

Capital Group of Centrum Medyczne ENEL-MED S.A.

Management Board's Report on activity in the 1st half of 2014

Warsaw, 27 August 2014.



enel-med

CENTRUM MEDYCZNE

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1. BASIC INFORMATION ON THE CAPITAL GROUP OF CENTRUM MEDYCZNE ENEL-MED S.A.

1.1. Description of the activity of Centrum Medyczne ENEL-MED S.A.

Centrum Medyczne ENEL-MED S.A. is a private provider of medical services in Poland, that has been present on the Polish healthcare market since 1993.

The Company runs 19 medical facilities including 13 specialised multi-profile clinics (together with six in-company clinics) and two hospitals located in Warsaw.

Specialist multi-profile clinics are located in prime locations (including prestigious shopping centres or office buildings), in six major cities: in Warsaw (Zacisze Hospital, Atrium, Blue City, Arkadia, Puławska, Domaniewska, Centre), Kraków (Galeria Krakowska Centre), Poznań (Kupiec Poznański Centre), Łódź (Manufaktura Centre), Gdańsk (Grunwaldzka Centre) and in Wrocław (Arkady Wrocławskie Centre). In-company clinics, which are small branches situated on corporate client's premises, offering a basic range of services only to the employees of a given client, are located in Warsaw, Piła and Łódź. The only exception is the facility located in the Special Economic Zone, the Sub-Zone of Wrocław-Kobierzyce, which is used by the employees of companies belonging to the LG Cluster together with their families, as well as individual patients who are not employed in the companies with which ENEL-MED signed agreements on medical services. In addition to the above, the Company cooperates with nearly 1.300 partners whose clinics are located in localities where the Issuer does not have its own medical facilities.

Moreover, the Issuer runs two hospitals in Warsaw: the multi-specialisation 20-bed Zacisze Hospital and the 33-bed Centrum Hospital located at Aleja Solidarności 128. In hospitals, as well as in a specialist clinic in Gdańsk, ENEL-MED runs diagnostic centres equipped with magnetic resonance imaging and computed tomography devices (Centrum Hospital and Zacisze Hospital), as well as magnetic resonance imaging devices in Gdańsk.

The medical services provided by the Company include but are not limited to:

- primary and specialised outpatient care, including rehabilitation and surgical procedures, as well as outpatient treatment
- dental health care,
- diagnostic imaging tests (including tests performed using magnetic resonance, computed tomography scanner, ultrasound cameras and X-ray),
- hospitalisation, including surgical procedures and surgeries in selected specialisation areas, scheduled at Zacisze Hospital and Centrum Hospital,
- off-site medicine and emergency home visits, as well as medical care in case of sudden illness.

The Company offers a wide range of medical services (58 specialisations in total) to corporate clients with prepaid medical care packages, and to individual clients within medi-care health insurance, either against the payment or under the contract concluded between ENEL-MED and the National Health Fund. Furthermore, Centrum Medyczne ENEL-MED signed medical services contracts with numerous insurance companies, such as Allianz, PZU Pomoc, Generali, Inter Polska, Signal Iduna, and Uniq. The Company's settlements with the insurance companies are effected on a fee-for-service basis.

1.2. Management Board and Supervisory Board

The Management Board of Centrum Medyczne ENEL-MED S.A.



Adam Rozwadowski - President of the Management Board

Mr Rozwadowski has held the position of the President of the Management Board since 2006. A graduate of Gdańsk University of Technology. In the years 1972-1985, he worked at STOEN as the manager of the general technical department, and in the years 1985-1995 he worked as the Director of the Office of Design and Implementation of Investments. Since 1993, he has been managing Centrum Medyczne ENEL-MED, first as the General Director and later as the President of the Management Board. In addition, he is the Deputy President of the National Association of Private Hospitals [*Ogólnopolskie Stowarzyszenie Szpitali Prywatnych*] and a Member of the Management Board of Polish Union of Private Healthcare Employers [*Ogólnopolski Związek Pracodawców Prywatnej Służby Zdrowia*].



Jacek Rozwadowski - Vice-President of the Management Board

Mr Rozwadowski has been performing the duties of the Vice-President of the Management Board since 2009. He has been associated with the Company since 2002 and since 2008 he has held the position of the Managing Director. He is a graduate of the School of Business and Administration in Warsaw. Before joining the medical sector, he had been working in the automotive industry. Between 1999 and 2002, he dealt with marketing and sales at DAF Trucks Polska Sp. z o.o. Before that, he had worked for a year for DAF Trucks NV Holland where he was responsible for sales in Poland. In the years 1996–1998, he was a project manager at Elektrim S.A.

Until the publication day of this report the composition of the Management Board remained unchanged.

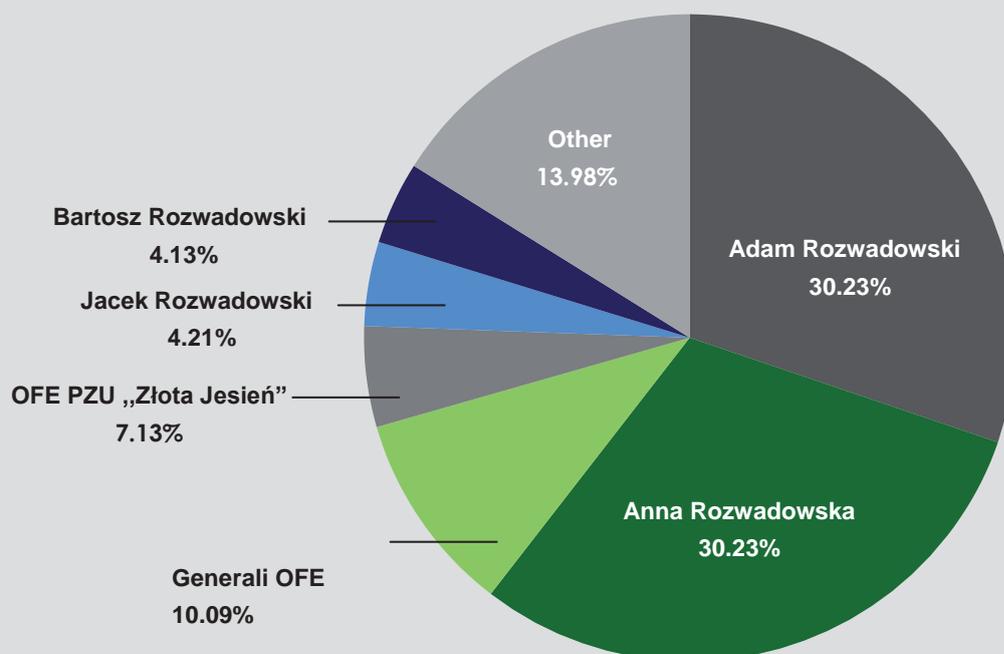
The Supervisory Board of Centrum Medyczne ENEL-MED S.A.

- Anna Rozwadowska - Chairperson of the Supervisory Board
- Anna Piszcz - Member of the Supervisory Board
- Janusz Jakubowski - Member of the Supervisory Board
- Zbigniew Okoński - Member of the Supervisory Board
- Adam Ciuhak - Member of the Supervisory Board

Until the publication day of this report the composition of the Supervisory Board remained unchanged.

1.3. Shareholding structure

Shareholder	Number of shares	% of capital	Number of votes	% of votes
Adam Rozwadowski	7.124.000	30.23	7.124.000	30.23
Anna Rozwadowska	7.123.950	30.23	7.123.950	30.23
Generali OFE (Open Pension	2.377.000	10.09	2.377.000	10.09
OFE PZU „Złota Jesień” (Open	1.680.000	7.13	1.680.000	7.13
Jacek Rozwadowski	992.800	4.21	992.800	4.21
Bartosz Rozwadowski	972.650	4.13	972.650	4.13
Other Shareholders	3.296.500	13.98	3.296.500	13.98



1.4. Description of the structure of the Capital Group

Centrum Medyczne ENEL-MED S.A. is a part of the Capital Group which comprises Centrum Medyczne ENEL-MED S.A. as the parent company and its subsidiaries: Enelbud sp. z o.o. and Centrum Medyczne Diagnostyka Obrazowa sp. z o.o.



Enelbud sp. z o.o. was established in 2006 (its present business name was changed from Centrum Nieruchomości Enel-Med Sp. z o. o. in 2013). The Company is engaged in real property investments in the healthcare sector. The parent company - Centrum Medyczne ENEL-MED S.A. - holds 80 shares in this subsidiary which accounts for 80% of the subsidiary's initial capital. Furthermore, Enelbud sp. o.o. holds 40% of shares in the company trading as Bonus Vitae Sp. z o. o. with planned objective of business activity being long-term medical care for the elderly. Additionally, in 2014 Enelbud sp. z o.o. bought 40% of shares in the company trading as New Media Development & Hotel Services sp. z o.o. with planned objective of business activity being investments in buildings and real property destined for long-term healthcare service. Buildings and real property are going to be rented by Bonus Vitae.

Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. was established in the fourth quarter of 2013. The Issuer acquired 50 shares of total nominal value of PLN 5.000,00, which accounted for 100% of the initial capital of the company. On 29 May 2014, the Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka Sp. z o. o. adopted a resolution on increasing the initial capital of the company from the amount of PLN 5 000.00 to the amount of PLN 50 995 000.00, by issuing 509 950 new shares of the nominal value of PLN 100.00 each. All the newly established shares were taken up by the Company and paid for in full on 29 May 2014 by in-kind contribution in the form of 5 000.00 shares in the company Centrum Medyczne Diagnostyka Sp. z o.o. of the nominal value of PLN 100.00 each, of total nominal value PLN 500 000.00. The contributed shares constituted 100% of shares in the initial capital of Centrum Medyczne Diagnostyka Sp. z o.o. Until the day on which the interim condensed financial statement was drawn up, the subsidiary under the business name Centrum Medyczne Diagnostyka Obrazowa Sp. z o.o. held 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o. As at the publication date of this report, the subsidiary under the business name of Centrum Medyczne Diagnostyka sp. z o.o. Currently, the main assets of the Company constitute funds from which the Issuer shall finance the development of the Capital Group.

As at 30 June 2014, Enelbud sp. z o.o. and Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. are fully consolidated by the Issuer and Bonus Vitae sp. s o.o. and New Media Development & Hotel Services sp. z o.o. become fully consolidated by the equity method.

1.5. Indication of the effects of changes to the structure of business entity

On 28 February 2014, the Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka sp. z o. o. (subsidiary company of Centrum Medyczne ENEL-MED S.A.) adopted a resolution on increasing the initial capital from the amount of PLN 5 000.00 to the amount of PLN 500 000.00 that is by the amount of PLN 495 000.00, by creating 4 950 new shares of the nominal value of PLN 100.00 each. All newly established shares were taken up by Centrum Medyczne ENEL-MED S.A. on 28 February 2014. These shares were paid for in full by in-kind contribution in the form of a set of tangible and intangible assets separated organisationally and financially which are used to carry out business activity in the scope of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin, and Diagnostic Laboratory in Lublin, constituting an organised part of the enterprise with the capacity of operating as an independent enterprise. The aforementioned part of the enterprise was contributed to Centrum Medyczne Diagnostyka Sp. z o.o. at the end of 30 April 2014. As a result of the changes, the Company obtained 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o.

Following, on 29 May 2014, the Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka sp. z o. o. adopted the resolution on increasing the initial capital of that company from the amount of PLN 5 000.00 to the amount of PLN 50 995 000.00, by creating 509 950 new shares of the nominal value of PLN 100.00 each. All the newly established shares were taken up by the Company and paid for in full on 29 May 2014 by in-kind contribution in the form of 5 000.00 shares in the company Centrum Medyczne Diagnostyka sp. z o.o. of the nominal value of PLN 100.00 each, of total nominal value PLN 500 000.00. The contributed shares constituted 100% of shares in the initial capital of Centrum Medyczne Diagnostyka Sp. z o.o. As a result of the described changes, Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. acquired 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o.

The Issuer lost control of Centrum Medyczne Diagnostyka Sp. z o.o. as a consequence of an agreement concluded by Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. for the benefit of LUX MED Diagnostyka sp. z o.o., for the sale of 100% of shares in the initial capital of Centrum Medyczne Diagnostyka Sp. z o.o.

2. THE MOST IMPORTANT EVENTS IN THE 1ST HALF OF 2014

The most important event that took place in the first half of 2014 was conclusion of an agreement by Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. (the Issuer's subsidiary) for the benefit of LUX MED Diagnostyka sp. z o.o. for the sale of 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o. (the Issuer's subsidiary), comprising 7 diagnostic facilities located in Wołomin, Łomża, Poznań, Konin, Lublin, Mielec and in Bielany Centre in Warsaw. The selling price for 100% of shares was set at PLN 52 519 949.00. The objective of selling a part of diagnostic facilities, not creating direct synergy with the core profile of Centrum Medyczne ENEL-MED S.A. was to raise funds for implementation of the investment plan announced in the development Strategy for the years 2014-2016, and also to further organize the structure of the Company.

The company made use of a unique market opportunity and it decided to sell 11% of the Company's total revenues for PLN 52.5 million. The sold part of diagnostic services was generating revenue of PLN 22.5 million (as of 2013) and was sold for 2.5 times the annual revenues from this source. Owing to this transaction, the Company acquired necessary funds for investments in the most beneficial way possible (without diluting the shareholding structure or taking out bank loans). It is worth emphasising that, a substantial part of the sold company was financed from external sources (leasing and bank loans). Owing to this, the total debt of the Company was decreased by more than PLN 6 million. Operating costs will also undergo reduction (including significant depreciation of fixed assets).

In the first half of 2014, the Issuer launched the largest and the most modern specialist multi-profile clinic of the Company located at Promenada Shopping Centre in Warsaw. The facility covers the area of 1.5 thousand sqm. offering its patients a diverse selection of specialist consultations for both children and adults, a wide range of consultations and treatment within paediatrics and a comprehensive offer of rehabilitation and diagnostic services.

The first half of 2014 also focused on preparations for launching specialist multi-profile facilities in Warsaw and intensive development of dentistry.

In the period presented here, the Company concluded agreements for the lease of space for the needs of two multi-profile clinics in Warsaw - the Atrium Centre and the Arkadia Centre. The concluded lease agreements in the building of Atrium Plaza located in Warsaw, at al. Jana Pawła II 29, in which the Company has had its own facility since 1999, in the Management's opinion has a beneficial effect on financial terms of the previously concluded agreement which would expire in the fourth quarter of 2017. The concluded agreement lowers the monthly rental fee extending the lease period simultaneously and its value during the term may amount to approximately PLN 15 761 863.08 gross. Additionally, the Lessor undertook to cover part of the costs of the Lessee's works aimed at refurbishing the leased space and adjusting it to the current needs. The budget for the refurbishment equals to approximately PLN 615 000.00 gross. The second of the concluded lease agreements for Arkadia Shopping Centre located at al. Jana Pawła II 82 in Warsaw, here the Company has had its own medical facility since 2005, will be effective by 29 September 2019. The value of the rent in the term of the agreement may amount to approximately PLN 8 475 523.30 gross. Furthermore, the Lessor shall reimburse the Lessee for the expenses incurred on the finishing works of permanent nature as carried out by the Lessee. The maximum amount of reimbursement will not exceed PLN 310 000.00 gross. Additionally, a lease agreement for the needs of specialist clinic in Warsaw for the term of 10 years was concluded and its value may amount to approximately PLN 6 351 036.00 net.

Furthermore, the Company signed agreements for provision of medical services with Canal+ Cyfrowy S.A. and ITI Neovision S.A. The agreements were concluded for an indefinite term and their value will depend on the number of persons covered by a package in a given month and may amount to approximately PLN 2 400 000.00 (within five years of signing them) in the case of Canal+ Cyfrowy S.A. and around PLN 5 880 000.00 in the corresponding period in the case of ITI Neovision S.A. In the first half of 2014, the Company signed an annex to the agreement with the National Health Fund (NFZ). The subject matter of the annex, constituting the agreement with NFZ is the provision of healthcare services as hospital treatment in the scope of neurosurgery, orthopaedics, general surgery, otorhinolaryngology, ophthalmology, vascular surgery. The aforementioned medical services are provided in two hospitals of Centrum Medyczne ENEL-MED located in Warsaw: Centrum Hospital (neurosurgery and orthopaedics) and Zaczysze Hospital (the remaining specialities). The agreement was concluded for the period from 20 February 2012 until

31 December 2016 (it is an annex to long-term agreement stating the agreement value for the year 2014), and its value during the period from 1 January 2014 until 31 December 2014 shall amount to the maximum value of PLN 5 089 344.00 net excluding vascular surgery services the amount of which was determined for the period from 1 January 2014 until 30 June 2014 (the Company also signed an annex to the agreement for provision of vascular surgery services in the second half of the year).

The first half of 2014 also saw a partial debt restructuring by concluding annexes to the credit agreements with Bank Millennium S.A. The first one of the concluded annexes to the agreement on corporate mortgage credit increases the amount of the long-term credit by PLN 1 973 151.00 to the total amount of PLN 10 400 000.00. The granted credit will be repaid in 38 monthly instalments as from 30 April 2014. The annex also decreases the credit interest rate by 0.1%. Pursuant to the second concluded annex, Bank Millennium S.A. granted the Company the global limit in the amount of PLN 17 000 000.00 (the value of the limit was decreased by PLN 3 000 000.00 in comparison with the previous agreement). The credit will be used to finance the current business activities and to grant bank guarantees required for the lease of space for medical facilities (up to the amount of PLN 7 000 000.00). The annex was concluded for the term from 25 March 2014, until 24 April 2015.

3. REMAINING INFORMATION

3.1. Principles of drawing up interim condensed consolidated financial statement

The parent company and the Capital Group draw up their financial statements in accordance with the International Accounting Standards (IAS). Polish Zloty (PLN) shall be the functional and reporting currency. The basis for balance sheet and prepared statements and reports valuation is assumption that both the parent company and its subsidiaries shall continue their business activity.

Detailed principles and methods of drawing up the interim consolidated financial statements were discussed in additional notes to the consolidated financial statement for the 1st half of 2014 published as a part of this report.

3.2. Description of basic threats and risks connected with the remaining months of the financial year

- **Risk arising from deterioration of the financial situation of the Company's clients**

The Company's significant source of revenue is the sale of medical care packages targeted at the corporate clients. There is a risk that if the financial situation of a given client deteriorated significantly, the client could resign from offering medical care to its employees, which is directly connected with termination of the agreement with the Issuer or reduction of the range of provided services which would affect the Company's revenue. Another form of potential risk is the reduction of employment at the client's company, which could lead directly to a decrease in the related revenue. Nonetheless, the Company provides services to more than 2 000 companies and thus, the resignation of one client or reduction of employment in a given company would not have a significant influence on the Company's revenues.

- **Risk arising from becoming dependent on clients and distribution channels**

The main groups of the Company's clients include corporate clients using prepaid medical care packages, patients of insurance companies (ENEL-MED provides medical services to the clients of such insurers as: Allianz, PZU Pomoc, Generali, Inter Polska, Signal Iduna, and Uniqa), as well as individual clients. There is a risk that the share of a given client or a given distribution channel in the Company's revenues becomes so significant that the Issuer's financial results may deteriorate in case of a loss of such a client or a decrease in the sales in a given channel. Given the above, and in order to minimise the risk of becoming dependent on one particular client or one distribution channel, the Company consistently pursues the policy of diversifying its sources of revenue.

- **Risk of change in the contracting policy of the National Health Fund**

The Company has many years' experience in cooperation with the National Health Fund as it has concluded numerous contracts with NFZ since 2004. However, there is always a risk of changes in the National Health Fund's contracting policy, which may contribute to a reduction in the related revenue. NFZ determines annually the value of a contract for a given year. However, it is worth stressing that, NFZ sales in the first half of 2014 constituted less than 7% of the Company's revenue. The Issuer has undertaken a number of actions aiming at intensification of the sale of commercial hospital services therefore, the Issuer is not dependent on one payer in this field of activity.

- **Risk of medical malpractice in relation to the Company's patients**

The Company provides a wide range of medical services including medical consultations, diagnostic and laboratory tests, as well as surgeries. As in the case with every medical facility, there is a risk that the Company's medical personnel will commit an act of medical malpractice in relation to a patient. As a result of such medical malpractice, the Company may be

charged with compensation costs, as well as suffer from significant loss to its reputation. In order to minimise this risk, the Issuer has implemented management and patient service procedures in such situations. A separate unit has been established in the Issuer's organisational structure which is responsible for the quality of medical services and for the compliance of medical processes with the developed standards and procedures. Additionally, both the Company and the physicians have taken out medical malpractice insurance policies in case of any malpractice.

- **Pandemic/epidemic risk**

The Company provides medical services to a wide range of patients in Poland. There is a risk that, in the event of a pandemic or epidemic, the Issuer will be forced to provide services to a significantly larger number of patients, which may negatively influence the Company's financial performance and the effectiveness of its operations. In order to minimise this risk, the Company has developed relevant procedures and standards of conduct to be followed in case of the above-mentioned risk (the pandemic plan), which were to some extent used in 2009 when facing the threat caused by the A/H1N1 virus. The main rules of the developed pandemic plan provide for preparing the method of dealing with the patients suspected to have been infected, changing the department's work organisation, conducting the campaigns that promote pro-health behaviour and minimise the risk of infection, introducing quick diagnostic tests thanks to which viral infections may be differentiated and shortening the time spent on one visit during the period of increased number of visits.

- **Risk associated with processing sensitive data**

The Issuer provides complex medical services nationwide. Keeping patients' medical records means that the Company has access to particularly protected sensitive data. There is a risk that an unintentional disclosure of sensitive data may occur in the course of operating activities. In order to minimise the risk, the Issuer has developed and implemented the principles of personal data protection policy. In their daily work, all employees and partners of the Company are obliged to strictly adhere to and follow the policy. Data protection policy functions as the procedure included in the quality management system certified for compliance with ISO 9001:2008 standard. The correct process of safe personal data processing is constantly monitored by the Chief Information Security Administrator at the registered office of the Issuer, as well as by local Information Security Administrators who operate as the branch managers. Each and every employee and partner is obliged to report any information about suspected cases of non-compliance with the personal data protection policy to the Administrator. The role of the Information Security Administrator is to promptly analyse the reasons of breaches and take measures aimed at avoiding similar incidents in the future.

- **Risk of significant change in the macroeconomic situation in Poland**

The Company runs its business activity on the national market of medical services therefore, the financial results achieved by the Issuer are indirectly connected with such macroeconomic factors as: growth in GDP, unemployment rate, employment rate, dynamics of salary growth, inflation rate and interest rates. These factors indirectly influence the demand for medical services both among corporate and individual clients, as well as insurance companies. They also influence the level of the budget of the National Health Fund, which is the largest individual client of the Company.

In the first half of 2014, the Monetary Policy Council did not make changes in the level of interest rates. The reference rate was at the level of 2.5% during the entire period. Inflation remained at a very low level, significantly below the inflation target. At the end of June its value amounted to 0.3% year/year. Low inflation and even the risk of deflation, increased the probability of possible further reduction in interest rates which still seemed unreal in the first quarter of 2014.

The beginning of the year was the continuation of the dynamics of GDP growth. In the first quarter it increased by 3.4% year/year. The second quarter should deviate slightly, according to data available as of the moment of drawing up the report. The forecasts for the entire 2014 show an increase at the level between 3.2% and 3.8% year/year which means that

the dynamics of GDP growth is not expected in the incoming quarters. It is worth emphasising that the escalation of the tension between Russia and Ukraine influences the Polish economy as well. Russia's actions resulted in many sanctions imposed on Russia which included economic sanctions. Russia's reaction, that is imposing sanctions on export of food, also affected Polish manufacturers. However, if there is no further escalation of negative actions, the total influence of sanctions on the increase of Polish GDP should not be greater than 0.1 of the percentage point.

The influence of the expected changes in the dynamics of GDP growth, unemployment and real salaries should not have any significant influence on the Company's financial situation. It should be emphasized that the majority of the Company's revenue depends on long-term contracts. Additionally, the Company's services are used by wealthy people who, as shown by the year 2012 and 2013, can afford to maintain the current structure of expenditure even if the dynamics of the salary growth slows down. However, one should notice the increase in real salaries and stabilization after the period of increase in structural unemployment.

A better economic situation in Poland is mainly consequence of the upturn of economy in the Euro zone, the increase in export to other markets and the increase in consumption as a result of more optimistic expectations of consumers in the scope of their situation in the future, as well as low interest rates. An improved situation is also noticeable in the area of investments by enterprises.

It should be emphasised that the latest months have brought about a significant increase in political risk connected with unfavourable development of international situation. Events in Ukraine and worsening relations between Russia and Ukraine and consequently relations between Russia and the Western world may have significant impact not only on Polish economy but also on financial markets. A possible escalation of the conflict may lead to further weakening of Polish currency, drops in stock market, or an increase in treasury bonds profitability. Though, upon writing this report, it is difficult to assess the probability of different scenarios which may have an impact on the development of political situation.

• Risk of significant foreign exchange fluctuations

Foreign exchange fluctuations have an influence on the Issuer's operating activities and in particular the rent payments (which in most cases are denominated in EUR) and payments made for medical equipment (which are usually also denominated in EUR). Rent payments are made in PLN at the exchange rate of the National Bank of Poland. If there are significant deviations from the actual exchange rate in comparison to the assumed level, the Issuer may record a gain or loss from foreign currency exchange differences. The Company constantly monitors the changes in foreign exchange rates. It should be emphasised that in accordance with a majority of forecasts, quite a considerable variability of PLN exchange rate is expected in connection with the situation beyond the eastern border of Poland. In the long run, it is still expected that the value of the Polish currency shall increase.

• Risk of significant changes in interest rates

The Issuer finances its activities using external funds, including credits and loans, as well as purchases medical equipment under finance lease. The finance charges related to servicing external financing are directly dependent on the level of the WIBOR rate. If the level of interest rates changes, the Company's financial results may be different than those assumed. At the end of 2012, the Monetary Policy Council started a cycle of interest rates' reductions. At this point, it is expected that interest rates may move up in the second quarter of 2015 at the earliest. However, reductions in the upcoming months cannot be excluded. Analysts draw such conclusions based on the latest inflation projections prepared by NBP and statements of the members of the Monetary Policy Council.

• Risk of changes in legal regulations and their interpretations

The changes introduced or planned to be introduced to provisions of law and in particular to economics, tax and labour law, may constitute a risk factor causing negative consequences for the Company. Similar consequences result from the changes in interpretation of binding laws, in particular in relation to tax law regulations. The Issuer's activity is also indirectly influenced by the regulations concerning the public healthcare sector, including the regulations stipulating the methods and rules of its financing, as well as defining the possibilities

of accepting commercial patients by the public segment. Depending on the nature of changes, they may have either positive or negative influence on the activity of the Issuer and other entities in the sector.

- **Risk of more intense domestic and foreign competition in the market**

Investors recognize the attractiveness of the Polish market of private medical services, as well as good perspectives of further development in this sector. The aforementioned may result in an increase in competition of Polish and foreign enterprises which may be observed based on the latest transactions on the Polish market of medical services. There is a risk that as a result of a more intense competition, the Company's revenues and profits may decrease. However, ENEL-MED has been operating in the competitive environment for many years and has been maintaining its sales dynamics all times.

3.3. The Management Board's position on feasibility of implementation of the previously published results forecasts for a given year

The Company did not publish any forecasts of financial results for the year 2014.

3.4. Information on shareholders holding at least 5% of the total number of votes at the general meeting of shareholders, directly or indirectly through subsidiaries

The table below presents the shareholders holding at least 5% of the total number of votes at the general meeting of shareholders of the Issuer as at the date of submitting the interim report.

Shareholder	Number of	% of capital	Number of votes	% of votes
Adam Stanisław Rozwadowski	7.124.000	30.23	7.124.000	30.23
Anna Maria Rozwadowska	7.123.950	30.23	7.123.950	30.23
Generali OFE	2.377.000	10.09	2.377.000	10.09
OFE PZU „Złota Jesień”	1.680.000	7.13	1.680.000	7.13

Since submission of the previous periodic report - report for the first quarter of 2014 - the following changes in the shareholding structure of the Company took place.

On 12 June 2014 a company incorporated under the law of Cyprus under the business name of Koremia Investments Limited with registered office in Larnace sold 7 124 000 shares of the Company for the benefit of Adam Stanisław Rozwadowski, the President of the Management Board. Koremia Investments Limited was a company controlled by Adam Stanisław Rozwadowski, the President of the Management Board. Prior to transfer of the shares based on the aforementioned agreement Adam Stanisław Rozwadowski held indirectly - via Koremia Investments Limited - 7 124 000 shares of the Company authorising to cast 7 124 000 votes, representing 30.23% of the total number of votes. After the transaction Adam Stanisław Rozwadowski now directly holds 7 124 000 of the Company's shares, authorising to cast 7 124 000 votes, representing approximately 30.23% of the total number of votes.

3.5. Information on the Issuer's shares held by members of the management and supervisory authorities

Shares of Centrum Medyczne ENEL-MED S.A. held by the members of the Management Board and Supervisory Board as of the day of submitting the interim report.

Shareholder	Number of	% of capital	Number of votes	% of votes
Adam Stanisław Rozwadowski	7.124.000	30.23	7.124.000	30.23
Anna Maria Rozwadowska	7.123.950	30.23	7.123.950	30.23
Jacek Jakub Rozwadowski	992.800	4.21	992.800	4.21

Ownership of shares held by the persons managing and supervising the Company has remained unchanged since the publication of the last quarterly report however, there has been a transfer of shares from Cyprus companies in which the aforementioned persons held 100% of shares and votes at the general meeting of shareholders to natural persons.

On 12 June 2014 the following sale transactions of the Company's shares took place:

- 7 124 000 shares of the Company held by Koremia Investments Limited with registered office in Larnace, the company in which Adam Stanisław Rozwadowski - the President of the Management Board held 100% of shares, were sold for the benefit of Adam Stanisław Rozwadowski, the President of the Management Board of the Company.
- 7 123 950 shares of the Company held by Versinus Limited with registered office in Larnace, the company in which Anna Maria Rozwadowska - the Chairperson of the Supervisory Board held 100% of shares, were sold for the benefit of Anna Maria Rozwadowska, the Chairperson of the Supervisory Board.
- 992 800 shares of the Company held by Smerona Holdings Limited with registered office in Larnace, the company in which Jacek Jakub Rozwadowski - the Vice-President of the Management Board held 100% of shares, were sold for the benefit of Jacek Jakub Rozwadowski, the Vice-President of the Management Board.

3.6. Information on pending proceedings before courts, arbitration bodies or public administration bodies with regard to liabilities or receivables

As at 30 June 2014 the Company did not take part in any proceedings held before any court, arbitration body or public administration body with regard to the Company's liabilities in the amount equal to at least 10% of equity.

As at 30 June 2014 the Company did not take part in any proceedings held before any court, arbitration body or public administration body with regard to the Company's receivables in the amount equal to at least 10% of equity.

The total amount of claims in all proceedings pending as at 30 June 2014 with reference to the Company's liabilities did not exceed 10% of the Issuer's equity.

The total amount of claims in all proceedings pending as at 30 June 2014 with reference to the Company's receivables did not exceed 10% of the Issuer's equity as well.

3.7. Information on the Issuer or its subsidiary granting a surety for credits or loans, or granting a guarantee if their total value is equal to at least 10% of the Issuer's equity

Neither the Company nor its subsidiary granted any sureties for credits or loans or granted any guarantees to another entity to the value of at least 10% of the Issuer's equity.

3.8. Information on entering by the Issuer or its subsidiary into one or more transactions with related-parties if individually or jointly they are significant and were concluded pursuant to the terms and conditions other than market ones

Neither the Issuer nor its subsidiaries concluded transactions with related parties pursuant to the terms and conditions other than market ones.

3.9. Information on factors which - in the company's opinion - would impact its results in the perspective of at least the next quarter

Having contributed the organized part of the enterprise which constitute a set of tangible and intangible assets used for running business activity in the scope of diagnostic imaging to the diagnostic company:

– Centrum Medyczne Diagnostyka sp. z o.o., the Issuer's subsidiary, more than PLN 6 million debt comprising and financing the company's property of the organized part of the enterprise was transferred to Centrum Medyczne Diagnostyka sp. z o.o. In the first half of 2014 the interest rate on the investment loan in Bank Millennium S.A. was lowered. The current account overdraft is used minimally as a result of a substantial improvement in the financial results and the financial management of the Company.

These factors shall cause a further decrease in interest charges of Centrum Medyczne ENEL-MED S.A. and result in a drop in financial costs which have a direct influence on the Company's profit.

In connection with organization of the diagnostic company - Centrum Medyczne Diagnostyka Sp. z o.o. and its subsequent sale in the Capital Group an additional one-time non-operating profit in the amount of PLN 38 million was achieved.

On the other hand the subsidiary company Centrum Medyczne Diagnostyka Obrazowa received PLN 52.5 million from the sale of its shares. These funds will until the time of their use on investments be temporarily placed in safe bank deposits increasing the financial revenue of this company by several hundred thousand PLN in 2014. Nonetheless, the Company intends to use the acquired funds for implementation of the investment plan announced in the development Strategy for the years 2014 – 2016, which include opening the centre in Katowice, second clinic in Wrocław, a specialist clinic centre and - as far as the potential is fulfilled, it intends to develop clinics in chosen locations and successively increase the number of dentists' practices.

3.10. Other information which could significantly affect evaluation of assets, financial condition and financial result of the Issuer

A significant increase in sales was facilitated by the conclusion of further agreements with corporate clients such as ITI Neovision S.A. or Canal+ Cyfrowy S.A. The agreements referred to hereinabove were concluded for an indefinite term and their value in the period of five years may amount to approximately PLN 8 280 000.00. Furthermore, Philips Lighting Poland S.A. extended their agreement for provision of medical services for the next three years. The value of provided services may amount to approximately PLN 2 340 000.00 net during the term of the agreement.

The Company concluded agreements for the lease of space for the needs of multi-profile clinics in the Arkadia Centre and the Atrium Centre in Warsaw. The concluded annexes extend the lease term. Additionally, the Lessors undertake to cover part of the costs of refurbishment to the leased space and adjusting it to the current needs. Furthermore, the Company concluded agreements for the lease of space for the needs of running specialist medical facilities in Warsaw. The agreements were concluded for the period of 10 years and the cost of lease of both facilities with operating costs may amount to approximately PLN 11 429 065.33 net during the term of the agreements.

3.11. Other information, important in the Issuer's opinion for the evaluation of its personnel, property and financial condition, financial result and changes therein, as well as information important for evaluation of the issuer's capacity for performing the obligations

On 30 June 2014 the Company signed an agreement with GE Medical System Polska sp. z o.o. for the purchase of 4 magnetic resonance systems and 12 ultrasound cameras. The Contract value amounts to PLN 17 618 900.00 gross. The first magnetic resonance Optima MR 360 Advance 1.5 Tesla is going to be launched in the middle of September in Zacisze Diagnostic Hospital in Warsaw. The remaining three magnetic resonance systems Signa HDxt 3Tesla Gold Seal will be available at the end of 2014 and in the 1st quarter of 2015 at new multi-profile facilities of ENEL-MED, located in Katowice, Wrocław and Warsaw. Magnetic resonance imaging is the cutting-edge technology which allows to obtain very accurate images of the interior of the human body. The ability to see more details enables doctors to make accurate diagnosis at a much earlier stage of disease development. This consequently allows doctors to apply the most optimal and effective treatment. New magnetic resonance systems perform tests taking twice less time in comparison with other such equipment. Owing to that a greater number of patients can be examined each day. New magnets (1.5 Tesla / 3 Tesla), specialised solenoid coils and innovative software installed in these devices in a meaningful way extend the scope of clinical applications and provide for an opportunity to accurately diagnose even a larger group of patients than ever before. The Company also bought 12 modern ultrasound cameras (Voluson S6, Voluson E6) for all the multi-profile centres of ENEL-MED.

Added to that, the Issuer concluded a multi-product line agreement with Bank Millennium S.A. based on which the Bank grants the Company the global limit in the amount of PLN 15 000 000.00 for the period from 11 August 2014 until 24 April 2015 (the value of the limit was decreased by PLN 2 000 000.00 with respect to the previous agreement). The credit shall be used to finance the current business activity.

Adam Rozwadowski
President of the Management Board

Jacek Rozwadowski
Vice-President of the Management Board