Members of the Company's Board of Directors, with the acknowledgement of the resolution no. 21 of the Shareholders' Meeting dated 28 June 2013 on granting entitlements to the Board and the Supervisory Board to dispose of the Company's shares purchased under the Buy Back programme.

The following results from the incentive programme:
- The vesting period was scheduled from 01 January 2013 to 31 December 2013
- The law exercise period comprises the period between the conclusion date and 31 July 2014, not shorter that 30 working days after the conclusion date
- The conclusion date is a day when a Shareholders' Meeting is held at which the Company's Financial Statements for the reporting period ending on 31 December 2013 are approved of
- The objective of the incentive programme is to additionally motivate the Board to achieve priorities and assignments defined for them in the Company's Business Plan resolved on 08 April 2013; and to assure that the Board strives at building values to the Company's shareholders and to provide the Company with the sustained composition of the Board of Directors.
- The price at which any entitled person can take up Company's shares to which he/she is entitled under the incentive programme is PLN 0.01 per share.
- A number of shares which each entitled person has the right to take up from the Company will be established by the Supervisory Board at the date of allotment and it will depend on the value of entitlement, on average market price for the share, whereas the value of entitlement will be determined by the Supervisory Board at the date of allotment.
- The principles of determining the value of entitlement shall be defined in line with the following rules:
  - If in the opinion of the Supervisory Board the goals defined in the Business Plan of 08 April 2013 for a given entitled person will not be achieved by this entitled person in 75%, the entitlement value shall be PLN 0.00.
  - If in the opinion of the Supervisory Board the goals defined in the Business Plan for a given entitled person will be achieved by this entitled person in 75% or more, the entitlement value shall depend on the achievement of goals by such Board Member and on the Company's results.
  - Maximal entitlement values for Board Members:
    - Chairman of the Board of MCI SA – PLN 360,000
    - CFO of MCI SA – PLN 300,000
    - Other Board Members – PLN 180,000

The costs of this incentive programme in 2013 were measured according to IFRS 2 and totalled T PLN 776.

Incentive programme in Private Equity Managers SA

On 17 May 2012 the Ordinary Shareholders' Meeting of the company Private Equity Managers SA resolved the Incentive Programme for the Company's Supervisory Board for 2012 and rules of its organisation.

The Incentive Programme is addressed to members of the Supervisory Board through the right to purchase 0,025% of the Company's existing shares (share options), where "the Company's existing shares" means shares registered in the National Court Register as at 31 December 2012.

The only condition that a Member of the Supervisory Board needs to meet to be entitled for share options is the fact of being a Member of the Supervisory Board as at 31 December 2012. Each Member of the Supervisory Board has the right to purchase equal number of shares.

Under the incentive programme a Member of the Supervisory Board shall be entitled to purchase shares at the issue price which equals a nominal value of a share, plus the share issue cost. A share issue cost is determined by the Shareholders' Meeting at the request of the Company's Board of Directors.

Share purchase price will be determined in the Resolution of the Shareholders' Meeting on issue of shares.

As at the date of these Financial Statements the incentive programme was not settled. The Board of Directors plans to settle the programme in the first half of 2014.

33. Operating segments

The following operating segments have been distinguished in the Group:

SEGMENT 1 – CAPITAL MANAGEMENT – foreign investment capital management - comprises assets and liabilities related to external operations of providing capital management services (in particular investment funds). This is the Group's target source of income in the light of the changed asset structure.

The segment comprises:
- part of income, costs and assets of MCI Management SA, as it was not possible to allocate some of them to segments,
- all income, costs and assets of MCI Capital TFI SA, Private Equity Managers SA, MCI Asset Management Sp. z o. o Sp. komandytowo-akcyjna, MCI Asset Management Sp. z o. o. II S.K.A., MCI Asset Management Sp. z o. o. IV S.K.A. and MCI Asset Management Sp. z o.o., as these companies act fully in the scope of asset management.

SEGMENT 2 – INVESTMENTS – direct investment activities of private equity / venture capital comprise activities of purchasing and disposing of financial assets on the own account of the entities from the Group. Hence, the most important assets in this segment are shares in companies and other financial instruments, such as bonds, investment certificates, foreign bills of exchange, borrowings and bank deposits.
The segment comprises:
- part of income, costs and assets of MCI Management SA, as it was not possible to allocate some of them to segments,
- all income, costs and assets of companies exclusive of MCI Capital TFI SA, Private Equity Managers SA, MCI Fund Management Sp. z o.o Sp. komandytowo-akcyjna, MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A., MCI Fund Management Sp. z o. o. and II MCI.PrivateVentures S.K.A. and MCI Fund Management Sp. z o.o.,

The segment generates income from the sales of components, benefits in the form of interest and increase of the companies' fair value. The information below presents an analysis of the Group's income and profits in given reporting periods:

Income and profits in segments

	Income		Profit in segment	
	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000	Period: from 01.01.2013 to 31.12.2013 PLN'000	Period: from 01.01.2012 to 31.12.2012 PLN'000
Continuing operations				
SEGMENT 2 – INVESTMENTS				
- income/profits attributed directly	135 539	35 790	135 539	22 957
	135 539	**35 790**	**135 539**	**22 957**
SEGMENT 1 – CAPITAL MANAGEMENT				
- income/profits attributed directly	78 179	32 830	74 559	23 441
Total continuing operations	**213 718**	**68 620**	**210 098**	**46 398**

Financial income			3 389	507
Other operating income			1 755	72
Other operating costs			(8 471)	(99)
Costs of administration and remuneration for management			(13 363)	(9 425)
Finance costs			(11 251)	(485)
Gross Profit/ Loss (continuing operations)			**(27 941)**	**(9 430)**
Income tax (continuing and discontinued operations)			4 158	4 604
Profit/ Loss from discontinued operations			(137)	-
Consolidated income and net profit	**213 718**	**68 620**	**186 178**	**41 572**

The income above is income from external customers. During the reporting period no sales transactions between segments took place (similarly as in the comparative period).

Assets in segments

	Balance as at 31.12.2013 PLN'000	Balance as at 31.12.2012 PLN'000
SEGMENT 2 – INVESTMENTS		
- assets attributed directly	667 118	631 485
SEGMENT 1 – CAPITAL MANAGEMENT		
- assets attributed directly	161 431	127 786
Total assets in segments	**828 549**	**759 271**
Assets unallocated	111 077	20 332
Assets in discontinued operations	562	-
Total assets	**940 188**	**779 603**

Decision-makers supervise non-current, financial and intangible assets attributable to particular segments in order to monitor results attained in given segments and to make a proper allocation of resources. All assets are allocated to reporting segments, with the exception of investments in associated entities, other financial assets and tax assets which are not directly related to the changes of fair value of the assets in segments.

Assets used jointly by reporting segments are allocated based on the proportion defined and accepted above.

Geographic information

Income in the MCI Management SA capital group relates primarily to income attained on the territory of Poland.

Information about main clients

Segment 1 – foreign investment capital management
The sole internal customer of the investment funds management from MCI Management SA and MCI Asset Management S.K.A is MCI Capital TFI SA
MCI Capital TFI SA provides management services for the benefit of 6 closed-end investment funds which are part of the investment fund group, but which are a particular customer type:

- MCI.PrivateVentures FIZ,
- MCI.BioVentures FIZ,
- Helix Ventures Partners FIZ,
- Internet Ventures FIZ,
- MCI. CreditVentures FIZ,
- MCI Partners FIZ,

Over time, the subsequent issuances of investment certificates are taken up by external investors, which results in lower capital involvement of the MCI Group in the managed funds.
Moreover, the Group, to a smaller extent, provides services of capital management to entities other than investment funds, i.e. to commercial companies.

Segment 2 - investments
The segment does not have clients that could be considered as leading, since MCI.PrivateVentures FIZ (closed-end investment fund) for whose benefit a material part of the MCI Group's components was sold as part of the implementation of a new organisational structure, is not perceived as such.

34. Description of the accounting policies

Accounting policies applied while preparing these Financial Statements have been presented below. The policies have been applied in all presented periods in a continuous manner, unless specified otherwise.

Comparative data

Accounting policies - identical to these adopted to present information as at the date and for the period of 12 months ended on 31 December 2013 - have been applied to the comparative data presented in the Financial Statements. There has only been a change of presenting bills of exchange from the item of "cash" to the item of "other financial assets".

Continuation as going concern

The company's Financial Statements have been prepared on the assumptions that the company shall continue its operations in the foreseeable future comprising a period not shorter than 12 months after the reporting date. As at the Financial Statement's date the MCI's directors do not state the existence of any facts and circumstances which would indicate threats to the company's continuation as going concern within 12 months after the reporting date as a result of intentional or forced neglect or material limitation of the company's hitherto activities.

Accounting policies

Financial risk management

Types of risks are identified by the Company and disclosed in the Notes to the Financial Statements. Depending on the Directors' assessment based on the Company asset and macroeconomic standing, the Directors take relevant steps to secure against a given financial risk or determine a risk of a residual character. The approach to the financial risk and reasons for applying a certain concept are disclosed in the notes to the Financial Statements.

Significant accounting estimates and judgments

Preparation of the consolidated Financial Statements in line with the IFRS/IAS requires making estimates and assumptions which affect figures disclosed in the consolidated Financial Statements, as a lot of information contained in the Financial Statements cannot be measured in a precise manner. All judgments, assumptions and estimates which have been made for the purpose of these consolidated Financial Statements have been presented in obligatory disclosures related to particular items of these Financial Statements, in the notes to the consolidated Financial Statements which are integral part of the consolidated Financial Statements. Estimates and judgments are subject to continuous verification. They result from previous experience, including forecasts as to future events, which are relevant in a given situation, and new information.

Below are main assumptions related to the future and other principal reasons for uncertainty of estimates as at the balance sheet date, which carry a material risk of the necessity to make important adjustments of the carrying value of assets and liabilities during the consecutive accounting period.

Estimates and assumptions which carry the material risk include:

Type of disclosed information	
Impairment of cash generating units and of single components of non-current assets and intangible assets	Main assumptions made with the aim of determining the recoverable amount: premises indicating impairment, models, discount rates, growth rates.
Impairment write-offs on account of borrowings granted and own receivables	Methodology adopted with the aim of determining the recoverable amount.
Income tax	Assumptions made with the aim of identifying deferred tax assets.
Fair value of other financial instruments	The model and assumptions adopted for measurement of fair value. Material risks relate to fair value of investment certificates. Their fair value is affected by valuation models adopted to estimate the value of

	portfolio companies of the MCI funds.
Provisions	Provisions relating to benefits on account of issue costs and introduction of new shares: discount rates and other assumptions. Assumptions adopted to measure provisions for claims and court cases.
Share-based payments	The model and main assumptions adopted to measure the fair value of granted equity instruments: exercised price of equity instruments, historical volatility, risk-free interest rate, expected dividend yield, etc.

Consolidation

Closed-end investment funds whose investment certificates are owned by the MCI Group

The consolidated Financial Statements disclose investment certificates of closed-end investment funds which are owned by the following companies: MCI Management S.A, Private Equity Managers SA and MCI.PrivateVentures Spółka komandytowo-akcyjna. The valuation of certificates is based on the official valuations of investment certificates published by investment funds at least once every quarter. These certificates are issued by funds established and managed by MCI Capital TFI SA – a subsidiary of MCI Management SA. The value of net assets attributable to a certificate results primarily from the valuation of companies and derivatives which constitute an investment portfolio of the funds.

Based on the assumptions made by the Board of Directors the Company does not consolidate the portfolio companies of the funds, since:

- In the opinion of the Management Board the Company does not have control of the portfolio companies of the investment funds, as it is the case of subsidiary shares owned by the parent company.
- Due to requirements of the Polish regulations related to investment funds as regards professional confidentiality, consolidation of the funds' portfolio companies with the full method entails a risk of breaching regulations arising from the Investment Funds Act.
- The main objective for MCI when acquiring funds' investment certificates is to obtain benefits through investing in financial assets and attaining gains on the growth of the funds' net asset value regardless of the type of investments. The objective of MCI is not to influence business operations conducted by portfolio companies. A long-term strategy assumes that MCI develops as a firm which manages diversified portfolios of alternative assets grouped in closed-end funds, and that the parent company and its subsidiaries do not invest directly in companies.

Such approach causes a derogation from one of the IAS 27 rules.

The MCI Directors' approach results from the following premises:

- Based on the provisions of the funds statutes and provisions of the Investment Funds Act, a fund contributor - the parent company and its subsidiaries - is not an entity which controls the fund. The above is supported by the nature of investment funds being a specific type of a legal person whose exclusive business activity is to invest cash - collected by means of non-public offer to acquire investment certificates - in securities, money market instruments and other property rights defined in the Act. A material characteristic in the construction of an investment fund which differentiates it from a legal person of a corporate type is that its essential substrate is its equity, not human resources. Hence, as regards investment funds it is difficult to talk about operating policies at all, in a sense of operating policies applied in companies or other legal persons which have human substrates.
- Another important feature in the construction of investment funds which differentiates them from other entities is the fact that investment funds are sole legal forms (sole under Polish legislation) where institutions of collective investment may act. The objective of investment funds is to act in the interest of fund contributors and not in the interest of a fund as a separate (from the contributors) legal person. Hence, the term "financial policies" related to the investment fund is not a concept which - in a manner adequate to the substance of this legal person - reflects the nature of investment fund operations, in the sense in which the term "governing the financial and operating policies" is cited in the definition of "control" applied to subsidiaries.
- The specificity of the Investment Fund Company as an investment fund body makes the investment fund company does not act on its own behalf (as it is the case when one entity governs the financial policy of another entity), but on behalf of an investment fund. The relationship between the investment fund and the investment fund company is defined by provisions of law and is similar to relationships between a capital company and its Board of Directors. The investment fund company when managing the investment fund does not act in its own interest, but in the interest of the investment fund contributors. This means that the investment fund company does not pursue its own interest, but the interest of other entities (investment fund contributors), which fundamentally differentiates the essence of the legal relationships which exist between the investment fund company and the investment fund from the essence of the legal relationship between the parent company and its subsidiaries.

- A specific legal relationship between the investment fund company and the investment fund consisting in the legal obligation to function as the body of the fund should not justify the adoption of a thesis that the investment fund is controlled by the investment fund company which manages the fund.

For all the reasons above MCI TFI cannot be considered an entity which controls funds, and consequently, also the relationship existing between MCI Management SA and MCI TFI Capital SA (relationship of domination) does not justify the assertion that the MCI Group via the MCI TFI, which manages funds, controls portfolio companies whose shares are the substance of the funds.

Subsidiaries

Subsidiaries are all entities in relation to which MCI Management SA is able to manage their financial and operating policies, which is usually related to having the majority of the total number of votes in constituent bodies. When assessing if the Company controls a given entity one shall acknowledge the existence and effect of potential vote rights which can be realised at a given moment. Subsidiaries are subject to full consolidation from the day when the Company took control of them to the day when the control ceased.
As at the purchase day assets and liabilities of the purchased subsidiary are measured at their fair value. An excess of purchase price over fair value of an entity's purchased assets possible to identify is disclosed as goodwill. If the difference between fair value and net book value is not material, the subsidiary's net fair value of assets is also its book value. If the purchase price is lower than fair value of the entity's purchased net assets possible to identify, the difference is disclosed as profit in the statement of comprehensive income for the period in which the purchase took place. Minority interest is disclosed in the relevant proportion of fair value of assets and capitals. During the consecutive period losses attributable to minority shareholders above the value of their shares decrease the parent company's equity.

Shares owned by the parent company – venture capital organisation - classified in the initial recognition as trading investments or identified in the initial recognition as measured at fair value with changes to fair value disclosed through profit or loss in line with IAS 39 are disclosed in line with IAS 39. These investments are measured at fair value and changes to fair value are disclosed in the statement of comprehensive income for the period in which they occurred.

MCI measures the fair value of shares owned by the Group based on international guidelines related to estimation (valuation) of non-public shares and high-risk shares - „International Private Equity And Venture Capital Valuation”.

Consolidated Financial Statements comprise Financial Statements of the parent company MCI Management SA and Financial Statements of entities controlled by MCI prepared each year as at the defined reporting date. Profits or losses of entities purchased or sold during the year are disclosed in the consolidated Financial Statements from/to the moment of their purchasing or selling respectively.

All transactions, balances, income and costs between related entities under consolidation are subject to consolidation exclusions.

Revenue from sales

Revenue from sales is disclosed at fair value of payments received or due and represent receivables on account of products, goods and services provided under the regular business activities, after deducting discounts, VAT and other sales related taxes.

Revenue from the sales of services is disclosed in the period when the services are provided based on progress of specific transaction determined as the ratio of the works actually carried out to all the services to perform.

Revenue under dividends is recognised at the moment of establishing the shareholders' right to receive payment.

Employee benefits

Amounts of short-term employee benefits other than on account of employment termination and compensation benefits are recognised as liabilities, after acknowledging all amounts which have already been paid, and at the same time they are posted as costs of the period, unless the benefit shall be recognised as original costs of the asset component.

Employee benefits in the form of paid absences are recognised as liabilities and costs at the moment when employees performed work if the work performed causes an increase of possible future paid absences, or at the moment when they occur if there is no connection between work and increase of possible future paid absences.
Balance sheet liabilities on account of long-term employee benefits (jubilee bonuses) equals the value of the current liability on account of benefits defined as at the reporting date. The present value of the liabilities on account of given benefits is determined by discounting estimated future cash outflows using the discount rate.

Profits and losses on account of adjustment of assumptions related to long-term employee benefits increase costs or income in the statement of comprehensive income during an average anticipated staff employment period.
Termination benefits are disclosed as liabilities and costs when an employee (or employees) was dismissed before reaching the pensionable age or when the termination benefit was assured as a result of the company encouraging a given employee to a voluntary departure from work.

The equity compensation employee benefits include benefits in such forms as shares, employee own share options and other equity instruments issued by the entity, as well as payments whose amount depends on the future market price of the entity's shares.

The fair value of the work performed by employees in exchange for granting share options increases costs. The total amount charged to costs during the period when employees acquire rights to realise share options is determined based on the fair value of allocated options, excluding effects of possible non-market conditions of acquiring the rights (e.g. objectives to be achieved as regards profitability and sales growth). Non-market conditions of acquiring rights are considered in assumptions related to the estimated number of options which can be realised. In the case of options whose realisation is based on non-market conditions, the entity verifies its estimates as at each balance sheet date. The effect of possible verification of primary estimates is disclosed in the statement of comprehensive income, corresponding to equity during the remaining vesting period.

Proceeds from the realisation of options (reduced by transaction costs directly related to the realisation) are attributed to share capital (nominal value) and to capital redemption reserve from the sales of shares above their nominal value.

The Company does not offer its employees participation in any programmes related to benefits after the employment period.

The Company has remuneration programmes based on and regulated by shares. The Company adapted its accounting books to the regulations stipulated in IFRS 2.

Programmes of payments with equity instruments are addressed to selected employees from the MCI and MCI Management SA Group. These programmes may have a twofold form of settlement - through the delivery of equity instruments or through cash settlements.

Programmes settled through the delivery of equity instruments are measured at fair value at their commencement. Fair value determined in this way is settled in costs during the period from the programme commencement to the moment when the programme's contributors meet all conditions to acquire absolute right to take equity instruments. Fair value charged to costs is adjusted based on assumptions related to the actual possibility of exercising rights to equity instruments.

Fair value is determined by applying foresight models (binomial model) whose selection and detailed implementation depends on programme specificity. The expected period till the moment of instrument realisation applied in the model is adjusted based on Directors' best estimates, on the effect of lack of possibility to realise the instrument, limitations in its realisation and behavioural reasons.

In the case of programmes assuming cash settlements, liabilities which equal to part of delivered goods of provided services are recognised at fair value determined at each balance sheet date.

Share-based payments

Share-based payments settled in equity instruments (shares or share options) for the benefit of employees and other persons providing similar services are measured at fair value of equity instruments when these were agreed.

Fair value of share-based payments settled in equity instruments and defined on the day when they were agreed are recognised in costs using the straight-line method during the vesting period based on the Company's estimates related to the equity instruments to which it will eventually acquire rights.

At each reporting date the Company verifies estimates related to the number of equity instruments which are foreseen to grant. Possible effect of the verification of primary estimates is disclosed in the statement of comprehensive income during the remaining period of the grant with a relevant adjustment in the equity reserves for employee benefits settled in equity instruments.

Transactions with other parties related to share-based payments and settled with the equity method are measured at fair value of received goods or services except for situations when this value cannot be reliably measured. In such situations the basis for valuation is fair value of granted equity instruments measured at the day when the entity received goods or services from the supplier. In the case of share-based payments settled with cash, one shall recognise liabilities at a value proportional to the participation in the value of received goods or services. This liability is disclosed in the present fair value determined at each balance sheet date.

Taxes

The obligatory charges to profit include current tax and deferred tax.

Current income tax related to components distinguished directly in equity is identified directly in equity and not in the statement of comprehensive income.

Deferred tax is calculated using the balance sheet method as tax to be paid or reimbursed in the future on differences between the carrying values of assets and liabilities and the respective tax values applied to calculate the taxable amount.

Deferred tax provision is established on all positive temporary differences subject to taxation, whereas a component of deferred tax assets is recognised up to the amount in which it is likely to reduce future tax profits by recognised negative temporary differences. No deferred tax asset or liability is recognised when a temporary difference relates to goodwill or to the initial recognition of another asset or liability in a transaction which affects neither taxable income nor accounting profit.

Deferred tax provisions are recognised for temporary tax differences resulting from investments in subsidiaries and associated entities and joint ventures, unless MCI is able to control the moment of reversal of temporary difference and it is likely that in the foreseeable future the temporary difference will not reverse.

The value of the deferred tax component is subject to an analysis as at each reporting date and in the case when the expected future tax income is insufficient to realise the component of assets or part thereof, it is written off.

Deferred tax is calculated with tax rates which are applicable when the item of assets is realised or a liability becomes due. Deferred tax is recognised in the statement of comprehensive income, except for when it relates to items directly recognised in the equity. In the latter case deferred tax is also charged directly to equity.

Material deferred tax provisions are generated by temporal tax differences arising on revaluation of investments in subsidiaries, associates and joint ventures at fair value. Provisions relate both to investments whose changes to fair value are settled by profit or loss and to revaluation capital.

Value added tax

Income, costs and assets are recognised after reducing by the value added tax, except for:

- situations when the value added tax paid during the purchase of assets or services is not recoverable from tax authorities - then it is disclosed as part of the asset purchase costs or as a cost respectively,
- receivables and payables which are recognised including value added tax.

The net amount of VAT recoverable from or due to tax authorities is recognised in the statement of financial position as part of receivables or payables.

Goodwill

Goodwill is an excess of costs of the business combination (or of acquisition of subsidiary, associate or joint venture at the acquisition date), including transaction costs, over the Group's participation in fair value of given net assets possible to identify, including contingent liabilities at the purchase date. Goodwill corresponds to a payment made by the purchasing entity in anticipation of future economic benefits from assets which cannot be individually identified or recognised.

<u>Impairment tests and cash generating units ("CGU")</u>

In line with IFRS 3 "Business combinations" goodwill is not subject to depreciation, but it is subject to impairment test at least once a year or more often if an indication of impairment occurred. In line with IAS 36 "Impairment of assets" it is required that impairment tests are conducted at each cash generating unit to which goodwill has been allocated (CGU is defined as the smallest group of assets which generates cash proceeds which are to a large extent independent from cash proceeds from other assets or groups thereof). Goodwill is allocated to these single CGU or CGU groups from which synergy from the business combination is expected.

<u>Recoverable amount</u>

To determine if impairment write-off should be identified, one compares carrying value of assets and liabilities of a given CGU (or CGU groups), together with goodwill assigned to them, with their recoverable amount.

Recoverable amount corresponds to fair value less costs of sales of an asset component or less value-in-use depending on which one is higher.

Fair value less costs of sales is the best estimate of the amount possible to receive from the sales of CGU at market conditions between knowledgeable willing parties to a transaction, less costs of disposal. This estimate is determined based on available market information and specific terms of the transaction.

Value-in-use is a present estimated value of future cash flows generated by CGU or CGU group including goodwill. Estimates of cash flows are based on market assumptions and projected business terms. Estimates of cash flows are discounted with a relevant discount rate for given operations.

If the CGU recoverable amount to which goodwill has been allocated is lower than its carrying value, then impairment losses are recognised to the amount of the difference. Impairment write-off is in the first place charged to goodwill, reducing the company's value, and then proportionally to other CGU assets.

Impairment write-offs are disclosed in the statement of comprehensive income as a decrease of operating profit. Such impairment write-offs cannot be reversed. When selling a subsidiary, associate or joint venture a relevant part of goodwill is taken into account when calculating profit or loss on sales.

Goodwill established before the date of changing the IFRS rules was recognised in the books at the value determined in line with previously applied accounting policies and was subject to impairment tests as at the date of transition to IFRS.

Intangible assets (exclusive of goodwill)

Acquired computer software licenses are activated at costs incurred to purchase and prepare to use a given piece of computer software.

Software is depreciated with a straight-line method during the economic useful life not longer than 3 years (in justified situations this period may not exceed 5 years).

Impairment

As at each balance sheet date the Company reviews net values of non-current assets to state if there are premises which indicate the possibility of non-current assets impairment. When the existence of such premises was confirmed, one estimates the recoverable amount of a given asset component to establish a possible write-off. In a situation when an asset component does not generate cash flows which to a large extent are independent from cash flows generated by other assets, the analysis is conducted for a group of assets generating cash flows which a given asset component belongs to.

In the case of intangible assets with indefinite useful life the impairment test is conducted annually and, additionally, when there are premises indicating the possibility of impairment.

The recoverable amount is determined as the higher of two values: fair value less costs of sales or the value-in-use. The latter corresponds to the present value of estimates of the future cash flows discounted with the discount rate including the present market value of money in time and the risk specific to a given asset.

If the recoverable amount is lower than net book value of an asset component (or group of assets), the book value is reduced to the value of recoverable amount. The impairment loss is recognised as a cost in the period when it occurred, except for situations when an asset component was recognised in revaluated amount (then the impairment loss is treated as a decrease of the previous revaluation).

When the impairment is then reversed, the net value of the asset component (or group of assets) is increased to the newly estimated recoverable amount, however not higher than the net value of this asset component which would have been estimated if the impairment had not been identified in the previous years. The reversal of impairment is recognised as revenue, granted that the asset component was previously not subject to revaluation - in such case the reversal of impairment is charged to revaluation capital.

Financial instruments

Assets and financial liabilities are disclosed in the Company's balance sheet at the moment when MCI Management SA becomes a party to a binding agreement.

Borrowings and receivables

Trade receivables, borrowings and other receivables of fixed or negotiable terms of payment which are not traded on the active market are classified as borrowings and receivables. They are measured at depreciated cost with the effective interest rate method including impairment. Interest income is recognised using the effective interest rate method except for short-term receivables where the recognition of interest would be immaterial.

Trade liabilities

Trade liabilities are not an interest instrument and are recognised in the balance sheet at nominal value.

Investments are recognised on the purchase date and removed from the Financial Statements on the sales date if the contract requires to deliver them in the period determined by a relevant market and their initial value is measured at fair value less transaction costs, except for these assets which are classified as financial assets initially measured at fair value through profit or loss.

Financial assets are classified as: financial assets measured at fair value through profit or loss, held-to-maturity investments, financial assets available for sales and borrowings and receivables. The classification depends on the nature and destination of financial assets and it is defined at the moment of initial recognition.

Financial assets measured at fair value through profit or loss

This group includes financial assets intended for sale or measured at fair value through profit or loss.

The financial asset component is classified as intended for trade, if:
- it was purchased primarily with the aim of resale in the near future; or
- it is part of a specified portfolio of financial instruments which the Company manages together, in line with the present and actual model of generating short-term profits; or
- it is a derivative not classified and not functioning as hedge.

The financial asset component other than intended for trade may be classified as measured at fair value through profit or loss when initially recognised, if:
- such classification eliminates or materially reduces the inconsistency of measurement or recognition taking place in other circumstances; or
- the financial asset component belongs to the group of financial assets or liabilities, or to these both groups being managed, and its profits or losses are measured at fair value in line with the documented strategy or the principles of risk and investment management of the Company where information on the group of assets is passed internally (to key management); or
- the asset component is part of the contract including one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and measurement" allows to classify the whole contract (asset or liability component) as measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are disclosed at fair value, and profits or losses are recognised in the statement of comprehensive income. Net profit or loss recognised in the statement of comprehensive income includes dividends or interest generated by a given financial asset component.

Held-to-maturity investments

Investments and other financial assets, except for derivatives, of fixed or negotiable payment conditions and fixed maturity dates which the Company wants to and can hold to the moment of maturity are classified as held-to-maturity investments. They are disclosed at depreciated costs using the effective interest method, less impairment, whereas income is recognised using the effective income method.

Financial assets available for sale

Shares and redeemable bonds not listed on the stock exchange which are owned by the Company and are traded on the active market are classified as assets available for sale and are recognised at fair value. Profits and losses resulting from changes to fair value are recognised directly in equity, in equity reserves, except for impairment write-offs, interests calculated using the effective interest rate and negative and positive translation differences related to monetary assets which are disclosed directly in the profit and loss account. In the case of disposal of investment or its impairment, the accumulated profit or loss previously recognised as revaluation equity reserves is disclosed in the statement of comprehensive income for the period. Dividends on equity instruments available for sale are recognised in the statement of comprehensive income at the moment when the Company obtains rights to receive them. Fair value of monetary assets available for sale denominated in foreign currencies is determined translating these currencies with the spot exchange rate as at the balance sheet date. A change to fair value of translation differences resulting from the change of the depreciated historic cost of a given asset component is disclosed in the statement of comprehensive income, whereas the remaining changes are recognised in equity.

Impairment of financial assets

Financial assets, except for these measured at fair value through the profit or loss, are assessed for impairment at each balance sheet date. Financial assets become impaired when there are objective premises that events which took place after the initial recognition of a given asset component affected the estimated future cash flows related to the asset component in a negative way.

In the case of not-listed shares classified as available for sale, material or long-term impairment of securities fair value below their cost is acknowledged as objective evidence of their impairment.

If some categories of financial assets, e.g. trade receivables, certain assets which have not been impaired, are tested for impairment together. Objective evidence for impairment of receivables portfolio includes the Company's experience in the process of debt collection; increased number of late payments on average above 90 days and noticeable changes to domestic or local economy which are related to instances of late payments.

In the case of financial assets recognised at depreciated cost, the amount of impairment write-off represents the difference between the carrying value of the asset component and the present value of estimated future cash flows discounted based on the original effective interest rate of the financial asset component.

The carrying value of financial assets is reduced with impairment write-off directly for all assets of this type, except for trade receivables whose carrying value is reduced using an account which adjusts their original value. If trade receivables are uncollectible, they are charged to the impairment write-off account. However, if the amounts written-off previously are recovered, the write-off account is appropriately credited. Balance sheet changes in the impairment write-off account are recognised in the statement of comprehensive income as other operating income and costs.

Except for financial instruments available for sale, if in the following accounting period the impairment amount decreases and this decrease can be related to an event which took place after the recognition of the impairment, the impairment write-off recognised previously is reversed in the statement of comprehensive income if the investment value as at the date of the impairment reversal does not exceed the depreciated cost which would arise if the impairment was not recognised.

Impairment write-offs for equity securities intended for sale previously recognised through profit or loss are not subject to reversal through this profit or loss. All increases of fair value taking place after the impairment are recognised directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset component exclusively when contractual rights to generate cash flows by such asset component cease, or when the financial asset component, including all risks and benefits related to its possession, are transferred to another entity. If the Company does not transfer or keep the risk and all benefits related to the possession of the asset component and keeps control of it, the Company recognises the retained interest in this asset component and related liabilities due to potential payments. However, if the Company retains all risks and benefits related to the moved asset component, it still recognises the relevant financial asset component.

Financial liabilities and equity instruments issued by the Company

Debt and equity instruments are classified as financial liabilities or equity, depending on the contractual agreements.

Equity instruments

An equity instrument is each contract which confirms the participation in the entity's assets after deducting all of the entity's liabilities. Equity instruments issued by the Company are recognised at cost of received inflows less direct issue costs.

Financial instruments with a disposal option may be represented as equity if, and only if, they meet all of the conditions below:

- their owner has the right to proportional participation in the entity's net assets in the event of its liquidation;
- the instrument belongs to the class of instruments which are the most subordinate and all instruments in this class have identical features;
- the instrument does not have other features which would match the definition of a financial liability; and

– a total of foreseen cash flows for this instrument during its payment period is based primarily on profit or loss, on changes in recognised net assets or changes in fair value of recognised and unrecognised net assets of the entity (exclusive of any effects of the instrument). Profit or loss or the change in the recognised net assets are measured in line with relevant IFRS. The entity cannot have other instruments which would materially reduce or define a fixed reimbursement amount for the holder of the financial instrument with the possibility to sale.

The classification criteria of instruments as equity requiring to pass to the instrument holder a proportional participation in the entity's net assets in the event of liquidation are based on the same principles as presented above, except for points (c) and (d) which do not apply.

If a subsidiary issues this type of instruments which are in the possession of entities which do not control the subsidiary and were presented as equity in the Financial Statements of this company, they are recognised as liabilities in the consolidated Financial Statements, because this instrument will not be the most subordinate instrument in the capital group.

The costs of shares issue and own shares

External costs directly related to the issue of shares decrease the value of the capital from the issue of shares above their nominal value. Other costs are charged to the income statement when they are incurred.

If MCI or its subsidiaries purchase the Company's equity instruments, the amount paid, with costs directly related to this purchase, decreases the share capital allocated to the Company's shareholders and is represented separately in the statement of financial standing as "Own shares" until the shares are redeemed or reissued. Purchase, disposal, issue or redemption of shares do not cause the recognition of any gains or losses in the Company's profit or loss.

Own shares are recognised as at the date of the transaction settlement.

Liabilities arising from financial guarantee contracts

Liabilities on account of financial guarantee contracts are originally measured at fair value and then at the higher of the two values:
– amount of the contractual liability defined in line with IAS 37 "Provisions, contingent liabilities and contingent assets" and
– originally recognised amount reduced in certain cases by redemption recognised in line with the principles of income recognition.

Financial liabilities

Financial liabilities are classified as measured at fair value through profit or loss or as other financial liabilities.

Financial liabilities measured at fair value through profit or loss

This category contains financial liabilities intended for sale or defined as measured at fair value through profit or loss. A financial liability is classified as intended for sale if:
– it was taken primarily to repurchase in the short term;
– it is part of a defined portfolio of financial instruments which are managed by the Company in line with the present and actual model of generating short-term profits, or
– it is a derivative not classified and not functioning as hedge.

Financial liabilities other than intended for sale may be classified as measured at fair value through profit or loss at the moment of original recognition if:
– such classification eliminates or materially reduces inconsistency of measurement or recognition which would take place under different conditions; or
– a financial asset component belongs to a group of financial assets or liabilities, or to both of these groups being managed, and its profit or loss is measured at fair value in line with the documented strategy of managing the risk and investments of the Company where information on grouping assets is passed internally, or
– it is part of a contract including one or more embedded derivatives and IAS 39 allows to classify the whole contract (asset or liability component) to items measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit and loss are recognised at fair value and resulting profit or loss is recognised in the statement of comprehensive income including interest paid on a given financial liability.

Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are originally measured at fair value, less transaction costs.

Then they are measured at depreciated historic cost using the effective interest rate method and interest costs are recognised with the effective income method.

The effective interest rate method is applied to calculate the cost of the liability and to allocate interest costs in the appropriate period. The effective interest rate actually discounts future cash payments over the intended service life of a given liability or over a shorter period, when necessary.

Derecognition of financial liabilities

The company derecognises financial liabilities only when the Company's relevant liabilities are discharged, cancelled or expired.

Provisions for liabilities

Provisions for liabilities are established when the Company is under present obligation (legal or customary) resulting from past events and it is probable that meeting this obligation will cause a reduction of the Company's economic benefits and that one may reliably estimate the liability amount. Provisions for future operating losses are not established.

Changes in the accounting standards

The Company's Financial Statements have been prepared according to International Financial Reporting Standards ("IFRS") approved of by the European Union, applicable as at 31 December 2013.

In 2013 the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and authorised for use in the EU, applicable to the Company's operations and relevant for the accounting period from 1 January 2013. The adoption of new and approved of EU standards and interpretations did not cause changes in the Company's accounting policies affecting the figures disclosed in the Financial Statements for 2013 and 2012.

The Company did not use the possibility to an earlier application of the new Standards and Interpretations which have already been published and approved of by the EU and which will be in force after the balance sheet date.

These principles were applied in all presented periods in a continuous manner.

CAPITAL GROUP

MCI MANAGEMENT S.A.

Directors' Report
for the reporting period from
1 January to 31 December 2013

Translation from the Polish original

DIRECTORS' REPORT FOR THE REPORTING PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

1. Characteristics of the operations of Capital Group MCI Management S.A.

MCI MANAGEMENT S.A. („MCI", „Company") was established in 1999 and is one of the leading *private equity* groups in the CEE region managing a diversified portfolio of *venture capital*, *buy-out/ expansion* investments. MCI Group takes interest in investments in the sector of new technologies related to the Internet, IT distribution and TMT sector.

In 2013 MCI's consolidated net profit was MPLN 186 and attained 33% return on equity as compared to equity levels at the end of 2012. Net assets were MPLN 763.
As at the end of 2013 assets under management were bn PLN 1,1 as compared to MPLN 830 as at the end of 2012 and exceeded bn PLN 1 for the first time in history.

MCI Capital Group has runs its business in two segments – asset management and investments in portfolio assets through dedicated investment funds.

MCI Capital Group's strategic project in 2014 will be to go public with an asset managing company Private Equity Managers (the second segment described below). In 2014 MCI plans to sale a considerable number of this company's shares to external investors (financial and individual ones) and to managers employed in the company. The objective of PEM's IPO is to recognise the value and profit of MCI's asset management segment, obtaining liquidity which will be intended for new investments and objective asset measurement by the market. Connecting key managers with the Company through offering them PE's shares is also one of benefits related to PEM's going public.

Description of both segments of MCI's operations is presented below:

Segment of investments

MCI Group invests its assets through 6 investment funds applying diversified investment strategy. Funds make investments in investment assets in line with their investment strategy, from big *buyout* and *growth* investments (MCI.EuroVentures i MCI.TechVentures) through investments in small technological companies starting their operations (Helix Ventures i Internet Ventures) to debt instruments and property (MCI.CreditVentures).

Investments in portfolio companies are made for several years when a manager actively supports the development of companies and supervises the accomplishment of their business strategy and seeks opportunities for the asset disposal.

The table below presents MCI's biggest investment funds and their share in MCI's Capital Group assets:

Company	Measurement as at 31/12/2013 - according to MCI's share in Fund's assets	Share in assets MCI	Country
ABC Data	331,4	35%	Poland
Invia	79,4	8%	Czech
Indeks	64,8	7%	Turkey
KupiVip.ru	47,3	5%	Russia
Windlen.de	28,5	3%	Germany
Morele.net	27	3%	Poland
Property 19,1	2%	Poland	
Geewa	15,1	2%	Czech
Frisco	12,5	1%	Poland
Answear	11,9	1%	Poland
Total	**636,9**	**68%**	**-**
Cash and cash equivalents in the Group	199,221%-		
Other net items with Funds and PEM	103,9	11%	-
TOTAL ASSETS	***940***	***100%***	***-***

In the opinion of the Board of Directors MCI's competitive advantage is experience of its investment team composed of 6 Partners who are able to carry out complex investment projects in the field of new technologies. This results from the Company's 15-year experience in carrying out numerous investments. In this period the Company realised 19,7 % IRR on its investment activities.

Asset management segment

Capital Group Private Equity Managers S.A. („PEM"), whose sole direct and indirect shareholder as at the end of 2013 is MCI Management SA, plays a role of a company managing the funds with a capital share of MCI Management S.A. and external investors.

PEM attains cash income from fees for management which depends on the value of assets under management. The collected fees are *[translator's note: sentence ends]*

Funds under PEM's management invest primarily in fast growing companies from the technological sector in the CEE region and the net asset value grew at a rate of 20%-25% annually. This growth translated into an increased income of PEM's Group with very high profitability (net margin 70%).

In 2012 income from PEM management was circa MPLN 31, and EBITDA circa MPLN 24. In 2013 PEM doubled income from management and EBITDA mainly due to an increase of net asset value in the fund MCI.EuroVentures and, in the first time in PEM's history, due to collecting success fee in the fund MCI.EuroVentures. In 2013 income from management was MPLN 78,2 and EBITDA in this segment was circa MPLN 69.

2. Events materially affecting MCI's operations in 2013

A SUMMARY OF THE MOST IMPORTANT EVENTS IN THE PERIOD JANUARY-DECEMBER 2013 AND IN 2014 UNTIL THE REPORTING DATE

- March - First investment of MCI Group in Turkey through taking up 20% shares of Indeks Bilgisayar. Indeks Bilgisayar operating on the IT distribution market in Turkey since 2001 is undisputed leader in sales of IT equipment on the local market with a share of circa 27% and annual revenues of over M USD 850, i.e. twice as high as its largest competitor. The company is also 8th largest Turkish ICT firm and its objective is to become one of five largest IT firms in Europe. In May 2013 MCI realised a part of profit on the new investment and received circa MPLN 5 as dividends;

- April and June - Issue of ordinary bonds of H1 and H2 series totalling MPLN 55,8. Cash from the sales of debt securities was intended for new investments;

- July - Investment in Answear.com - the largest multibrand Internet clothes store in Poland and ECC offering over 200 most popular global brands of clothing, shoes and accessories in Poland; MCI took up 27% shares in the company;

- September – realisation of a partial exit from Invia.cz, sales of minority shares to Mezzanine Management and dividend payment (proceeds of MPLN 28)

- December – obtaining MPLN 30 from bonds H3 series;

- February 2014 – taking up 20% shares in a company dominant to Wirtualna Polska S.A.

CHANGES TO MCI'S MANAGING TEAM

On 17 March 2014 the most important personnel change took place in MCI - Cezary Smorszczewski was appointed Chairman of the Board of Directors in MCI.

As a result of the new appointment, current Chairman of the Board, Tomasz Czechowicz, by decision of the Company's Supervisory Board, took a position of the Vice Chairman of the Board of Directors. The Supervisory Board's resolution became effective as of the day of its adoption.

The appointment of Cezary Smorszczewski for the position of Chairman strengthened MCI's competences within buyout investments and the Company's position on foreign markets, particularly in Central Eastern Europe. Mr Smorszczewski became also important shareholder of Private Equity Managers S.A. and supports MCI in fund-and debtraising and carrying out PEM's IPO.

Tomasz Czechowicz shall remain Member of the Board of Directors and he will perform a key role. The former Chairman will focus on investing activities in the Internet and new technologies sector and in portfolio management of current investments.

3. Events after 31 December 2013 which can materially affect the future profit/loss

In the Directors' opinion as at the reporting date of this Directors' report no events which could materially affect the future profit/loss of the company and its figures took place.

4. Anticipated development of MCI Group

In 2014 MCI Directors set ambitious strategic goals for 2014.

Firstly, the Board of Directors intends to continue the dynamic investment operations spending on this purpose at least MPLN 305 as well as attain a comparable return on invested equity (ROE) at a similar level as in 2013 (at least 30%, which will enable to increase asset value per share up to circa PLN 16,5).

Furthermore, the biggest strategic project for 2014 will be PRE-IPO planned at the turn of 1Q and 2Q (pre-sales of shares to managers), and then PEM's IPO on Warsaw Stock Exchange by the end of 2014. The intention of MCI is sales of PEM's majority shares in transactions mentioned above, but remaining owner of PEM S.A.'s material shares as part of portfolio investment of MCI.EuroVentures fund.

5. Current and expected financial standing of MCI Management S.A. and key figures

In 2013 MCI Management S.A. Group attained a consolidated net profit of MPLN 186. In this period its net assets value increased almost to MPLN 763.

The attained net profit resulted from the increase of the value of financial assets - certificates of the funds MCI. EuroVentures and MCI. TechVentures and income from management attained by PEM.

The profit/ loss for 2013 may be divided into the following components:

- Revenue from management - MPLN 78,2
- Increased value of certificates of MCI.EuroVentures - MPLN 119 attained mainly due to a dividend from Indeks and ABC Data and increased value of ABC Data SA's shares
- Increased value of certificates of MCI.Tech Ventures - MPLN 27
- Operating costs incurred in 2013 - MPLN 28
- and restatement of other figures decreasing the net profit/loss by MPLN 10.

As at the balance sheet date the main Company's figures were as follows:

Ratios

	2013	2012	Change r/r
MCI's rate	**PLN 9,62**	PLN 6,37	+51%
capitalisation	**M PLN 601**	M PLN 397	+51%
AUM	**M PLN 1.087**	M PLN 830	+31%
P/BV	**0,79**	0,69	+14%
debt/capital*	**15,7%**	11%	

*Only debt outside the group, bonds and notes extra

Analysis of these ratios show that the Group's financial and economic situation is favourable. Assets (of which 68% financial assets) are financed with equity (debt financing ration is 15,7% of net assets and has remained on a very low level for years).

Net assets per share – a very important ratio showing the value of investment per equity item – was PLN12,2/ share and still remains considerably higher than MCI's share value as at the balance sheet date - PLN 9,62.

6. Directors' information related to the realisation of forecasts of profit/ loss for 2013 and oncoming years

FORECASTS AND ESTIMATES OF PROFIT/LOSS FOR 2014

On 15 May 2013 the Company announced in its current report No.16/2013 a forecast of a consolidated profit/loss for MCI Management S.A.for the first 6 months of 2013.
The consolidated net profit/loss as at 30 June 2013 was estimated at circa MPLN 90. The forecast was accomplished, Capital Group MCI's net profit/ loss as at 30 June was MPLN 91,2.

On 29 August 2013 the Board of Directors published in its current report a forecast of profit/ loss for the year. The estimates were as follows:

- Consolidated net profit/ loss as at the end of 2013 was estimated at MPLN 170;
- Assets under management as at the end of 2013 were estimated at bn PLN 1,1 and net assets (NAV) at MPLN 740. Revenues from managing investment funds were estimated at MPLN 49;
- Revenues from the sales of assets as at the Financial Statements publication date were estimated at MPLN 100.

The Board of Directors assessed the realisation of forecasts at the end of each quarter based on the revaluation of assets in Capital Group MCI and on assumptions based on which the forecast was prepared. If the estimated net profit/loss materially deviated from forecasts (above 10%) the Board of Directors made a decision on changes/ adjustments to forecasts in current reports.
Having assessed the annual forecast realisation MCI published on 14 January 2014 estimates of annual profit/ loss changing the forecast described above. Estimates published in the report are as follows:

- Consolidated net profit/ loss as at the end of 2013 was estimated at MPLN 170 – final consolidated net profit/ loss as at the end of 2013 was estimated at MPLN 189;
- Assets under management as at the end of 2013 were estimated at bn PLN 1,1 - estimates confirmed this sum, and net assets (NAV) estimated at MPLN 740 were adjusted to MPLN 766. Revenues from managing investment funds previously estimated at MPLN 49, attained the value of MPLN 77,3;
- Net asset value per share was estimated at PLN 12,2.

Final profit/ loss attained at the end of 2013 did not materially deviate from estimations above, hence the Board of Directors did not adjust estimates published in January 2014.

FORECASTS OF PROFIT/LOSS FOR 2014

On 18 December 2013 the Directors of MCI Managements S.A. informed about a forecast of consolidated figures which Capital Group MCI intended to attain as at the end of 2014:

- net asset value per share as at the end of 2014 was estimated at PLN 16,50
- the value of new investments realised by funds from the Capital Group MCI shall be not less than MPLN 305 in 2014

Forecasts were made based on:

- The forecast was prepared based on an assumption that the realisation of priorities for the Capital Group in 2014 shall be not less than 50% as defined in the plan
- The forecast acknowledges impact which PEM S.A. may have on MCI IPO which is planned for the first half-year of 2014
- The forecasts above base on an assumption of good situation on the stock exchange in 2014 and increase of WIG index by at least 5% as compared to its value as at the date of this forecast and on GDP increase in Poland at least by 2% in 2014.

The Board of Directors of MCI Management is obligated to assess the forecast realisation based on revaluation of assets in Capital Group MCI and of assumptions based on which the forecast was prepared. If the estimated net profit/loss materially deviated from forecasts (above 10%) the Board of Directors made a decision on changes/ adjustments to forecasts in current reports.

7. Description of basic risks and threats

INVESTMENT RISK

Risk of *venture capital* investments

The essence of the venture capital investments is the possibility of obtaining higher rates of return through investing in projects of higher risk level.

Prior to making a venture capital investment, a business plan needs to be thoroughly analysed, which, however, does not always ensure that company development will go as planned. This relates particularly to technology innovations which have yet no use on the market, hence, are difficult to evaluate. If a business model of a company is not successful, it can negatively affect the value of investment, of which also incurring losses. As a result, this could negatively affect the company's profit through decreased value of assets under management.

Risk related to measurement of managed companies affecting the value of assets under management

Once a quarter the MCI Group measures the fair value of assets held in funds, and the measurement value translates to the value of assets under management and the level of received remuneration.

Measurements are confirmed by auditors. Measurement methods are partly based directly on m arket prices of listed companies or on comparative figures of companies listed on stock exchange in Poland and abroad. Hence, there is a risk of lower results of CG MCI (reflecting changes to measurements mentioned above) if there is downturn on stock exchanges.

Funds managed by a company from Capital Group MCI invest their capital for 5 to 10 years. Companies whose securities are not listed on the stock exchange receive financing. Hence, liquidity of such investments is limited and the profit is realised through disposal of a company's shares usually to sector investors or financial investors. It is not certain if the funds find buyers for their investments in future and if they are able to achieve planned rates of return. The risk of economic downturn and downturn on stock exchange may additionally make it more difficult to exit or materially restrict the potential rate of return. As a result, this could negatively affect the CG MCI's profit/loss.

Competition risk related to acquiring new investment projects

The CG MCI's development is closely linked to possibilities of making new investments in promising and technologically advanced economic projects. The market observes increased competition of other funds (*venture capital, private equity*) and *business angels* interested in making investments in companies from the sector of new technologies. The MCI Group's Board of Directors has addressed this risk through geographical expansion to new and perspective markets where the competition is smaller and through team development. A material competitive advantage of MCI Management S.A. is its recognition in Poland and abroad, which allows to win new projects.

Risk related to the structure of funds' investment portfolio

An important aspect of creating the portfolio is its appropriate diversification, which aims at mitigating the investment risk. The Company tries to mitigate this risk through limiting the level of capital invested in one project. However, as at the publication date of the Financial Statements the portfolio of managed investment funds includes one company slightly exceeding this level - ABC Data S.A.

Risk related to managers

Achieving dynamic growth of the Company depends on the quality of managers work. Personnel responsible for managing funds and portfolio companies are key to the process of building the value of Group's assets. There is a risk of deteriorating the efficiency of work or resigning of key personnel which can negatively affect the Company's operations. To mitigate this risk MCI runs active personnel policy, seeks new talents and has motivation systems which allow to keep key persons in the company for many years (option programmes).

Foreign exchange risk

Funds make investments also in currencies other that zloty. Such investments constitute circa 30% of the portfolio. Also proceeds from disposal of investments may be in currencies other than zloty. Due to this fact, currency fluctuations will affect the reported investment value which will fall if zloty is appreciated against other currencies in which particular investments are run. Fluctuations of investment currencies (due to lower measurements or lower income from sales of investments) may lower the value of assets under management and hence lead to a decrease of MCI revenues. The Board of Directors tries to address this risk through fundraising for such investments (e.g. bank loans) in a currency in which investments are made, which allows to secure this risk.

Hedging instruments may be applied only temporarily if the investment time horizon is known, e.g. for planned sales.

RISK FACTORS RLEATED TO ENVIRONMENT IN WHICH MCI GROUP RUNS ITS OPERATIONS

Risk of changes to the legal, tax, regulations and economy system

In the MCI Group's environment changes to the legal, tax, regulations and economy system may take place. This may result in changes in the economical situation such as increase of interest rates, economic downturn, worsened situation in the industry sector in which the company operates or invests, and other regulatory changes affecting the taxation of revenues obtained by the Company. These elements may negatively affect the Company's profit/loss.

Risk of downturn in the sector of innovative technologies

The majority of the current investment portfolio of the managed funds, as well as their planned investments, is realised in the sector of innovative technologies. A downturn in this sector may materially affect the number and scope of investment projects realised by the funds, as well as their profitability, which in turn, may lead to material decrease of the Company's profit/ loss.

Political risk

Political and economic situation in some countries where MIC Group's funds invested, or intend to invest in future, may be instable, which may affect portfolio companies and their value. MCI tries to invest in such companies where founding members and other funds present on the market are investment partners who know market specifics.

8. Information on the purchase of own shares

In MCI Management SA

In the current period (2013) the Company did not purchase own shares.

Information on the purchase of own shares of Private Equity Managers S.A. (PEM SA)

On 18 December 2013 the Extraordinary General Meeting of Shareholders of Private Equity Managers S.A. decided on redemption of 14.010.507 own shares in the company capital. The nominal value of redemption was TPLN 14 011. The redemption was performed through the purchase of own shares by Private Equity Managers S.A. with remuneration totalling TPLN 80 000.

As at the date of these Financial Statements the redemption of own shares was not registered in the National Court Register.

After registering the redemption the Company's share capital will be TPLN 3 335.

To pay for the purchased own shares, PEM SA issued B series bonds of a nominal value of TPLN 40.000 which were taken up by MCI Management S.A. and took a loan in Alior Bank S.A. of TPLN 40 000. The bonds were issued in December 2013 and taken up by MCI Management S.A. Then, the companies agreed to a mutual set-off of receivables.

9. Information on branches of MCI Management SA

In 2013 as well as at the reporting date MCI Management SA did not have any company branches.

10. Information on concluded agreements material for the operations of MCI Management S.A.

Issue of ordinary bonds of H1, H2 and H3 series

More information in the consolidated Financial Statements for 2013 in note No. 16 „Bonds"

Bill of exchange agreements

More information in the consolidated Financial Statements for 2013 in note No. 20 "Liabilities on bills of exchange".

Loan received in a subsidiary Private Equity Managers S.A.

Under the loan agreement with Alior Bank S.A. on 14 January 2014 the loan of TPLN 40 000 was disbursed. The loan was intended for the purchase of Private Equity Managers S.A. shares from MCI Management S.A. (for the purpose of their redemption). The loan was granted by 31 December 2018 and it bears interest based on WIBOR 3M rate increased by the margin. The capital payoff shall be made in 20 equal instalments of TPLN 2 000 each. The agreement interest rate is defined at WIBOR 3M plus 3,8%.

The amount of the received loan was intended for paying off the liabilities of Private Equity Managers S.A. on account of purchasing own shares intended for redemption.

11. Description of important transactions with subsidiaries

Taking up bonds of H1 series by AIP Sp. z o.o.

Alternative Investment Partners Sp. z o.o. took up 7.000 bonds of H1 series issued by MCI Management Sp. z o.o. of a total value of PLN 7,000.000. The bonds bear an interest rate based on a variable rate of WIBOR 6M increased by a 4,5% margin per annum. The bonds shall be redeemed on 11 April 2016. More information on bonds is presented in note No. 33 to the 2013 interim Financial Statements.

Information on other transactions concluded between MCI Management S.A. Group and related entities is presented in note No. 48 to the 2013 interim Financial Statements "Transactions with related entities".

Agreement with ABC Data S.A.

MCI Management S.A. in relation to ABC Data S.A. concluding on 27 June 2013 an agreement with a financial adviser, Jefferies International Limited, headquartered in London (hereinafter referred to as "Financial Adviser"), the object of which is that Financial Adviser analyses strategic opportunities of further development and expansion of ABC Data S.A. and, if justified based on such an analysis, a transaction of obtaining a strategic investor for ABC Data S.A.. *[translator's note: original sentence not clear due to a missing verb]* The transaction may be carried out through a purchase of considerable number of shares of ABC Data S.A. by this investor. On 27 June 2013 MCI concluded an agreement providing that remuneration to Financial Adviser - if relevant variants of a potential transaction are realised, if a decision on Transaction's realisation is made and if MCI is selling its shares, will be paid by MCI Management S.A.

Increase of share capital of MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A.

In October 2013 MCI Management S.A. increased share capital in its subsidiary MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A. by TPLN 100 through issuing a hundred thousand ordinary registered shares of a nominal value of PLN 1 per share and an issue price for each share of 676.458.415,00 (six hundred seventy six million four hundred fifty eight thousand four hundred fifteen) Polish zlotys.

Shares in the increased share capital of MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A. were fully taken up by MCI Management S.A. based on shares take up and disposal agreements concluded on 30.10.2013 and fully paid up with a non-cash contribution of 31.088.859 ordinary registered shares (non-preference shares) of series A, B, C, D, E, F and G of a nominal value of PLN 1 per share, i.e. of a total nominal value of PLN 31.088.859,00 MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A. headquartered in Warsaw, in which 100% shares were held by MCI Management S.A. The contribution was measured as at net assets value of a company, whose shares were a subject of the contribution.

Disposal of shares intended for redemption for the benefit of Private Equity Managers S.A. (PEM)

The agreement on shares disposal (Agreement) was concluded on 20 December 2013 between MCI as seller holding 100% shares in the share capital of PEM and PEM as buyer. Shares sold with the aim of redemption constituted circa 80% in PEM's share capital and authorised to 14.010.507 votes on PEM's general shareholders' meeting. After conclusion of the agreement, excluding shares purchased by PEM for redemption, MCI still holds 100% shares in PEM's share capital authorising to 3.335. votes on PEM's general shareholders' meeting. Selling price per share was PLN 5,71, a total of PLN 79.999.994,97 (Share Price payment deadline was settled as at a date not later than 31 January 2014).

The source of financing of the shares by PEM are bonds of B series issued by PEM on 20 December 2013 and taken up by MCI of a total value of PLN 40.000.000 (Bonds) and a bank loan up to PLN 40.000.000 in Alior Bank S.A.

On 20 December 2013 an offset agreement was concluded between MCI and PEM (Offset Agreement) by the power of which the Parties made an offset of MCI's receivables arising on the sale of shares of PLN 40.000.000 with PEM's receivables to MCI arising on the obligation to pay the Bonds issue price. The Parties agreed that the amount of MCI's not deducted receivables arising on Share Price of PLN 39.999.994,97 shall be paid pursuant to the Agreement.

Bill of exchange agreements

More information in the consolidated Financial Statements for 2013 in note No. 20 "Liabilities on bills of exchange".

12. Information on received loans, borrowing agreements, together with their maturity dates, on granted guarantees and securities constituting at least 10% of the issuer's equity

This information is presented in note No. 17 to the consolidated Financial Statements for 2013 "Bank loans and borrowings" and in note No. 29 "Guarantees and securities".

13. Information on granted loans with their maturity dates, on granted guarantees and securities, particularly on borrowings, guarantees and securities granted to the issuer's subsidiaries

This information is presented in note No. 13 to the consolidated Financial Statements for 2013 ”Borrowings granted” and in No. 29 "Guarantees and securities".

14. Information on issuer's organisational and capital relationships with other entities and defining its main domestic and foreign investments (securities, financial instruments, intangible assets and property), including capital investments made outside its related entities and a description of methods of their financing

Information on organisational and capital relationships and investments in MCI Management S.A. are described in the consolidated Financial Statements.

15. Litigations before court, arbitration authority or public administration authority

JTT Compensation

On 2 October 2006 proxies of MCI Management S.A. filed a lawsuit in the District Court of Wrocław against the State Treasury for payment of compensation of MPLN 38,5 on damages incurred and profits lost by MCI Management S.A., as a shareholder of JTT Computer S.A., which arose due to illegal activities of tax authorities. By the final Court of Appeals order of 31 March 2011 MCI received compensation of MPLN 46,6 (with interests). The State Treasury appealed against the order of the Court of Appeals by filing a cassation to the Supreme Court. On 26 April 2012 the Supreme Court dismissed the judgement favourable to MCI and submitted the case to further examination by the Court of Appeals. On 17 January 2013 the Court of Appeals upheld the judgement under appeal and again awarded MCI damages on account of JTT.

A detailed description of the litigation is presented in the Directors' report for the period from 1 January to 30 June 2013 in note No. 15.

On 17 January 2013 the State Treasury appealed to the Supreme Court against the second judgment of the Court of Appeals in Wrocław. The Supreme Court accepted the file for examination and settled a hearing date for 26 March 2014.

Counterclaim – claims for compensation Anna Hejka/MCI

On 2 April 2011 Anna Hejka requested the Company to pay her an amount of MPLN 30 as compensation claim for services provided by Anna Hejka in relation to the Issuer's investment in the company ABC Data S.A. Anna Hejka supports her claims against the Company based on Issuer's failing to perform contractual obligations as well as on delict (prohibited) actions as a result of which, as she states, she has been deprived of success fees.

On 31 August 2011 the Company filed against Anna Hejka a suit by writ of payment of PLN 250,525.00 with statutory interest on sums and dates specified in the claim. The sum under the writ of payment includes:

- PLN 107,348.83 as advance on remuneration and expenses which has never been returned to or settled with the Company,
- PLN 143,127.60 as contractual penalty to be paid to the Company in line with the agreement concluded in 2006 for the company's shares which were granted to Anna Hejka as advance payment and never returned.

On 31 August 2011 the Company filed a lawsuit to obligate Anna Hejka to declare her will and it requested to secure non-monetary claim prior to the initiation of the proceedings. Anna Hejka's declaration of will shall include her obligation to sell 46.470 Issuer's shares of the Series "H" to Alternative Investment Partners Sp. z o.o. The subject of the claim security would be a court's order prohibiting Anna Hejka to dispose of or encumber 46.470 series "H" shares registered on her securities account.

On 10 February 2012 Anna Hejka filed a counterclaim to the District Court in Płock for MCI Management S.A. paying for her benefit a sum of PLN 15,803,295 as compensation for her bonuses, fulfilling a function of a Board Member, for incentive programmes and other contractual matters settled between parties.

A detailed description of the litigation is presented in the Directors' report for the period from 1 January to 30 June 2013 in note No. 15.

As at the publication date of this report there were no changes to the litigations related to Anna Hejka. Further court hearings take place.

Administration proceedings imposing administration penalty on MCI Capital TFI S.A.

On 24 November 2010 the Polish Financial Supervision Authority with its decision (DPO/A2/476/57/25/09/10/EM) imposed on MCI Capital TFI a penalty of:

- PLN 50.000 for violating the participant interest of MCI.Private Ventures FIZ;
- PLN 50.000 for violation by MCI.PrivateVentures FIZ of statute provisions.

A detailed description of the litigation is presented in the Directors' report for the period from 1 January to 30 June 2013 in note No. 15.

With a decision of 22 May 2013 the Supreme Administrative Court overruled the decision of the Voivodship Administrative Court in Warsaw of 26 October 2011 dismissing the complaint against the decision of the Polish Financial Supervision Authority of 24 October 2010 and passed the case for a reconsideration to the Voivodship Administrative Court. As at the publication date of this report the litigation date has not been scheduled.

Administration proceedings imposing administration penalty on MCI Capital TFI S.A.

On 6 August 2012 administrative proceedings on imposing administration penalty on MCI Capital TFI S.A. commenced.

This related to possible breach by MCI Capital TFI S.A. of regulations relating to periodical reports and current information about company operations and financial standing as regards failing to inform on the commencement of litigation related to instituting by MCI Management S.A. proceedings on determining the non-existence of a legal relationship arising from the agreement concluded on 20 May 2009 on taking up 300.000 registered shares of H series in the increased share capital of MCI Capital TFI S.A.

The reason for filing the complaint was determining the right level of share capital in the National Court Register of MCI Capital TFI S.A. and its nature was formal.

A detailed description of the litigation is presented in the Directors' report for the period from 1 January to 30 June 2013 in note No. 15.

On 15 October 2013 the Polish Financial Supervision Authority annulled the previous decision of 6 November 2012 and imposed on MCI Capital TFI S.A. a penalty of TPLN 250. MCI Capital TFI S.A. paid the penalty.

Corporate income tax – JTT compensation

On 20 June 2011 the Company MCI SA requested the Ministry of Finance for the Ministry's interpretation related to the corporate income tax on the compensation received from the State Treasury for the significant loss on JTT shares held by MCI Management S.A. According to the Company, the compensation received from the State Treasury does not constitute taxable income. Tax authorities in their individual interpretation issued on 14 September 2011 considered the Company's standpoint incorrect, as a result of which the Company filed to the Voivodship Administrative Court against the issued interpretation. The Voivodship Administrative Court in Warsaw decided on 12 November 2012 that the file shall not be examined and stated that exemptions from taxation on compensations awarded based on provisions of the civil law could be used by the end of 1998, but this provision has been deleted. In January 2013 the Company appealed against the order of the Voivodship Administrative Court in Warsaw to the Supreme Administrative Court. As at the date of this report the date of further hearing in the Supreme Administrative Court was not settled.

A detailed description of the litigation is presented in the Directors' report for the period from 1 January to 30 June 2013 in note No. 15.

As at the date of this report there were no material changes relating to this litigation.

Tax liabilities on VAT for December 2007

On 1 August 2013 Director of the Tax Control Office issued a decision indicating an understatement of tax due on account of determined irregularities of PLN 995,634 for December 2007. The decision was made based on control proceedings brought about by the Director of the Tax Control Office in Warsaw of 4 December 2012. The proceedings under consideration comprised reliability and fairness of declared tax bases and correctness of calculating and paying VAT for December 2007.

The Director of the Tax Control Office found irregularities in the calculation of VAT liabilities resulting mainly from failing to issue a VAT invoice for activities performed in 2006-2007 for the benefit of ABC DATA Holding S.A. as well as from the sale of shares held by ABC Data Holding S.A.

On 16 August 2013 the Company appealed against the decision of the Director of the Tax Control Office to the Director of the Tax Chamber in Warsaw, appealing fully against the decision of the Tax Control Office. According to the Company the decision of the Tax Control Office is a breach of material tax law and proceedings. The Director of the Tax Chamber upheld the decision of the Tax Control Office. Toward the end of 2013 the Company paid tax liabilities resulting from the decision of the Tax Control Office with interest and on 3 January 2014 it appealed against the decision of the Tax Control Office to the Voivodship Administrative Court. As at the date of this report the date of further hearing in the Voivodship Administrative Court was not settled.

16. Issue of shares and Issuer's use of proceeds from the issue

In the reporting period the Company did not issue any new shares.

17. Management of the financial resources

Capital Group MCI Management S.A. issues bonds and holds pre-approved loans which give the Company financial security and allow to make new investments. Funds obtained in this way and income from disposing of new investments are used to make further investments. The Company's Directors plan to continue this policy. Free cash is invested in safe financial instruments or bank deposits. The Group aims at having so called safety buffer, i.e. significant inventories of day-to-day liquidity which allows the Company to react in a flexible way to arising investment opportunities.

18. Realisation of potential investment plans

Due to experience and considerable network of contacts and partners MCI Group has vast access to new investment projects. A very dynamic development of the Internet sector - constituting the main segment of the Group's interest - creates a number of investment opportunities. The Directors assess that with a day-to-day liquidity of MPLN 200 in the Group (cash and pre-approved loans) MCI is privileged as compared to its competitors and will be able to use the market investment potential.

19. Factors and unusual events affecting 2013 profit/ loss of MCI Management SA

No other factors or unusual events which could affect the Company's profit/loss for 2013 occurred in the Company's operations in 2013.

20. Factors which in the Company's opinion will affect the Company's profit/ loss for the following period

The main factors which will affect the Company's 2014 profit/ loss are: stock exchange prices and financial and operating profit/ loss of portfolio companies - this will materially affect the value of the Group's investment assets, the Group's profit/ loss and opportunities of the assets disposal.

The situation on capital markets translates into the situation on debt markets and into opportunities of winning new investments.

21. Changes to main principles of management in MCI Management S.A.

None reported.

22. Changes among personnel managing and supervising MCI Management S.A.

Composition of the Board of Directors of MCI Management S.A. in 2013:

- Tomasz Czechowicz – Chairman of the Board (throughout 2013)
- Norbert Biedrzycki – Vice Chairman of the Board (throughout 2013)
- Sylwester Janik – Member of the Board (until 28 June 2013 and from 17 July 2013)
- Magdalena Pasecka – Member of the Board (throughout 2013)
- Wojciech Marcińczyk – Member of the Board (throughout 2013)

Composition of the Supervisory Board of MCI Management S.A. in 2013:

- Hubert Janiszewski – Chairman of the Supervisory Board (throughout 2013)
- Dariusz Adamiuk – Member of the Supervisory Board (throughout 2013)
- Wojciech Siewierski – Member of the Supervisory Board (throughout 2013)
- Piotr Czapski – Member of the Supervisory Board (from 28 June 2013)
- Stanisław Kluza – Member of the Supervisory Board (from 15 July 2013)
- Marek Góra – Member of the Supervisory Board (until 28 June 2013)
- Jarosław Dąbrowski – Member of the Supervisory Board (until 28 June 2013)

Changes to the Board of Directors from the beginning of the period until the date of this report:

- On 8 April 2013 the Supervisory Board of MCI Management S.A. appointed Mr Tomasz Czechowicz for the position of Chairman of the Board of Directors for the next three years term of office.
- On 8 April 2013 the Supervisory Board of MCI Management S.A. appointed Mr Wojciech Marcińczyk for the position of Board Member.

As at the date of this report the composition of the Board of Directors was as follows:

- Tomasz Czechowicz – Chairman of the Board,
- Norbert Biedrzycki – Vice Chairman of the Board,
- Sylwester Janik – Member of the Board,
- Magdalena Pasecka – Member of the Board,
- Wojciech Marcińczyk – Member of the Board.

As at the beginning of 2013 the composition of the Supervisory Board was as follows:

- Hubert Janiszewski – Chairman of the Supervisory Board,
- Wojciech Siewierski – Member of the Supervisory Board,
- Jarosław Dąbrowski – Member of the Supervisory Board,
- Dariusz Adamiuk – Member of the Supervisory Board,
- Marek Góra – Member of the Supervisory Board.

Changes to the composition of the Supervisory Board from the beginning of the reporting period to the date of this report publication:

- On 28 June 2013 Mr Jarosław Dąbrowski resigned from the position of Member of the Supervisory Board. The resignation was effective as at 28 June 2013 and it did not contain justification.
- On 28 June 2013 the Ordinary General Meeting of MCI Management S.A. appointed Mr Piotr Czapski for the position of Member of the Supervisory Board for an individual term of office for three years.
- On 28 June 2013 Mr Marek Góra completed his three years term of office.

In relation to the above information as at the publication date of this report the composition of the Supervisory Board is as follows:

- Hubert Janiszewski – Chairman of the Supervisory Board,
- Wojciech Siewierski – Member of the Supervisory Board,
- Dariusz Adamiuk – Member of the Supervisory Board,
- Piotr Czapski – Member of the Supervisory Board,
- Stanisław Kluza – Member of the Supervisory Board.

23. Agreements concluded between MCI Management S.A. and the Management providing for a compensation in the case of their resignation or dismissal from current

Agreements concluded between MCI Management S.A. and the Management in 2013 do not provide for compensations in the case of their resignation or dismissal.

2. Information on total remuneration, bonuses or benefits, including these arising on incentive programmes (in cash, in kind or in any other form), paid or due, separately to persons managing and supervising the issuer in the issuer's organisation, regardless of whether they were recognised as costs or arose from profit sharing, and if the parent company is the issuer - separate information on remuneration and bonuses received for performing functions in governing bodies of subsidiaries

In the period from 1 January 2013 to 31 December 2013 net remuneration paid and gross remuneration due to MCI's Members of the Board of Directors and Supervisory Board were:

	Net remuneration paid by the Company in 2013 for 2013 in TPLN	Net remuneration paid by subsidiaries in 2013 for 2013 in TPLN
Board of Directors, of which:		
- Magdalena Pasecka	139	226
- Michał Chyczewski	171	
- Wojciech Marcińczyk	345	210
- Sylwester Janik	1 188	
Supervisory Board, of which:		
- Adam Niewiński	-	3
- Dariusz Adamiuk	17	3
- Wojciech Siewierski	-	-
- Stanisław Kluza	10	1
- Hubert Janiszewski	28	-
- Piotr Czapski	12	-
- Stanisław Kluza	9	-
- Marek Góra	2	-
- Jarosław Dąbrowski	2	

Information on incentive programmes for the Board of Directors and Supervisory Board is presented in note No. 32 to the consolidated Financial Statements "Incentive Programmes".

25. Shares held by persons managing and supervising MCI Management S.A.

According to the knowledge of MCI Management S.A., as at 18 March 2014 the number of shares held by persons managing the Company is as follows:

Board of Directors:

	Number of shares held	*Number of shares given under the option programme*
Tomasz Czechowicz	487 909	522 440
Norbert Biedrzycki	-	-
Magdalena Pasecka	9 305	100 000
Sylwester Janik	23 000	-
Wojciech Marcińczyk	-	-

Supervisory Board:

	Number of shares held	*Number of shares given under the option programme*
Hubert Janiszewski	21 467	-
Marek Góra	-	-
Wojciech Siewierski	15 681	-
Piotr Czapski	-	-
Dariusz Adamiuk	8 184	-

26. Majority shareholders

Shareholders	**Share in share capital**		**Share in No. of votes on Shareholders' Meeting**	
	No. of shares	**Share in share capital**	**No. of votes on Shareholders' Meeting**	**Share in No of votes on Shareholders' Meeting**
Alternative Investment Partners Sp. z o.o. (formerly: Immoventures Sp. z o.o.)	30 658 446*	49,10%	30 658 446	50,58%
Fundusze związane z Quercus Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna	4 287 938**	6,87%	4 287 938	7,00%
MCI Management Spółka Akcyjna	1 837 405*	2,94%		

* as at 12 March 2014
** as at 17 December 2013

The difference between share in share capital and share in No. of votes on Shareholders Meeting results from the fact that voting with own shares held by the Issuer is excluded.

27. Information on agreements as a result of which changes in the proportion of shares held by current bond- and shareholders may appear in the future

On 17 May 2012 the Ordinary Shareholders' Meeting of the company Private Equity Managers SA resolved the Incentive Programme for the Company's Supervisory Board for 2012 and rules of its organisation.

The Incentive Programme is addressed to members of the Supervisory Board through the right to purchase 0,025% of the Company's existing shares (share options), where "the Company's existing shares" means shares registered in the National Court Register as at 31 December 2012.

More information on this programme is presented in note No. 42 to the interim consolidated Financial Statements "Incentive programme based on issue of shares".

As at the date of this report shares (options) were not granted.

- On June 5 2010 the Ordinary Shareholders' Meeting of MCI Management S,A. acknowledging the Resolution No. 1 of the Supervisory Board of 25 April 2012 on the adoption of the Incentive Programme for 2012 for selected Company Board Members, made a resolution No. 19/ZWZ/2012 on issue of subscription warrants of "A" series with the right to take up "I" series shares and on exclusion of the rights to take up "A" series subscription warrants. More information on this programme is presented in note No. 42 of the interim consolidated Financial Statements "Incentive programme based on share issue."

In 2013 the Supervisory Board of MCI Management S.A. in relation to the realisation of priorities for 2012 resolved:

- to grant to the Chairman of the Board 95% of the maximum number of warrants dedicated to the Chairman in the Incentive Programme for 2012, which gives the right to take up 285 750 of the Company's shares - **the shares have not been taken up.** The shares have not been taken up by Tomasz Czechowicz because the consent of the Polish Financial Supervision Authority (KNF) is required for this purpose, which means control gained in an indirect manner of MCI Capital TFI S.A. Tomasz Czechowicz expects KNF's decision in this regard;
- to grant to the Company's CFO 100% of the maximal number of warrants dedicated to the Board Member and CFO in the Incentive programme for 2012, which gives the right to take up 100 000 of the Company's shares - **the shares have been taken up**.

- On 17 September 2012 the Extraordinary Shareholders Meeting of MCI Management S.A. resolved on conditional increase of share capital of MCI Management S.A. The Resolution was made as a consequence of the issue of shares convertible to G series bonds (more information on G series bonds issue is presented on note No. 32 of the interim consolidated Financial Statements for the first half-year of 2013 "G series bonds"). The conditional increase will take place through the issue of no more than 5.555.000 series Z ordinary bearer's shares of a nominal value PLN 1 each, of a total nominal value not higher than PLN 5.555.000. The only entitled to take up shares in the conditionally increased share capital will be bondholders of series G1, G2, G3, G4 and G5 bonds issued based on the resolution of the Company's Shareholders Meeting of 17 September 2012. The shares shall participate in a dividend.

As at the date of this report shares were not given.

- Changes in the proportion of held shares may take place also because the Company intended 1.837.405 of the Company's shares purchased by MCI Management S.A. *[translator's note: original not clear]*. More information in the note No. 8 of the Directors' Report for the first half-year of 2013 "Information on the purchase of own shares of MCI Management S.A."

30 356 shares were granted to Mr Sylwester Janik – Board Member of MCI Management S.A.

28. Indication of owners of securities which provide special control rights toward MCI Management S.A., with description of these rights

In line with §14 section 2 letter a) of the Issuer's Articles of Association as long as the shareholder Alternative Investment Partners Sp. z o.o. holds at least 20% votes on the Shareholders' Meeting - this shareholder appoints and dismisses 1 member of the Supervisory Board.

29. Information on the control system of employee shares programmes in MCI Management S.A.

Information on realised and planned incentive programmes is presented in note No. 32 to 2013 consolidated Financial Statements - "Incentive Programmes".

30. Indication of any limitations to the transfer of ownership and executing the voting rights from securities of MCI Management S.A.

As at the signing date of the consolidated Financial Statements for 2013 there are no restrictions related to transferring the ownership of securities of MCI Management S.A. and executing the voting rights therefrom, apart from own shares coming from the buyout of own shares where the voting right is excluded.

31. Remuneration to auditor carrying out half-year review and annual audit of individual and consolidated Financial Statements of MCI Management S.A.

Remuneration to auditor of the Financial Statements is presented in note No. 22 "Remuneration paid to auditor of the Financial Statements" in the Company's consolidated Financial Statements as at 31.12.2013.

Chairman of the Board of Directors
Tomasz Czechowicz

Vice Chairman of the Board of Directors
Sylwester Janik

Member of the Board of Directors
Magdalena Pasecka

Member of the Board of Directors
Wojciech Marcińczyk

Member of the Board of Directors
Norbert Biedrzycki

Warsaw, 18 March 2014

DIRECTOR'S STATEMENT ON THE FAIRNESS OF THE CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

Directors of MCI Management S.A. state hereby that to their best knowledge these annual consolidated Financial Statements for the reporting period from 01 January to 31 December 2013 and comparative figures were prepared in line with IAS/IFRS and the company's articles of association and that the comparative figures reflect in a true, fair and clear manner the issuer's asset and financial standing and its profit/loss and that the annual Director's report presents a true picture of the issuer's development and achievements , including a description of risks and threats.

Chairman of the Board of Directors
Tomasz Czechowicz

Vice Chairman of the Board of Directors
Sylwester Janik

Member of the Board of Directors
Magdalena Pasecka

Member of the Board of Directors
Wojciech Marcińczyk

Member of the Board of Directors
Norbert Biedrzycki

Warsaw, 18 March 2014

DIRECTORS' STATEMENT ON AUDITOR OF FINANCIAL STATEMENTS

Directors of MCI Management S.A. state hereby that the auditor carrying out audit of the annual consolidated Financial Statements for the reporting period from 01 January to 31 December 2013 was appointed the Company auditor in accordance with the law and that the auditor and licensed auditors who audited these Financial Statements met conditions to issue impartial and independent opinion and report on the audit in line with relevant provisions of domestic law.

Chairman of the Board of Directors
Tomasz Czechowicz

Vice Chairman of the Board of Directors
Sylwester Janik

Member of the Board of Directors
Magdalena Pasecka

Member of the Board of Directors
Wojciech Marcińczyk

Member of the Board of Directors
Norbert Biedrzycki

Warsaw, 18 March 2014