Report

for the quarter ended March 31, 2016 and year ended December 31, 2015

Prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16

Play Holdings 2 S.à r.l.

PLAY

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## INTRODUCTION

**Play Holdings 2 S.à r.l.**

This is an *ad hoc* Report issued by Play Holdings 2 S.à r.l. (the "**Parent**", hereafter, together with its subsidiaries, the "**Play Group**" or the "**Group**"), the parent company of P4 Sp. z o.o. ("**Play**", "**P4**" or the "**Company**").

The Parent is a guarantor of the following notes:

(a) €725,000,000 $5^{1}/_{4}$% Fixed Rate Senior Secured Notes due 2019 and PLN 130,000,000 Floating Rate Senior Secured Notes due 2019 issued by Play Finance 2 S.A. (the "**Senior Secured Notes**"); and

(b) €270,000,000 $6^{1}/_{2}$% Senior Notes due 2019 issued by Play Finance 1 S.A. (the "**Senior Notes**").

**Play Topco S.A.**

The Parent is a wholly owned subsidiary of Play Topco S.A. ("**PIK Notes Issuer**"), issuer of €415,000,000 $7^{3}/_{4}$% / $8^{1}/_{2}$% Senior PIK Toggle Notes due 2020 (the "**Senior PIK Toggle Notes**").

The Parent is not a guarantor of the Senior PIK Toggle Notes. In the following *ad hoc* Report we do not present additional information for the PIK Notes Issuer as the financial information of the Parent accurately reflects the financial profile of the PIK Notes Issuer in all material respects other than for the debt represented by the Senior PIK Toggle Notes and related funding investments.

**This Ad Hoc Report**

The following *ad hoc* Report is produced to provide the holders of the Senior Secured Notes, the holders of the Senior Notes and the holders of the Senior PIK Toggle Notes with an illustration of the effect of the early adoption by the Group of the new standards IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' on the financial data and on the Group's accounting policies.

Further in this *ad hoc* Report we present the differences in the financial data included in the consolidated financial statements prepared in accordance with IFRS as adopted by EU that the Group has issued for the three-month period ended March 31, 2016 (the "**Historical 1Q 2016 Financial Statements**") and for the year ended December 31, 2015 (the "**Historical YE 2015 Financial Statements**" and, together with the Historical 1Q 2016 Financial Statements the **"Historical Financial Statements"**) in comparison to the financial data included in the consolidated financial statements prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 for the three-month period ended March 31, 2016 (the "**New 1Q 2016 Financial Statements**") and for the year ended December 31, 2015 (the "**New YE 2015 Financial Statements**" and, together with the New 1Q 2016 Financial Statements the **"New Financial Statements"**).

For further information please see Note 2.2 to the New 1Q 2016 Financial Statements, Note 2.2 to the New YE 2015 Financial Statements of the Parent beginning on page F-1 and "*Presentation of Financial Information —Changes in Accounting Policies*".

# DEFINITIONS

Certain terms relating to Play and industry specific terms are defined in the Glossary of Technical Terms attached hereto as Annex A beginning on page A-1. Unless otherwise required by the context or explicitly stated, the definitions attached hereto as Annex B beginning on page B-1 shall apply throughout the document.

## INDUSTRY, MARKET AND SUBSCRIBER DATA

This *ad hoc* Report includes certain industry, market and subscriber terms used by the Group, for detailed analysis of their usage and meaning please refer to Annex C beginning on page C-1.

The industry, market and subscriber data included herein are produced only as of their respective dates, and may be superseded with the passage of time.

## PRESENTATION OF FINANCIAL INFORMATION

### General

The New Financial Statements contained herein have been prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and differ to the Historical Financial Statements. For further information please see Note 2.2 to the New 1Q 2016 Financial Statements, Note 2.2 to the New YE 2015 Financial Statements of the Parent and "*Presentation of Financial Information –Changes in Accounting Policies*". The financial information included elsewhere in this *ad hoc* Report is not intended to comply with the SEC's reporting requirements.

IFRS and IFRS with early adoption of IFRS 15 and IFRS 16 differ in various significant respects from U.S. GAAP. In making an investment decision, you should rely upon your own examination of the terms of the applicable offerings in the Offering Memorandum of the Initial Notes dated January 24, 2014 (as a holder of the Initial Notes), in the Offering Memorandum of the Additional Notes dated March 12, 2015 (as a holder of the Additional Notes), the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (as a holder of the Senior PIK Toggle Notes) and the financial information contained in this *ad hoc* Report. You should consult your own professional advisors for an understanding of the differences between IFRS and IFRS with early adoption of IFRS 15 and IFRS 16, on one hand, and U.S. GAAP, on the other hand, and how those differences could affect the financial information contained in this *ad hoc* Report.

The preparation of financial statements in conformity with IFRS and IFRS with early adoption of IFRS 15 and IFRS 16 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in those consolidated financial statements.

The Group's consolidated financial statements have been prepared based on a calendar year and are presented in zloty rounded to the nearest thousand. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

The financial information in this *ad hoc* Report is presented in zloty.

### Non-IFRS Measures

We have included certain non-IFRS financial measures in this *ad hoc* Report, including EBITDA, Adjusted EBITDA and Adjusted EBITDA margin.

#### *Historical and ongoing presentation of EBITDA, Adjusted EBITDA and Adjusted EBITDA margin*

To assist investors who may be accustomed to our presentation of EBITDA, Adjusted EBITDA and Adjusted EBITDA margin on the basis of our Historical Financial Statements (without the early adoption of IFRS 15 and IFRS 16), we continue to present EBITDA, Adjusted EBITDA and Adjusted EBITDA margin on this historical basis. The tables under "*Consolidated Financial and Other Information—Other Operating and Financial Information - Historical*" and "*Capitalization*" are presented only using EBITDA, Adjusted EBITDA and Adjusted EBITDA margin presented on this historical basis.

Under our historical and ongoing presentation:

- "EBITDA" means operating profit for the period plus depreciation and amortization, minus capitalized subscriber acquisition costs and subscriber retention costs and plus impairment of subscriber acquisition costs assets and subscriber retention costs assets.
- "Adjusted EBITDA" means EBITDA plus costs of advisory services provided by shareholders, plus cost/(income) resulting from valuation of retention programs and plus certain one off items.
- "Adjusted EBITDA margin" means Adjusted EBITDA divided by operating revenues.

Under our historical accounting policies we capitalize subscriber acquisition costs and subscriber retention costs which differs from the accounting policies of other mobile telecommunications operators, who report subscriber acquisition costs and subscriber retention costs as an expense in the period it is incurred. In our historical presentation of EBITDA and Adjusted EBITDA, we reverse the capitalization of subscriber acquisition costs and subscriber retention costs and instead expense such costs as incurred and we reverse impairment of subscriber acquisition costs assets and subscriber retention costs

assets in order to aid the comparability of our EBITDA and Adjusted EBITDA with the reported EBITDA of other mobile telecommunications operators.

***New presentation of EBITDA and Adjusted EBITDA***

Going forward, the Group is considering amending its presentation of EBITDA and Adjusted EBITDA to change the build-up of such measures, by re-defining EBITDA. This is presented under "*Consolidated Financial and Other Information—Other Operating and Financial Information - New*").

Under our new presentation:

- "EBITDA" means operating profit for the period plus depreciation and amortization
- "Adjusted EBITDA" means EBITDA plus costs of advisory services provided by shareholders, plus cost/(income) resulting from valuation of retention programs and plus certain one off items.
- "Adjusted EBITDA margin" means Adjusted EBITDA divided by operating revenues.

The reversal of the capitalization of subscriber acquisition costs and subscriber retention costs and the related impairment costs, as reflected in the historical and ongoing presentation of EBITDA and Adjusted EBITDA as a separate adjustment, is also implicitly reflected in the new EBITDA and Adjusted EBITDA calculation without the need for a specific adjustment. Under IFRS 15 and IFRS 16, the Group capitalizes subscriber acquisition and subscriber retention commissions, which constitute "contract cost" asset. The amortization of these costs is included in the operating expenses in the "contract costs, net" line, and hence, already factored in while calculating the new EBITDA and Adjusted EBITDA.

Please also see Annex D for a reconciliation of this new presentation under the New Financial Statements to the historical and ongoing presentation of EBITDA and Adjusted EBITDA under the Historical Financial Statements.

***General***

While amounts included in EBITDA and Adjusted EBITDA are derived from our consolidated financial statements, EBITDA and Adjusted EBITDA are not financial measures calculated in accordance with IFRS (or any form of IFRS, including with the adoption of IFRS 15 and IFRS 16).

EBITDA and Adjusted EBITDA have limitations as analytical tools. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

- EBITDA and Adjusted EBITDA do not reflect the significant interest expense, income taxes, or the cash requirements necessary to service interest or principal payments, on our debts;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;

- EBITDA and Adjusted EBITDA do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and

- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We present EBITDA and Adjusted EBITDA as we believe they will be useful to investors and analysts in reviewing our performance and comparing our results to other operators. However, neither EBITDA nor Adjusted EBITDA are IFRS measures and you are encouraged to evaluate any adjustments to IFRS measures yourself and the reasons we consider them appropriate for supplemental analysis. Because of these limitations, as well as further limitations discussed above, the non-IFRS measures presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS and IFRS with early adoption of IFRS 15 and IFRS 16. We compensate for these limitations by relying primarily on our IFRS results and using non-IFRS measures only supplementally.

**Changes in Accounting Policies**

As indicated in the Introduction, the Group adopted early the new standards: IFRS 15 *Revenue from contracts with customers* and IFRS 16 *Leases* which result in changes in accounting policies and consequently in differences to the financial data as included in the Historical Financial Statements and as presented in the New Financial Statements. The early adoption of IFRS 15 and IFRS 16 are accounting adjustments that do not affect the cash flow profile of our Group.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. ("EY") audited the New YE 2015 Financial Statements and issued an unqualified opinion for each period.

EY reviewed the New 1Q 2016 Financial Statements and in their review report mention that based on their review nothing came to their attention that would cause them to believe that the New 1Q 2016 Financial Statements were not prepared, in all material respects, in accordance with IFRS with early adoption of IFRS 15 and IFRS 16.

The rationale for the early adoption, the main differences between the Historical Financial Statements and the New Financial Statements and the impact of such early adoption are explained below.

*Rationale*

The adoption of both accounting standards has been under consideration by our Group since details of their introduction were published. The rationale for early adoption of the IFRS 15 and IFRS 16 standards is twofold.

Firstly, the rationale is focused on IFRS 15. Our management team believes a key pillar of our commercial success has been our focus on "Simplicity" both in terms of products, services and value for money we offer to our customers, but also with respect to the running of our own internal processes. The early adoption of IFRS 15 principles allows for a more streamlined approach to onboarding new customers, and also provides a better basis for comparison of business performance in the future, by applying the same accounting policy to all customer contracts. The application of current revenue standard, IAS 18, results in a degree of variability in timing of revenue recognition depending on the sales model (subsidy versus instalment). For contracts with the same cash flow pattern, higher portion of revenue is allocated to the handset and thus recognized upfront in the instalment model than in the subsidy model. Thus, telecommunication companies have over time replaced the subsidy sales model with the instalment sales model. A range of the extent of transition of the respective customer bases from one sales model to another, differs across telecommunication companies. The instalment contract sales model, which is now widely used, results in a disconnect between the phasing of the accounting recognition of revenue and the timing of cash flows, as a significant portion of customers' total contractual obligation is recognized as revenue upfront (handset component), whilst the cash is received on a monthly basis over the life of the contract

Applying IFRS 15 results in comparable allocation of customers' total contractual obligation between service revenue and handset revenue in both sales models. The early adoption of IFRS 15, also on a retrospective basis, serves to put historical results on a consistent basis and therefore improves comparability, allowing also for historical and forecast information to be consistent with the treatment that will be required when the standard comes into effect. The cash flow profile of the companies remain the same, irrespective of the choice of the accounting policy.

Secondly, the rationale is focused on a consistent reporting regime. The adoption of the IFRS 15 and IFRS 16 will become mandatory for all companies reporting under IFRS from the financial year 2018 for IFRS 15 and from the financial year 2019 for IFRS 16. Thus early adoption ensures consistency of historical and prospective financial information going forward. Implementation of IFRS 15 and not IFRS 16 would have required a further change to our reporting standards in the future and a further adjustment for investors to reconcile to historical results. By adopting the IFRS 15 and IFRS 16 standards at the same time, investors will be able to review our future results on a more consistent basis.

*IFRS 15 Adjustments*

For mobile devices sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunications services. That was typically the amount received from the customer on the signing of a contract. Whereas, under IFRS 15, the total consideration with respect to a contract (*e.g.*, for mobile devices, telecommunication services and activation fees) is allocated to all products and services – *e.g.*, mobile devices and mobile telecommunications services – based on their relative stand-alone selling prices. This results in a reallocation of a portion of revenue from service revenue to revenue from sales of goods, which are recognized upfront on signing of the customer contract, and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables.

IFRS 15 requires also reclassification of some items previously presented in deferred income to contract liabilities. Contract

liabilities are then netted off against contract assets on a contract-by-contract basis.

Additionally, the Group also moved the inventories in dealers' premises from prepaid expenses to inventories.

Previously, the Group capitalized the subscriber acquisition and retention costs ("**SAC**") relating to postpaid contracts and "mix" contracts in the month of service activation. Components of SAC included:

- subsidy granted to end customer to price of handset or other device, *i.e.*, cost of sales of handset or other device less price charged to end customer,
- commission on sale,
- dispatch cost directly attributable to a contract.

The SAC was capitalized and recognized as intangible assets, and amortized in depreciation and amortization, over the life of the contract.

Under IFRS 15 the Group capitalizes solely costs of commissions paid to acquire or retain subscribers who enter into a post-paid or mix contract. Capitalized costs of commissions constitute "contract cost" asset and are depreciated on a straight-line basis in the operating expenses in the "contract costs, net" line.

*IFRS 16 Adjustments*

Previously, under IAS 17 'Lease', the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (either as a lessor or a lessee). Leases classified as a finance lease were recognized as property, plant and equipment. Assets leased under the finance lease agreements comprised mostly vehicles or computers.

Under IFRS 16 'Leases', the Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. Accordingly, the recurring expenses relating to the use of leased assets, previously presented in general and administrative expenses are now capitalized and depreciated in depreciation and amortization. The discount on lease liability is periodically unwound into finance costs.

Assets previously classified as finance lease agreements as well as asset retirement obligation relating to leased property were reclassified from property, plant and equipment to right-of-use assets.

For further information regarding the specific IFRS 15 and IFRS 16 elements which are adjusted and the relevant line items, please see Note 2.2 to the New 1Q 2016 Financial Statements and Note 2.2 to the New Financial Statements and the relevant tables included therein, respectively.

*Impact of adoption*

*IFRS 15*

The adoption of IFRS 15 results in upfront recognition of revenue attributable to handset sales, which is partially offset by lower service revenue from contracts adjusted historically. With respect to the EBITDA there is an increase attributed to higher handset revenue, whereas overhead costs increase due to the greater bad debt recognition required against the significant handset receivables recognized on the balance sheet when the handset revenue is recognized upfront.

The adoption of IFRS 15 also results in creation of contract cost assets (which comprise capitalized costs of commissions incurred in relation to acquiring a contract). These costs are amortized over the contract term with the amortization charge recognized within operating expenses.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on balance sheet and reflected in the working capital changes and other cash flow line items.

*IFRS 16*

The adjustment for IFRS 16 has a positive impact on EBITDA as the costs of operating leases that were previously expensed above EBITDA are now moved below EBITDA to depreciation of the 'right-of-use' asset and unwind of the discounted lease liability as interest within financial expenses.

Nevertheless, the uplift to EBITDA is largely offset at the profit before tax level, although phasing differences between previous recognition of operating leases and the rate of depreciation of the asset and unwind of the lease liability discount do result in a degree of difference.

The IFRS 16 adjustment also results in a significant increase in net debt, as the discounted future costs of all operating leases are recognized as liabilities on the balance sheet.

## FORWARD-LOOKING STATEMENTS

This *ad hoc* Report includes "forward-looking statements" within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this *ad hoc* Report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which the Group participates or is seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "projected," "should" or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Issuers caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industries in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this *ad hoc* Report. You should not place undue reliance on these forward-looking statements.

These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

**CONSOLIDATED FINANCIAL AND OTHER INFORMATION**

The tables below set forth the New Financial Statements contained herein, which have been prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and differ to the Historical Financial Statements. The tables below present the change that results from the early adoption of IFRS 15 and IFRS 16. For further information please see Note 2.2 to the New 1Q 2016 Financial Statements, Note 2.2 to the New YE 2015 Financial Statements of the Parent and "*Presentation of Financial Information —Changes in Accounting Policies*".

*New Financial Statements*

The consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group set forth below as of and for the three-month period ended March 31, 2016, and three-month period ended March 31, 2015, have been derived from the unaudited interim condensed consolidated financial statements of the Group as of and for the three-month period ended March 31, 2016, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and included elsewhere in this *ad hoc Report*.

The consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flow as of and for the years ended December 31, 2015 and December 31, 2014 have been derived from the audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and December 31, 2014 prepared under IFRS with early adoption of IFRS 15 and IFRS 16 and included elsewhere in this *ad hoc* Report.

*Historical Financial Statements*

The consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group set forth below as of and for the three-month period ended March 31, 2016, and three-month period ended March 31, 2015, have been derived from the unaudited interim condensed consolidated financial statements of the Group as of and for the three-month period ended March 31, 2016, prepared in accordance with IFRS.

The consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flow as of and for the years ended, December 31, 2015 and December 31, 2014 have been derived from the audited consolidated financial statements of the Group as of and for the years ended December 31, 2015 and December 31, 2014 prepared under IFRS.

Unless otherwise indicated, the financial information in this *ad hoc* Report is presented in Polish zloty, also referred to as PLN.

**Three-month period ended March 31, 2016 and March 31, 2015**

**Consolidated Statement of Financial Position - Historical and New***

| (PLN in millions) | March 31, 2016 Unaudited Historical | Change | March 31, 2016 Unaudited New |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 1,006.8 | (81.6) | 925.2 |
| Right-of-use assets | - | 750.2 | 750.2 |
| Intangible assets | 3,908.4 | (1,116.2) | 2,792.2 |
| Assets under construction | 397.5 | - | 397.5 |
| Contract costs | - | 308.5 | 308.5 |
| Long term receivables - debt securities | 225.3 | - | 225.3 |
| Other long term receivables | 11.2 | - | 11.2 |
| Finance assets at fair value through profit or loss | 7.8 | - | 7.8 |
| Deferred tax asset | 98.5 | 6.0 | 104.5 |
| **Total non-current assets** | **5,655.4** | **(133.1)** | **5,522.4** |
| | | | |
| Inventories | 222.0 | 41.3 | 263.3 |
| Trade and other receivables | 1,171.8 | (197.6) | 974.2 |
| Contract assets | - | 1,002.4 | 1,002.4 |
| Current income tax receivables | 0.4 | - | 0.4 |
| Prepaid expenses | 73.8 | (43.6) | 30.2 |
| Cash and cash equivalents | 46.6 | - | 46.6 |
| **Total current assets** | **1,514.7** | **802.5** | **2,317.2** |
| **Total Assets** | **7,170.1** | **669.4** | **7,839.5** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 0.1 | - | 0.1 |
| Share premium | 5,644.2 | - | 5,644.2 |
| Retained losses | (4,851.3) | (25.4) | (4,876.7) |
| **Total equity** | **792.9** | **(25.4)** | **767.5** |
| | | | |
| Long-term finance liabilities | 4,357.9 | 632.3 | 4,990.2 |
| Long-term provisions | 49.0 | - | 49.0 |
| Long-term retention programs liabilities | 137.3 | - | 137.3 |
| Deferred tax liability | 0.1 | - | 0.1 |
| Other non-current liabilities | 10.4 | - | 10.4 |
| **Total non-current liabilities** | **4,554.7** | **632.3** | **5,186.9** |
| | | | |
| Short-term finance liabilities | 424.1 | 156.0 | 580.1 |
| Trade and other payables | 954.8 | (2.7) | 952.1 |
| Contract liabilities | - | 29.7 | 29.7 |
| Current income tax payable | 14.8 | - | 14.8 |
| Accruals | 25.2 | - | 25.2 |
| Short-term provisions | 1.0 | - | 1.0 |
| Short-term retention programs liabilities | 23.1 | - | 23.1 |
| Deferred income | 379.6 | (120.5) | 259.1 |
| **Total current liabilities** | **1,822.5** | **62.6** | **1,885.1** |
| **Total Liabilities and Equity** | **7,170.1** | **669.4** | **7,839.5** |

* For further information regarding the specific IFRS 15 and IFRS 16 element which adjusted the relevant line item between the Historical and New results, please see Note 2.2 to the New 1Q 2016 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

**Consolidated Statement of Comprehensive Income - Historical and New**[*]

| | Three-month period ended March 31, 2015 | | Three-month period ended March 31, 2015 | Three-month period ended March 31, 2016 | | Three-month period ended March 31, 2016 |
|---|---|---|---|---|---|---|
| | Unaudited | | Unaudited | Unaudited | | Unaudited |
| **(PLN in millions)** | **Historical** | **Change** | **New** | **Historical** | **Change** | **New** |
| **Operating revenue** | **1,227.7** | **25.9** | **1,253.6** | **1,440.8** | **1.8** | **1,442.6** |
| Service revenue | 1,156.2 | (219.7) | 936.5 | 1,307.5 | (240.4) | 1,067.1 |
| Sales of goods | 71.4 | 245.6 | 317.0 | 133.3 | 242.2 | 375.5 |
| | - | - | - | - | - | - |
| **Operating expenses** | **(1,016.8)** | **(15.3)** | **(1,032.1)** | **(1,114.8)** | **(2.4)** | **(1,117.2)** |
| Interconnection, roaming and other service costs | (306.4) | - | (306.4) | (349.0) | - | (349.0) |
| Other subscriber acquisition and retention costs not eligible for capitalization | (18.2) | 18.2 | - | (23.1) | 23.1 | - |
| Contract costs, net | - | (87.9) | (87.9) | - | (99.5) | (99.5) |
| Cost of goods sold | (73.2) | (194.9) | (268.1) | (132.3) | (201.2) | (333.5) |
| General and administrative expenses | (250.2) | 39.3 | (210.8) | (217.4) | 40.3 | (177.0) |
| Depreciation and amortization, including: | (355.5) | 209.0 | (146.5) | (375.6) | 234.6 | (141.0) |
| Amortization of subscriber acquisition and retention costs assets | (237.4) | 237.4 | - | (263.6) | 263.6 | - |
| Depreciation of Right-of-use assets | - | (38.6) | (38.6) | - | (36.1) | (36.1) |
| Other operating income | 12.9 | 2.0 | 14.9 | 16.9 | 1.9 | 18.8 |
| Other operating costs | (26.3) | (1.2) | (27.4) | (34.4) | (1.7) | (36.0) |
| **Operating profit** | **210.9** | **10.6** | **221.4** | **326.0** | **(0.6)** | **325.4** |
| Finance income | 177.3 | 0.9 | 178.1 | 7.6 | (4.0) | 3.6 |
| Finance costs | (57.0) | (15.0) | (72.1) | (93.0) | (15.1) | (108.1) |
| **Profit before income tax** | **331.1** | **(3.6)** | **327.5** | **240.7** | **(19.7)** | **220.9** |
| Income tax charge | (70.8) | 0.7 | (70.1) | (87.8) | 3.8 | (84.0) |
| **Net profit for the period** | **260.3** | **(2.9)** | **257.4** | **152.9** | **(16.0)** | **136.9** |
| **Other comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **260.3** | **(2.9)** | **257.4** | **152.9** | **(16.0)** | **136.9** |

[*] For further information regarding the specific IFRS 15 and IFRS 16 element which adjusted the relevant line item between the Historical and New results, please see Note 2.2 to the New 1Q 2016 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

**Consolidated Statement of Cash Flows - Historical and New***

| (PLN in millions) | Three-month period ended March 31, 2015<br>Unaudited<br>Historical | Change | Three-month period ended March 31, 2015<br>Unaudited<br>New | Three-month period ended March 31, 2016<br>Unaudited<br>Historical | Change | Three-month period ended March 31, 2016<br>Unaudited<br>New |
|---|---|---|---|---|---|---|
| **Profit before income tax** | **331.1** | **(3.6)** | **327.5** | **240.7** | **(19.7)** | **220.9** |
| Depreciation and amortization | 355.5 | (209.0) | 146.5 | 375.6 | (234.6) | 141.0 |
| Changes in contract costs | - | (24.7) | (24.7) | - | 1.4 | 1.4 |
| Interest expense (net) | 53.7 | 17.7 | 71.4 | 64.1 | 19.1 | 83.2 |
| (Gain)/Loss on valuation of finance assets | (17.1) | - | (17.1) | 11.4 | - | 11.4 |
| Foreign exchange (gains)/losses | (149.6) | (3.5) | (153.2) | 9.8 | - | 9.8 |
| Gain on disposal of non-current assets | (0.4) | (0.2) | (0.7) | (0.9) | - | (1.0) |
| Impairment of non-current assets | 11.3 | (11.2) | 0.1 | 13.4 | (11.6) | 1.8 |
| Change in provisions and retention programs liabilities | 21.0 | - | 21.0 | (24.9) | - | (24.9) |
| Changes in working capital and other | (270.5) | 33.8 | (236.7) | (208.3) | 8.9 | (199.4) |
| Changes in contract assets | - | (42.6) | (42.6) | - | (1.5) | (1.5) |
| Changes in contract liabilities | - | (0.1) | (0.1) | - | 7.4 | 7.4 |
| **Cash provided by operating activities** | **335.0** | **(243.5)** | **91.5** | **481.0** | **(230.6)** | **250.3** |
| Interest received | 2.9 | (2.6) | 0.2 | 3.6 | (4.0) | (0.4) |
| Income tax paid | (0.1) | - | (0.1) | (51.3) | - | (51.3) |
| **Net cash provided by operating activities** | **337.8** | **(246.1)** | **91.6** | **433.3** | **(234.6)** | **198.7** |
| Proceeds from sale of non-current assets | 0.8 | - | 0.8 | 2.6 | - | 2.6 |
| Proceeds from loans given | 0.0 | - | 0.0 | - | - | - |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | (402.8) | 289.3 | (113.5) | (2,104.8) | 276.2 | (1,828.7) |
| Purchase of debt securities (Notes issued by Play Topco S.A.) | (75.2) | - | (75.2) | (69.7) | - | (69.7) |
| **Net cash used in investing activities** | **(477.2)** | **289.3** | **(187.9)** | **(2,172.0)** | **276.2** | **(1,895.8)** |
| Proceeds from finance liabilities | 543.8 | - | 543.8 | 190.0 | - | 190.0 |
| Repayment of finance liabilities and relating finance costs | (120.2) | (43.2) | (163.4) | (134.5) | (41.6) | (176.1) |
| **Net cash provided by financing activities** | **423.6** | **(43.2)** | **380.4** | **55.5** | **(41.6)** | **13.9** |
| **Net change in cash and cash equivalents** | **284.1** | **-** | **284.1** | **(1,683.2)** | **-** | **(1,683.2)** |
| Effect of exchange rate change on cash and cash equivalents | (7.2) | - | (7.2) | - | - | - |
| **Cash and cash equivalents at the beginning of the period** | **497.8** | **-** | **497.8** | **1,556.8** | **-** | **1,556.8** |
| **Cash and cash equivalents at the end of the period** | **774.7** | **-** | **774.7** | **(126.4)** | **-** | **(126.4)** |

* For further information regarding the specific IFRS 15 and IFRS 16 element which adjusted the relevant line item between the Historical and New results, please see Note 2.2 to the New 1Q 2016 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

**Year Ended December 31, 2015 and 2014**

**Consolidated Statement of Financial Position - Historical and New[*]**

| (PLN in millions) | December 31, 2014 Historical | Change | December 31, 2014 New | December 31, 2015 Historical | Change | December 31, 2015 New |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Property, plant and equipment | 941.6 | (81.2) | 860.4 | 993.1 | (85.3) | 907.7 |
| Right-of-use assets | - | 719.3 | 719.3 | - | 767.9 | 767.9 |
| Intangible assets | 2,259.2 | (997.6) | 1,261.6 | 2,242.0 | (1,115.2) | 1,126.8 |
| Assets under construction | 285.5 | - | 285.5 | 393.5 | - | 393.5 |
| Contract costs | - | 257.1 | 257.1 | - | 309.9 | 309.9 |
| Long term receivables - debt securities | - | - | - | 153.4 | - | 153.4 |
| Other long term receivables | 14.3 | - | 14.3 | 11.1 | - | 11.1 |
| Finance assets at fair value through profit or loss | 57.6 | - | 57.6 | 19.2 | - | 19.2 |
| Deferred tax asset | 291.0 | (9.5) | 281.5 | 181.9 | 2.2 | 184.1 |
| **Total non-current assets** | **3,849.3** | **(112.0)** | **3,737.3** | **3,994.3** | **(120.4)** | **3,873.9** |
| | | | | | | |
| Inventories | 163.8 | 31.1 | 194.9 | 177.6 | 34.6 | 212.2 |
| Trade and other receivables | 779.6 | (63.6) | 716.0 | 1,055.0 | (178.1) | 876.9 |
| Contract assets | - | 886.0 | 886.0 | - | 1,000.9 | 1,000.9 |
| Current income tax receivables | 0.6 | - | 0.6 | - | - | - |
| Prepaid expenses | 65.9 | (31.3) | 34.7 | 78.9 | (37.1) | 41.8 |
| Cash and cash equivalents | 498.0 | - | 498.0 | 1,556.8 | - | 1,556.8 |
| **Total current assets** | **1,507.9** | **822.2** | **2,330.2** | **2,868.3** | **820.2** | **3,688.6** |
| **Total Assets** | **5,357.2** | **710.3** | **6,067.5** | **6,862.6** | **699.8** | **7,562.4** |
| | | | | | | |
| **EQUITY AND LIABILITIES** | | | | | | |
| Share capital | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| Share premium | 5,636.0 | - | 5,636.0 | 5,644.2 | - | 5,644.2 |
| Retained losses | (5,604.6) | 40.7 | (5,563.9) | (5,004.2) | (9.4) | (5,013.6) |
| **Total equity** | **31.5** | **40.7** | **72.2** | **640.1** | **(9.4)** | **630.6** |
| | | | | | | |
| Long-term finance liabilities | 3,795.2 | 588.0 | 4,383.2 | 4,353.5 | 643.1 | 4,996.6 |
| Long-term provisions | 53.5 | - | 53.5 | 46.5 | - | 46.5 |
| Long-term retention programs liabilities | 95.7 | - | 95.7 | 163.0 | - | 163.0 |
| Deferred tax liability | - | - | - | 0.0 | - | 0.0 |
| Other non-current liabilities | 12.7 | - | 12.7 | 11.4 | - | 11.4 |
| **Total non-current liabilities** | **3,957.1** | **588.0** | **4,545.1** | **4,574.5** | **643.1** | **5,217.5** |
| | | | | | | |
| Short-term finance liabilities | 119.5 | 158.9 | 278.5 | 120.6 | 156.6 | 277.2 |
| Trade and other payables | 832.8 | 3.3 | 836.1 | 982.7 | (5.8) | 976.9 |
| Contract liabilities | - | 21.3 | 21.3 | - | 22.3 | 22.3 |
| Current income tax payable | 8.1 | - | 8.1 | 61.3 | - | 61.3 |
| Accruals | 61.2 | - | 61.2 | 68.5 | - | 68.5 |
| Short-term provisions | 1.7 | - | 1.7 | 1.0 | - | 1.0 |
| Short-term retention programs liabilities | 14.1 | - | 14.1 | 22.3 | - | 22.3 |
| Deferred income | 331.1 | (102.0) | 229.1 | 391.6 | (107.0) | 284.6 |
| **Total current liabilities** | **1,368.5** | **81.6** | **1,450.2** | **1,648.1** | **66.2** | **1,714.2** |
| **Total Liabilities and Equity** | **5,357.2** | **710.3** | **6,067.5** | **6,862.6** | **699.8** | **7,562.4** |

[*] For further information regarding the specific IFRS 15 and IFRS 16 element which adjusted the relevant line item between the Historical and New results, please see Note 2.2 to the New YE 2015 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

**Consolidated Statement of Comprehensive Income - Historical and New***

| (PLN in millions) | Year ended December 31, 2014 Historical | Change | Year ended December 31, 2014 New | Year ended December 31, 2015 Historical | Change | Year ended December 31, 2015 New |
|---|---|---|---|---|---|---|
| **Operating revenue** | **4,392.4** | **197.3** | **4,589.7** | **5,362.7** | **73.8** | **5,436.5** |
| Service revenue | 4,161.1 | (762.6) | 3,398.4 | 4,981.9 | (922.4) | 4,059.5 |
| Sales of goods | 231.3 | 959.9 | 1,191.2 | 380.8 | 996.2 | 1,377.0 |
| | | | | | | |
| **Operating expenses** | **(3,710.8)** | **(105.4)** | **(3,816.2)** | **(4,305.4)** | **(65.2)** | **(4,370.7)** |
| Interconnection, roaming and other service costs | (1,098.5) | - | (1,098.5) | (1,330.6) | - | (1,330.6) |
| Other subscriber acquisition and retention costs not eligible for capitalization | (77.6) | 77.6 | - | (81.4) | 81.4 | - |
| Contract costs, net | - | (318.3) | (318.3) | - | (376.3) | (376.3) |
| Cost of goods sold | (233.5) | (751.3) | (984.8) | (377.9) | (803.3) | (1,181.2) |
| General and administrative expenses | (1,005.2) | 152.7 | (852.4) | (1,046.7) | 159.0 | (887.7) |
| Depreciation and amortization, including: | (1,274.3) | 734.1 | (540.1) | (1,467.8) | 870.5 | (597.3) |
| Amortization of subscriber acquisition and retention costs assets | (842.7) | 842.7 | - | (985.6) | 985.6 | - |
| Depreciation of Right-of-use assets | - | (144.3) | (144.3) | - | (150.8) | (150.8) |
| Other operating income | 56.0 | 8.2 | 64.2 | 70.4 | 8.1 | 78.5 |
| Other operating costs | (77.7) | (8.5) | (86.3) | (71.5) | (4.6) | (76.1) |
| **Operating profit** | **681.6** | **91.9** | **773.5** | **1,057.3** | **8.6** | **1,065.9** |
| Finance income | 86.8 | (12.1) | 74.7 | 18.0 | (10.5) | 7.6 |
| Finance costs | (368.4) | (64.3) | (432.6) | (308.0) | (60.0) | (368.0) |
| **Profit before income tax** | **400.1** | **15.5** | **415.6** | **767.3** | **(61.8)** | **705.5** |
| Income tax benefit/(charge) | 86.2 | (2.9) | 83.3 | (166.9) | 11.7 | (155.2) |
| **Net profit for the period** | **486.3** | **12.6** | **498.9** | **600.4** | **(50.1)** | **550.3** |
| **Other comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **486.3** | **12.6** | **498.9** | **600.4** | **(50.1)** | **550.3** |

* For further information regarding the specific IFRS 15 and IFRS 16 element which adjusted the relevant line item between the Historical and New results, please see Note 2.2 to the New New YE 2015 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information — Changes in Accounting Policies*".

**Consolidated Statement of Cash Flows - Historical and New***

| (PLN in millions) | Year ended December 31, 2014 Historical | Change | Year ended December 31, 2014 New | Year ended December 31, 2015 Historical | Change | Year ended December 31, 2015 New |
|---|---|---|---|---|---|---|
| **Profit before income tax** | **400.1** | **15.5** | **415.6** | **767.3** | **(61.8)** | **705.5** |
| Depreciation and amortization | 1,274.3 | (734.1) | 540.1 | 1,467.8 | (870.5) | 597.3 |
| Changes in contract costs | - | (58.4) | (58.4) | - | (52.8) | (52.8) |
| Interest expense (net) | 253.8 | 73.6 | 327.4 | 232.8 | 69.9 | 302.7 |
| (Gain)/Loss on valuation of finance assets | (50.7) | - | (50.7) | 38.4 | - | 38.4 |
| Foreign exchange losses | 85.1 | 2.8 | 87.9 | 18.8 | 0.5 | 19.3 |
| Gain on disposal of non-current assets | (2.5) | (1.0) | (3.5) | (3.1) | (0.8) | (3.9) |
| Impairment of non-current assets | 42.3 | (44.0) | (1.7) | 48.7 | (47.0) | 1.7 |
| Change in provisions and retention programs liabilities | 33.9 | - | 33.9 | 61.2 | - | 61.2 |
| Changes in working capital and other | 32.2 | 33.3 | 65.5 | (129.1) | 102.8 | (26.3) |
| Changes in contract assets | - | (167.2) | (167.2) | - | (114.9) | (114.9) |
| Changes in contract liabilities | - | 2.5 | 2.5 | - | 1.0 | 1.0 |
| **Cash provided by operating activities** | **2,068.4** | **(877.1)** | **1,191.3** | **2,502.8** | **(973.7)** | **1,529.1** |
| Interest received | 14.0 | (12.1) | 1.9 | 10.5 | (10.5) | 0.1 |
| Income tax paid | (10.5) | - | (10.5) | (4.2) | - | (4.2) |
| Transfers from restricted cash (operating) | - | - | - | 0.2 | - | 0.2 |
| **Net cash provided by operating activities** | **2,071.9** | **(889.2)** | **1,182.7** | **2,509.3** | **(984.1)** | **1,525.1** |
| Proceeds from sale of non-current assets | 7.6 | - | 7.6 | 7.8 | - | 7.8 |
| Proceeds from loans given | 0.0 | - | 0.0 | 0.1 | - | 0.1 |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | (1,507.3) | 1,050.4 | (456.9) | (1,587.8) | 1,151.0 | (436.8) |
| Loans given | (0.1) | - | (0.1) | - | - | - |
| Purchase of debt securities (Notes issued by Play Topco S.A.) | - | - | - | (144.0) | - | (144.0) |
| Transfer to other finance assets | (720.3) | - | (720.3) | - | - | - |
| Transfer from other finance assets | 705.2 | - | 705.2 | - | - | - |
| **Net cash used in investing activities** | **(1,514.7)** | **1,050.4** | **(464.3)** | **(1,723.9)** | **1,151.0** | **(572.9)** |
| Proceeds from finance liabilities | 3,816.0 | - | 3,816.0 | 543.8 | - | 543.8 |
| Distribution of share premium | (1,416.1) | - | (1,416.1) | - | - | - |
| Repayment of finance liabilities and relating finance costs | (2,766.7) | (161.2) | (2,927.9) | (270.1) | (166.9) | (437.0) |
| Transfers from restricted cash | 134.7 | - | 134.7 | - | - | - |
| Other proceeds from financing activities | 22.5 | - | 22.5 | - | - | - |
| Other payments relating to financing activities | (22.4) | - | (22.4) | - | - | - |
| **Net cash provided by/(used in) financing activities** | **(232.0)** | **(161.2)** | **(393.2)** | **273.7** | **(166.9)** | **106.8** |
| **Net change in cash and cash equivalents** | 325.1 | - | 325.1 | 1,059.1 | - | 1,059.1 |
| Effect of exchange rate change on cash and cash equivalents | 0.1 | - | 0.1 | (0.1) | - | (0.1) |
| **Cash and cash equivalents at the beginning of the period** | **172.6** | **-** | **172.6** | **497.8** | **-** | **497.8** |
| **Cash and cash equivalents at the end of the period** | **497.8** | **-** | **497.8** | **1,556.8** | **-** | **1,556.8** |

* For further information regarding the specific IFRS 15 and IFRS 16 element which adjusted the relevant line item between the Historical and New results, please see Note 2.2 to the New YE 2015 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

**Other Operating and Financial Information - Historical**

| | Year ended | | Three-month period ended | |
|---|---|---|---|---|
| | December 31, 2014 | December 31, 2015 | March 31, 2015 | March 31, 2016 |
| | Audited | Audited | Unaudited | Unaudited |
| (PLN in millions) | Historical | Historical | Historical | Historical |
| Adjusted EBITDA[(1)] | 1,071.6 | 1,543.6 | 323.5 | 437.5 |
| Adjusted EBITDA margin (%)[(1)] | 24.4 | 28.8 | 26.3 | 30.4 |
| Total cash capital expenditures[(2)] | 449.2 | 429.0 | 112.7 | 1,826.1 |
| of which license acquisition costs | - | - | - | 1,718.4 |
| Operating cash flows[(3)] | 622.4 | 1,114.6 | 210.7 | 329.9 |
| Free cash flow before financing and non recurring items[(4)] | 643.2 | 971.9 | 115.2 | 47.4 |

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures of our financial and operating performance used by us that are not required by, or prepared in accordance with IFRS. These measures are prepared by us because we believe they provide a view of our recurring operating performance that is unaffected by our capital structure and allow us to readily view operating trends and identify strategies to improve operating performance as well as assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our use of each of these measures is as follows:
- The definitions of EBITDA and Adjusted EBITDA in our Historical Financial Statements and New Financial Statements are set forth above under "*Presentation of Financial Information—Non IFRS Measures*".
- In both Historical Financial Statements and New Financial Statements we define Adjusted EBITDA margin as Adjusted EBITDA divided by operating revenue in the applicable period.

The measures presented are not comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not to rely on a single financial measure. See "*Presentation of Financial Information—Non-IFRS Financial Measures*" for an explanation of certain limitations to the use of these measures.

(2) "Total cash capital expenditure" means cash outflows for purchases of fixed assets and intangibles and prepayments for assets under construction (in the Historical Financial Statements also excluding expenditures on capitalized subscriber acquisition costs and subscriber retention costs which in the New financial statements are presented in cash flows from operating activities), less proceeds from the sale of non-current assets in each period.

(3) Operating cash flow is defined as Adjusted EBITDA less total cash capital expenditure excluding license acquisition costs.

(4) For a reconciliation of free cash flow before financing and non recurring items to Adjusted EBITDA, see "—Free Cash Flow Reconciliation – Historical and New."

**EBITDA and Adjusted EBITDA reconciliation - Historical**

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to our operating profit for the periods presented.

| | Year ended | | Three-month period ended | |
|---|---|---|---|---|
| | December 31, 2014 | December 31, 2015 | March 31, 2015 | March 31, 2016 |
| | Audited | Audited | Unaudited | Unaudited |
| | Historical | Historical | Historical | Historical |
| **Operating profit** | **681.6** | **1,057.3** | **210.9** | **326.0** |
| Depreciation and amortization | 1,274.3 | 1,467.8 | 355.5 | 375.6 |
| Reversal of capitalized subscriber acquisition costs and subscriber retention costs[(a)] | (1,050.4) | (1,151.0) | (289.3) | (276.2) |
| Impairment of subscriber acquisition costs assets and subscriber retention costs assets[(b)] | 44.0 | 47.0 | 11.2 | 11.6 |
| **EBITDA** | **949.4** | **1,421.0** | **288.3** | **437.0** |
| Costs of advisory services provided by shareholders[(c)] | 21.2 | 27.7 | 6.6 | 7.8 |
| Valuation of retention programs and costs of special bonuses[(d)] | 83.8 | 93.1 | 21.2 | (23.4) |
| Other one off operating (income) / costs[(e)] | 17.2 | 1.8 | 7.4 | 16.1 |
| **Adjusted EBITDA** | **1,071.6** | **1,543.6** | **323.5** | **437.5** |

(a) Under our accounting policies in our Historical Financial Statements we capitalize subscriber acquisition costs and subscriber retention costs which differs from the accounting policies of other mobile telecommunications operators, who report subscriber acquisition costs and subscriber retention costs as an expense in the period they are incurred. In our presentation of EBITDA and Adjusted EBITDA in our Historical Financial Statements, we reverse the capitalization of subscriber acquisition costs and subscriber retention costs and instead expense such costs as incurred and we reverse impairment of subscriber acquisition costs assets and subscriber retention costs assets in order to aid the comparability of our EBITDA and Adjusted EBITDA in our Historical Financial Statements with the reported EBITDA of other mobile telecommunications operators.

(b) Under the accounting policy referred to in (a) above, as we capitalize subscriber acquisition costs and subscriber retention costs, we also impair subscriber acquisition costs assets and subscriber retention costs assets in each period. We add this impairment charge back when calculating EBITDA and Adjusted EBITDA in our Historical Financial Statements.

(c) Costs of advisory services provided by shareholders are costs in relation to advisory services agreements entered into by the Group with Novator Partners LLP and Olympia Development S.A.

(d) We revalue our employee retention programs on a periodic basis based on the triggers affecting the program and the amounts which may be required to be paid to beneficiaries under such programs. This charge/benefit is added back to our Adjusted EBITDA.

(e) Other one-off operating cost for the three-month period ended March 31, 2016, comprised: (i) one -off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling and other operating costs of PLN 3.3 million. Other one-off operating costs for the three-month period ended March 31, 2015 comprised: mainly foreign exchange losses resulting from the valuation of funds kept on EUR currency accounts obtained from the issue of senior secured notes in March 2015.

Other one-off operating cost for the year ended December 31, 2015 comprised: (i) income from a reversal of provision for a potential liability towards Competition and Consumer Protection Office (UOKIK) of PLN 10.7 million relating to the alleged participation in the anti-competitive agreement, due to the repeal of the UOKiK's decision by the District Court in Warsaw in its judgment of June 19, 2015; (ii) one-off operating costs of legal and advisory services expenses of PLN 3.3 million and other operating costs of PLN 9.1 million. Other one off operating costs for the year ended December 31, 2014 comprised: (i) finance and legal services relating to Group Refinancing and Recapitalization as well as Group restructuring of PLN 3.9 million, (ii) one-off civil law activities tax of PLN 14.2 million on sale of 19.96% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to Glenmore Investments Sp. z o.o.

(iii) income resulting from decrease of provision for a potential liability towards UOKIK of PLN 4.8 million and (iv) income from reversal of impairment of non-current assets of PLN 2.7 million, a non-cash write-off of prior year receivables balance of PLN 3.8 million and a non-cash correction of prior year consolidation adjustment of PLN 2.8 million.

**Other Operating and Financial Information - New**

We also present in this *ad hoc* Report EBITDA, Adjusted EBITDA and certain other financial metrics and reconciliations on a new presentation basis which differs from our historically reported results set forth above.

This changes the build-up of EBITDA and Adjusted EBITDA, by re-defining "EBITDA" as operating profit plus depreciation and amortization and "Adjusted EBITDA" as EBITDA plus costs of advisory services provided by shareholders, cost/(income) resulting from valuation of retention programs and certain one off items.

See "*Presentation of Financial Information—Non IFRS Measures*" above.

Below are EBITDA and Adjusted EBITDA under our New Financial Statements and presented as discussed above.

For a reconciliation of between Adjusted EBITDA under our Historical Financial Statements under the old presentation (as presented above) and Adjusted EBITDA under our New Financial Statements with the new presentation (as presented below), see Annex D.

| | **Year Ended** | | **Three months ended** | |
|---|---|---|---|---|
| | **December 31, 2014** | **December 31, 2015** | **March 31, 2015** | **March 31, 2016** |
| | **Audited** | **Audited** | **Unaudited** | **Unaudited** |
| **(PLN in millions)** | **New** | **New** | **New** | **New** |
| Adjusted EBITDA[1] | **1,435.8** | **1,785.7** | **403.1** | **466.9** |
| Adjusted EBITDA margin (%)[1] | 31.3 | 32.8 | 32.2 | 32.4 |
| Total cash capital expenditures[2] | 449.2 | 429.0 | 112.7 | 1,826.1 |
| of which license acquisition costs | - | - | - | 1,718.4 |
| Operating cash flows[3] | 986.6 | 1,356.7 | 290.4 | 359.2 |
| Free cash flow before financing and non recurring items[4] | 803.2 | 1,138.2 | 156.3 | 89.6 |

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures of our financial and operating performance used by us that are not required by, or prepared in accordance with IFRS. These measures are prepared by us because we believe they provide a view of our recurring operating performance that is unaffected by our capital structure and allow us to readily view operating trends and identify strategies to improve operating performance as well as assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. The definitions of EBITDA and Adjusted EBITDA are set forth above. Adjusted EBITDA margin is Adjusted EBITDA divided by operating revenues (each calculated under the New Financial Statements)
The measures presented are not comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not to rely on a single financial measure. See "*Presentation of Financial Information—Non-IFRS Financial Measures*" for an explanation of certain limitations to the use of these measures.

(2) "Total cash capital expenditure" means cash outflows for purchases of fixed assets and intangibles and prepayments for assets under construction, less proceeds from the sale of non-current assets in each period.

(3) Operating cash flow is defined as Adjusted EBITDA less total cash capital expenditure excluding license acquisition costs.

(4) For a reconciliation of free cash flow before financing and non recurring items to Adjusted EBITDA, see "—Free Cash Flow Reconciliation – Historical and New."

**EBITDA and Adjusted EBITDA reconciliation - New**

The following table presents a reconciliation of EBITDA and Adjusted EBITDA as defined above to our operating profit for the periods presented under our New Financial Statements.

| | Year Ended | | Three months ended | |
|---|---|---|---|---|
| | December 31, 2014 | December 31, 2015 | March 31, 2015 | March 31, 2016 |
| | Audited | Audited | Unaudited | Unaudited |
| (PLN in millions) | New | New | New | New |
| **Operating profit** | **773.5** | **1,065.9** | **221.4** | **325.4** |
| Depreciation and amortization | 540.1 | 597.3 | 146.5 | 141.0 |
| **EBITDA** | **1,313.6** | **1,663.1** | **367.9** | **466.4** |
| Costs of advisory services provided by shareholders[(a)] | 21.2 | 27.7 | 6.6 | 7.8 |
| Valuation of retention programs and costs of special bonuses[(b)] | 83.8 | 93.1 | 21.2 | (23.4) |
| Other one off operating (income) / costs[(c)] | 17.2 | 1.8 | 7.4 | 16.1 |
| **Adjusted EBITDA** | **1,435.8** | **1,785.7** | **403.1** | **466.9** |

(a) Costs of advisory services provided by shareholders are costs in relation to advisory services agreements entered into by the Group with Novator Partners LLP and Olympia Development S.A.

(b) We revalue our employee retention programs on a periodic basis based on the triggers affecting the program and the amounts which may be required to be paid to beneficiaries under such programs. This charge/benefit is added back to our Adjusted EBITDA.

(c) Other one-off operating cost for the three-month period ended March 31, 2016, comprised: (i) one -off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling and other operating costs of PLN 3.3 million. Other one-off operating costs for the three-month period ended March 31, 2015 comprised: mainly foreign exchange losses resulting from the valuation of funds kept on EUR currency accounts obtained from the issue of senior secured notes in March 2015.

Other one-off operating cost for the year ended December 31, 2015 comprised: (i) income from a reversal of provision for a potential liability towards Competition and Consumer Protection Office (UOKIK) of PLN 10.7 million relating to the alleged participation in the anti-competitive agreement, due to the repeal of the UOKiK's decision by the District Court in Warsaw in its judgment of June 19, 2015; (ii) one-off operating costs of legal and advisory services expenses of PLN 3.3 million and other operating costs of PLN 9.1 million. Other one off operating costs for the year ended December 31, 2014 comprised: (i) finance and legal services relating to Group Refinancing and Recapitalization as well as Group restructuring of PLN 3.9 million, (ii) one-off civil law activities tax of PLN 14.2 million on sale of 19.96% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to Glenmore Investments Sp. z o.o. (iii) income resulting from decrease of provision for a potential liability towards UOKIK of PLN 4.8 million and (iv) income from reversal of impairment of non-current assets of PLN 2.7 million, a non-cash write-off of prior year receivables balance of PLN 3.8 million and a non-cash correction of prior year consolidation adjustment of PLN 2.8 million.

**Free Cash Flow Reconciliation – Historical and New**

The following table presents a reconciliation of Adjusted EBITDA to free cash flow before financing and non-recurring items for the periods presented under our Historical Financial Statements and under our New Financial Statements:

| | Year ended | | | Year ended | | |
|---|---|---|---|---|---|---|
| | December 31, 2014 | | December 31, 2014 | December 31, 2015 | | December 31, 2015 |
| | Audited | | Audited | Audited | | Audited |
| **(PLN in millions)** | **Historical** | **Change** | **New** | **Historical** | **Change** | **New** |
| **Adjusted EBITDA** | **1,071.6** | 364.2 | **1,435.8** | **1,543.6** | 242.1 | **1,785.7** |
| Non-cash items and changes in provisions(1) | (3.9) | (14.3) | (18.2) | (5.1) | (11.8) | (16.9) |
| Change in working capital(2) | 35.3 | 33.3 | 68.5 | (133.6) | 102.8 | (30.9) |
| Changes in contract costs (net) | - | (58.4) | (58.4) | - | (52.8) | (52.8) |
| Changes in contract assets | - | (167.2) | (167.2) | - | (114.9) | (114.9) |
| Changes in contract liabilities | - | 2.5 | 2.5 | - | 1.0 | 1.0 |
| Cash capital expenditures(3) | (449.2) | - | (449.2) | (429.0) | 0.0 | (429.0) |
| Income tax paid | (10.5) | - | (10.5) | (4.2) | - | (4.2) |
| Transfers from restricted cash (operating) | - | - | - | 0.2 | - | 0.2 |
| **Free cash flow before financing and non-recurring items** | **643.2** | **160.0** | **803.2** | **971.9** | **166.3** | **1,138.2** |
| Advisory services fee paid out | (21.2) | - | (21.2) | (26.0) | - | (26.0) |
| Retention programs and special bonuses paid out | (56.3) | - | (56.3) | (27.2) | - | (27.2) |
| Proceeds from finance liabilities | 3,816.0 | - | 3,816.0 | 543.8 | - | 543.8 |
| Repayment of finance liabilities and relating finance costs | (2,752.7) | (160.0) | (2,912.7) | (259.5) | (166.3) | (425.9) |
| Foreign exchange (gains)/losses(4) | 6.7 | - | 6.7 | 0.1 | - | 0.1 |
| Transfers from restricted cash | 134.7 | - | 134.7 | - | - | - |
| Transfer to other finance assets (Escrow account) | (720.3) | - | (720.3) | - | - | - |
| Transfer from other finance assets | 705.2 | - | 705.2 | - | - | - |
| Distribution of share premium | (1,416.1) | - | (1,416.1) | - | - | - |
| Civil law activities tax paid | (14.2) | - | (14.2) | - | - | - |
| Loans given | (0.1) | - | (0.1) | - | - | - |
| Proceeds from loans granted | 0.0 | - | 0.0 | 0.1 | - | 0.1 |
| Purchase of debt securities (Notes issued by Play Topco) | - | - | - | (144.0) | - | (144.0) |
| Other proceeds from financing activities | 22.5 | - | 22.5 | - | - | - |
| Other payments relating to financing activities | (22.4) | - | (22.4) | - | - | - |
| **Net increase/(decrease) in cash and cash equivalents** | **325.1** | **-** | **325.1** | **1,059.1** | **-** | **1,059.1** |
| Effect of exchange rate change on cash and cash equivalents | 0.1 | - | 0.1 | (0.1) | - | (0.1) |
| Beginning of period cash and equivalents(5) | 172.6 | - | 172.6 | 497.8 | - | 497.8 |
| End of period cash and equivalents(5) | 497.8 | - | 497.8 | 1,556.8 | - | 1,556.8 |

(1) Comprising non-cash items: gains on disposal of non-current assets and impairments of non-current assets.
(2) Excluding change in accruals for special bonus and change in trade payables relating to advisory services provided by shareholders.
(3) For a definition of total cash capital expenditures, see footnote (2) under the tables "—Other Operating and Financial Information – Historical" and "—Other Operating and Financial Information - New"
(4) Related to unrealized foreign exchange gains/losses on valuation of cash and cash equivalents.
(5) As presented in the cash flow statement (net of bank overdrafts and excluding restricted cash).

| (PLN in millions) | Three-month period ended March 31, 2015 Unaudited Historical | Change | March 31, 2015 Unaudited New | Three-month period ended March 31, 2016 Unaudited Historical | Change | March 31, 2016 Unaudited New |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | **323.5** | 79.7 | **403.1** | **437.5** | 29.4 | **466.9** |
| Non-cash items and changes in provisions(1) | (0.9) | (4.9) | (5.9) | (0.8) | (3.4) | (4.2) |
| Change in working capital(2) | (94.5) | 33.8 | (60.7) | (230.4) | 8.9 | (221.5) |
| Changes in contract costs (net) | - | (24.7) | (24.7) | - | 1.4 | 1.4 |
| Changes in contract assets | - | (42.6) | (42.6) | - | (1.5) | (1.5) |
| Changes in contract liabilities | - | (0.1) | (0.1) | - | 7.4 | 7.4 |
| Cash capital expenditures(3) | (112.7) | - | (112.7) | (107.6) | (0.0) | (107.6) |
| Proceeds from other financial assets | - | - | - | - | - | - |
| Income tax paid | (0.1) | - | (0.1) | (51.3) | - | (51.3) |
| **Free cash flow before financing and non-recurring items** | **115.2** | **41.1** | **156.3** | **47.4** | **42.2** | **89.6** |
| Spectrum purchase | - | - | - | (1,718.4) | - | (1,718.4) |
| Deposits paid to UKE in relation with spectrum auction | (183.6) | - | (183.6) | - | - | - |
| Retention programs and special bonuses paid out | (6.0) | - | (6.0) | (1.6) | - | (1.6) |
| Proceeds from finance liabilities | 543.8 | - | 543.8 | 190.0 | - | 190.0 |
| Repayment of finance liabilities and relating finance costs | (117.4) | (41.1) | (158.5) | (130.9) | (42.2) | (173.1) |
| Foreign exchange (gains)/losses(4) | 7.2 | - | 7.2 | 0.0 | - | 0.0 |
| Purchase of debt securities (Notes issued by Play Topco) | (75.2) | - | (75.2) | (69.7) | - | (69.7) |
| **Net increase/(decrease) in cash and cash equivalents** | **284.1** | **-** | **284.1** | **(1,683.2)** | **-** | **(1,683.2)** |
| Effect of exchange rate change on cash and cash equivalents | (7.2) | - | (7.2) | (0.0) | - | (0.0) |
| Beginning of period cash and equivalents(5) | 497.8 | - | 497.8 | 1,556.8 | - | 1,556.8 |
| End of period cash and equivalents(5) | 774.7 | - | 774.7 | (126.4) | - | (126.4) |

(1) Comprising non-cash items: gains on disposal of non-current assets and impairments of non-current assets.
(2) Excluding change in accruals for special bonus and change in trade payables relating to advisory services provided by shareholders.
(3) For a definition of total cash capital expenditures, see footnote (2) under the tables "—Other Operating and Financial Information – Historical" and "—Other Operating and Financial Information - New"
(4) Related to unrealized foreign exchange gains/losses on valuation of cash and cash equivalents.
(5) As presented in the cash flow statement (net of bank overdrafts and excluding restricted cash).

## CAPITALIZATION

### Capitalization (as of March 31, 2016)

The following table presents our cash and cash equivalents and capitalization as of March 31, 2016, unaudited.

For the purposes of presenting our capitalization, we use our EBITDA and Adjusted EBITDA and financial information from our Historical Financial Statements which we believe will be more useful to investors for comparing to prior periods.

| | **PLN in millions** | **EUR in millions[1]** | **xLHA Adjusted EBITDA[2]** |
|---|---|---|---|
| Cash and cash equivalents[3] | (126.4) | (29.6) | (0.07)x |
| | | | |
| Revolving Credit Facilities drawn[4] | 190.7 | 44.7 | 0.11x |
| Finance Leases | 35.9 | 8.4 | 0.02x |
| Senior Secured Notes | 3,252.4 | 762.0 | 1.89x |
| *of which EUR fixed rate Notes[5]* | *3,121.2* | *731.2* | *1.81x* |
| *of which PLN floating rate Notes[5]* | *131.2* | *30.7* | *0.08x* |
| Secured debt | 3,478.9 | 815.0 | 2.02x |
| **Net secured debt** | **3,605.4** | **844.7** | **2.09x** |
| | | | |
| Senior Unsecured Notes[5] | 1,164.7 | 272.9 | 0.68x |
| Total debt | 4,643.7 | 1,087.9 | 2.69x |
| **Net debt** | **4,770.1** | **1,117.5** | **2.77x** |

(1) Currency exchange rate as of March 31, 2016, 1 EUR = 4.2684 PLN;

(2) LHA Adjusted EBITDA as of March 31, 2016, of PLN 1,724.0 million;

(3) Including overdrafts: PLN 124.9 million in Bank Zachodni WBK S.A. and PLN 48.2 in Bank Millennium S.A.;

(4) Including drawdowns for total amount of PLN 190m and accrued interest of PLN 0.7 million;

(5) Including accrued interest: €600 million 5.25% Fixed Rate Senior Secured Notes due 2019 – PLN 22.0 million / €5.2 million of accrued interest; €125 million 5.25% Fixed Rate Senior Secured Notes due 2020 – PLN 4.6 million / €1.1 million of accrued interest; PLN 130 million Floating Rate Senior Secured Notes due 2019 –PLN 1.2 million of accrued interest; €270 million 6.50% Senior Notes due 2019 – PLN 12.3 million / €2.9 million of accrued interest.

**Capitalization (as of December 31, 2015)**

The following table presents our cash and cash equivalents and capitalization as of December 31, 2015.

For the purposes of presenting our capitalization, we use our EBITDA and Adjusted EBITDA and financial information from our Historical Financial Statements which we believe will be more useful to investors for comparing to prior periods.

| | **PLN in millions** | **EUR in millions[1]** | **xLHA Adjusted EBITDA[2]** |
|---|---|---|---|
| Cash and cash equivalents | 1,556.8 | 365.3 | 0.92x |
| | | | |
| Revolving Credit Facilities drawn | - | - | - |
| Finance Leases | 41.7 | 9.8 | 0.02x |
| Senior Secured Notes | 3,287.9 | 771.5 | 1.94x |
| *of which EUR fixed rate Notes[3]* | *3,156.7* | *740.8* | *1.86x* |
| *of which PLN floating rate Notes[3]* | *131.1* | *30.8* | *0.08x* |
| Secured debt | 3,329.6 | 781.3 | 1.97x |
| **Net secured debt** | **1,772.8** | **416.0** | **1.05x** |
| | | | |
| Senior Unsecured Notes[3] | 1,181.6 | 277.3 | 0.70x |
| Total debt | 4,511.1 | 1,058.6 | 2.66x |
| **Net debt** | **2,954.3** | **693.3** | **1.75x** |

(1) Currency exchange rate as of December 31, 2015 1 EUR = 4.2615 PLN;

(2) LHA Adjusted EBITDA as of December 31, 2015 of PLN 1,692.8 million;

(3) Including accrued interest: €600 million 51/4% Fixed Rate Senior Secured Notes due 2019 – PLN 55.6 million / €13.0 million of accrued interest; €125 million 5.25% Fixed Rate Senior Secured Notes due 2020 – PLN 11.6 million / € 2.7 million of accrued interest; PLN 130 million Floating Rate Senior Secured Notes due 2019 –PLN 1.1 million of accrued interest; €270 million 6.50% Senior Notes due 2019 – PLN 31.0 million / €7.3 million of accrued interest.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations is based on the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows as of and for the three-month period ended March 31, 2016 and March 31, 2015 and as of and for the years ended December 31, 2015 and 2014 which have been derived from:*

*(i) the Historical YE 2015 Financial Statements;*

*(ii) the Historical 1Q 2016 Financial Statements;*

*(iii) the New YE 2015 Financial Statements; and*

*(iv) the New 1Q 2016 Financial Statements.*

*See "Presentation of Financial Information" in this ad hoc Report. This ad hoc Report is produced to provide to the holders of the Senior Secured Notes, the holders of the Senior Notes and the holders of the Senior PIK Toggle Notes with an illustration of the effect of the early adoption by the Group of the new standards IFRS 15 and IFRS 16 and the resulting changes in accounting policies and the differences in the financial data as were presented in the Historical Financial Statements. The New Financial Statements are prepares with the early adoption of IFRS 15 and IFRS 16. For further information please see Note 2.2 to the New 1Q 2016 Financial Statements, Note 2.2 to the New YE 2015 Financial Statements of the Parent and "Presentation of Financial Information —Changes in Accounting Policies". In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.*

*The financial statements have been prepared in accordance with IFRS* and *with IFRS with early adoption of IFRS 15 and IFRS 16, which differ in certain significant respects from U.S. GAAP. In making an investment decision investors must rely upon their own examination of the Group, the terms and conditions of the Notes and the financial information included herein. Investors should consult their own professional advisors in order to gain an understanding of the differences between U.S. GAAP, IFRS and IFRS with early adoption of IFRS 15 and IFRS 16 and how these differences might affect the financial statements and information herein.*

*Certain financial and operational information presented in tables in this section has been rounded to one decimal place. As a result of this, related information appearing within the narrative under this caption and throughout this ad hoc Report may vary in minor respects from the information presented in such tables, due to rounding.*

*The following discussion also contains forward-looking statements. Our actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this ad hoc Report, particularly under "Forward-Looking Statements", as well as "Risk Factors" in the Offering Memorandum of the Initial Notes dated January 24, 2014, (relevant for holders of the Initial Notes), in the Offering Memorandum of the Additional Notes dated March 12, 2015, (relevant for holders of the Additional Notes), the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014, (relevant for holders of the Senior PIK Toggle Notes) and FY 2015 Annual Report.*

**Explanation of Key Items from the Consolidated Statement of Comprehensive Income.**

For the purposes of the following discussion of our results of operations, the key line items from the statement of comprehensive income include the following:

***Operating revenue***

Operating revenue includes the following:

- Service revenue, which consists of (i) usage revenue and (ii) interconnection revenue; and
- Sales of goods and other revenues.

*Service revenue*

Usage revenue is generated mainly from:

- Revenues related to contract subscribers — consisting of subscription fees, charges for recurring voice and non-voice services rendered by us to our contract subscribers which originate on our network and fees for any traffic generated by our subscribers in foreign mobile networks under the international roaming agreements that we have entered into. Recognition of such revenue is based on the actual airtime usage, or is made upon the expiration of the obligation to provide the services.
- Revenues related to prepaid subscribers — consisting of sale of prepaid offerings (starter packs, scratch cards, top-ups); telecommunications revenue on the sale of prepaid offerings is recognized at the face value of a prepaid offering sold, net of VAT. The difference between the face value of a prepaid offering and the value for which an offering is sold by us to our distributors, constitutes commission earned by the distributors, who act as agents. The costs of commissions are treated as other direct costs. The revenue is deferred until a subscriber commences using the prepaid offering, and recognized in the statement of comprehensive income as telecommunications services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the services.
- Other usage revenue — consisting mainly of revenues from MVNOs to which we provide telecommunication services and revenues generated by subscribers of foreign mobile operators that have entered into international roaming agreements with us for using our network.
- Revenues from content services rendered to our subscribers are recognized after netting off costs paid by us to third party content (*e.g*., "apps" and other value added services) providers (when we act as an agent in the transaction) or in the gross amount billed to a subscriber (when we act as a principal).

Under the recently adopted IFRS 15, the total consideration with respect to a contract (*e.g.*, for mobile devices, telecommunication services and one-time connection fees) is allocated to all products and services – *e.g.*, mobile devices and mobile telecommunications services – based on their relative stand-alone selling prices. This results in a shift from service revenue to revenue from sales of goods versus the current accounting treatment of sales in the subsidy model and creation of contract assets, which includes also some items previously presented as trade and other receivables.

Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but which terminate on our network. The Group receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the statement of comprehensive income in the period in which the services were rendered.

*Sales of goods and other revenues*

Sales of goods and other revenues comprise mainly revenues from devices sold to subscribers. Revenues from sales of goods are recognized when significant risks and rewards (as described in IFRS) associated with the devices sold are transferred to the buyer (subscriber). The revenues from devices sold to dealers are recognized when the device is delivered to the subscriber.

Other revenue comprises primarily revenue from commissions for sale of our partners' offerings through our distribution network. The Group presents revenue net of value added tax, rebates and discounts and after eliminating sales between us and our subsidiaries.

***Direct costs***

Under the Historical Financial Statements direct costs consisted of the following:

- Interconnection costs include costs of termination of voice and non-voice traffic of our customers in other operators' networks under interconnection agreements.

- Network sharing costs include costs incurred in connection with the traffic generated by our subscribers hosted in networks of our network sharing partners under our national roaming/network sharing agreements.

- Previously, the Group capitalized the so called subscriber acquisition and retention costs relating to postpaid contracts and "mix" contracts in the month of service activation. Components of subscriber acquisition and retention costs included: trade commissions paid to dealers as well as to our own sales force, cost of devices relating to new subscriber connections, net of the price charged to the subscriber. Subscriber acquisition costs which did not meet asset recognition criteria were presented as direct costs. The subscriber acquisition and retention costs were capitalized and recognized as intangible assets, and amortized in depreciation and amortization.

- Under the recently adopted IFRS 15 the Group capitalizes solely costs of commissions paid to dealers and own salesforce to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized commission fees relating to postpaid contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. The amortization is presented in the statement of comprehensive income in the line item "Contract costs, net".

- Costs of goods sold include our purchasing costs of devices. Previously, for devices sold with telecommunications contracts we recognized cost of goods sold in the statement of comprehensive income up to the amount of the price charged to the subscriber. Under the recently adopted IFRS 15 we recognize cost of goods sold in the statement of comprehensive income in full amount.

- Other service costs include international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top-ups) and fees paid to content providers in transactions in which we act as a principal. Costs of distribution of prepaid offerings represent commissions paid to dealers. Such commission is the difference between the face value of a prepaid offering (starters, scratch cards, top-ups) and the value for which the offerings are sold by us to dealers. These costs are deferred until the service is provided, *i.e.*, a prepaid offering is delivered to a subscriber, and expensed at that time.

***General and administrative expenses***

General and administrative expenses consist of the following:

- Employee benefits include remuneration (including all salaries, quarterly, annual and other bonuses), additional employment benefits such as medical care and contributions to corporate social funds, national social security payments as well costs or income resulting from valuation of retention programs for members of the Management Board of P4 Sp. z o.o. and key employees.

- External services include mainly network maintenance, advertising and promotion expenses, customer relations costs (consisting of costs of outsourcing call center, printing and shipping telecommunication invoices to subscribers), IT costs and other overhead services costs such as office maintenance, finance and legal services, advisory services fees and other personnel costs such as training, company cars maintenance costs and other miscellaneous personnel related costs. Under the current advisory service agreement (applicable from June 24, 2015), advisory service fees are paid to entities related to our shareholders based on orders volume with an annual cap of EUR 6.1 million. Previously, external services included rental costs. Under the recently adopted IFRS 16 the Group capitalizes expected future rental payments connected with rentals of telecommunication sites, points of sale, offices etc.

- Taxes and fees include primarily fees for the use of telecommunication frequencies, real estate taxes and other administrative duties, as well as non- deductible VAT.

***Other operating income and other operating costs***

- Other operating income consists primarily of income from early contract termination payments by subscribers, marketing revenues, gain on disposal of non-current assets and certain other miscellaneous items.

- Other operating costs consist primarily of impairment charges of non-current assets (currently including also impairment of contract assets recognized under IFRS 15), bad debts, gain or loss on sale of receivables, and other miscellaneous items not included in other general and administrative expenses.

***Depreciation and amortization***

Amortization and depreciation costs consist mainly of the depreciation of the network system and related equipment and other fixed assets, as well as the amortization of costs of telecommunications licenses and software and other intangible assets. Under the recently adopted IFRS 16 it also includes the depreciation of the right-of-use assets. Previously it included amortization of subscriber acquisition costs assets and subscriber retention costs assets.

Depreciation and amortization charge is calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives.

***Finance income and finance costs***

Finance income includes interest receivable on bank deposits, as well as exchange rate gains.

Finance costs include primarily interest on notes, bank loans and overdrafts (not capitalized as part of non-current assets), amortization of transaction costs and exchange rate losses. Under the recently adopted IFRS 16 finance costs also include the financial costs associated with lease liabilities.

Finance income and costs include also the effect of valuation of the early redemption options, separated from Initial Fixed Rate Senior Secured Notes and Senior Notes contracts.

***Income taxes***

Income tax expense comprises current and deferred taxes.

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in countries where the Group operates and generates taxable income.

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized.

Deferred income tax is calculated using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for tax losses. Deferred tax is not recognized when any related deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction (deferred tax), does not affect either the accounting profit or the taxable profit or loss. Currently enacted tax rates are used to determine deferred income tax.

Most of the Play Group’s taxable revenue is subject to the Polish tax system. The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Group. Thus, each of the Group’s subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Luxembourg tax losses can be carried forward indefinitely. In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss *per annum*.

Despite changes in the revenue and cost recognition due to adoption of IFRS 15 and 16 there was no change with respect to income taxes because the Polish tax system rules on taxation of revenue or rental costs remained unchanged.

***Results of Operations: Comparison of the Three-Month Period Ended March 31, 2016, and the Three-Month Period Ended March 31, 2015***

The following table presents the consolidated statement of comprehensive income data for the periods under review.

| | Three-month period ended | | | Three-month period ended | | |
|---|---|---|---|---|---|---|
| | March 31, 2015 | March 31, 2016 | | March 31, 2015 | March 31, 2016 | |
| | Unaudited | Unaudited | | Unaudited | Unaudited | |
| **(PLN in millions)** | **Historical** | | **Change %** | **New** | | **Change %** |
| **Operating revenue** | **1,227.7** | **1,440.8** | **17.4** | **1,253. 6** | **1,442.6** | **15.1** |
| Direct costs | (397.8) | (504.3) | 26.8 | (662.4) | (781.9) | 18.0 |
| General and administrative expenses | (250.2) | (217.4) | (13.1) | (210.8) | (177.1) | (15.9) |
| Depreciation and amortization | (355.5) | (375.6) | 5.7 | (146.5) | (141.0) | (3.8) |
| Other operating income | 12.9 | 16.9 | 30.8 | 14.9 | 18.9 | 26.8 |
| Other operating costs | (26.3) | (34.4) | 31.0 | (27.4) | (36.0) | 31.4 |
| **Operating profit** | **210.9** | **326.0** | **54.6** | **221.4** | **325.4** | **46.9** |
| Finance income | 177.3 | 7.6 | (95.7) | 178.1 | 3.6 | (97.9) |
| Finance costs | (57.0) | (93.0) | 63.1 | (72.1) | (108.1) | 49.9 |
| **Profit before income tax** | **331.1** | **240.7** | **(27.3)** | **327.5** | **220.9** | **(32.5)** |
| Income tax charge | (70.8) | (87.8) | 24.0 | (70.1) | (84.0) | 19.8 |
| **Net profit for the period** | **260.3** | **152.9** | **(41.3)** | **257.4** | **136.9** | **(46.8)** |
| **Other comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **260.3** | **152.9** | **(41.3)** | **257.4** | **136.9** | **(46.8)** |

***Operating revenue***

Operating revenue increased by PLN 213.2 million, or by 17.4%, from PLN 1,227.7 million for the three-month period ended March 31, 2015, to PLN 1,440.8 million for the three-month period ended March 31, 2016. This increase resulted from growth in all categories of revenue, primarily in retail contract revenue, interconnection revenue and sales of goods and other revenue.

Under the New Financial Statements operating revenue increased by PLN 189.0 million, or by 15.1%, from PLN 1,253.6 million for the three-month period ended March 31, 2015, to PLN 1,442.6 million for the three-month period ended March 31, 2016. This increase resulted from growth in all categories of revenue, primarily in retail contract revenue, interconnection revenue and sales of goods and other revenue. This difference in operating revenue presented in the New Financial Statements compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 'Revenue from contracts with customers' and on how the total consideration from contracts is allocated under IFRS 15.

The following table presents a breakdown of operating revenue for the periods under review along with the percentage change over such periods.

| (PLN in millions) | Three-month period ended | | | Three-month period ended | | |
|---|---|---|---|---|---|---|
| | March 31, 2015 | March 31, 2016 | | March 31, 2015 | March 31, 2016 | |
| | Unaudited | Unaudited | | Unaudited | Unaudited | |
| | Historical | | Change % | New | | Change % |
| **Service revenue** | **1,156.2** | **1,307.5** | **13.1** | **936.5** | **1,067.1** | **13.7** |
| Usage revenue | 958.9 | 1,058.8 | 10.4 | 739.2 | 818.4 | 10.7 |
| Retail contract revenue | 787.5 | 865.6 | 9.9 | 579.3 | 636.0 | 9.8 |
| Retail prepaid revenue | 147.9 | 158.1 | 7.0 | 147.9 | 158.1 | 7.0 |
| Other revenue | 23.5 | 35.1 | 49.2 | 12.1 | 24.3 | 100.6 |
| Interconnection revenue | 197.3 | 248.7 | 26.0 | 197.3 | 248.7 | 26.0 |
| **Sales of goods and other revenue** | **71.4** | **133.3** | **86.6** | **317.0** | **375.5** | **18.5** |
| **Operating Revenue** | **1,227.7** | **1,440.8** | **17.4** | **1,253.6** | **1,442.6** | **15.1** |

*Retail contract usage revenue*

Revenue from retail contract usage increased by PLN 78.1 million, or 9.9%, from PLN 787.5 million for the three-month period ended March 31, 2015, to PLN 865.6 million for the three-month period ended March 31, 2016. This increase was primarily due to growth in the reported contract subscriber base of 1.2 million, or 19.7% from March 31, 2015, to March 31, 2016, due to the continued success of our subscriber acquisition and retention strategy.

Under the New Financial Statements retail contract usage increased by PLN 56.7 million, or by 9.8%, from PLN 579.3 million for the three-month period ended March 31, 2015, to PLN 636.0 million for the three-month period ended March 31, 2016. This increase was primarily due to growth in the reported contract subscriber base of 1.2 million, or 19.7% from March 31, 2015, to March 31, 2016, due to the continued success of our subscriber acquisition and retention strategy.

The difference in retail contract usage revenue presented in the New Financial Statements compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 'Revenue from contracts with customers' and on how the total consideration from contracts is allocated under IFRS 15.

*Retail prepaid usage revenue*

Revenue from retail prepaid usage increased by PLN 10.3 million, or 7.0%, from PLN 147.9 million for the three-month period ended March 31, 2015, to PLN 158.1 million for the three-month period ended March 31, 2016. This increase resulted primarily from growth in the reported prepaid subscriber base of 0.5 million, or 8.0% due to the continued success of our subscriber acquisition strategy.

Under the New Financial Statements there was no change in prepaid revenues for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016 compared to the Historical Financial Statements.

*Other usage revenue*

Other usage revenue increased by PLN 11.6 million, or 49.2%, from PLN 23.5 million for the three-month period ended March 31, 2015, to PLN 35.1 million for the three-month period ended March 31, 2016. This growth resulted primarily from the increase in traffic generated by the customers of our MVNO partners (increase in wholesale usage revenue of PLN 12.1 million).

Under the New Financial Statements other usage revenue increased by PLN 12.2 million, or by 100.6%, from PLN 12.1 million for the three-month period ended March 31, 2015, to PLN 24.3 million for the three-month period ended March 31, 2016. This

growth resulted from the increase in traffic generated by the customers of our MVNO partners (increase in wholesale usage revenue of PLN 12.1 million).

The difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with customers'. Under the Historical Financial Statements one-time connection fee was included in other usage revenue whereas under the New Financial Statements it is treated as an element of transaction price of a contract and therefore allocated to all products and services based on their relative stand-alone selling price. As a result, one-time connection fee allocated to services is presented in contract usage revenue. Presentation of wholesale usage revenue remains unchanged.

*Interconnection revenue*

Interconnection revenue increased by PLN 51.4 million, or 26.0%, from PLN 197.3 million for the three-month period ended March 31, 2015, to PLN 248.7 million for the three-month period ended March 31, 2016, as a result of growing volume of traffic incoming to our network from other network operators due to the increase in our subscriber base as well as the general increase in the traffic per user.

Under the New Financial Statements there was no change in the interconnection revenue for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016.

*Sales of goods and other revenue*

Revenue from sales of goods and other revenue increased by PLN 61.9 million, or 86.6%, from PLN 71.4 million for the three-month period ended March 31, 2015, to PLN 133.3 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

Under the New Financial Statements revenue from sales of goods and other revenue increased by PLN 58.5 million, or by 18.5%, from PLN 317.0 million for the three-month period ended March 31, 2015, to PLN 375.5 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

The difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with customers' and on how the total consideration from contracts is allocated under IFRS 15.

***Direct Costs***

Direct costs increased by PLN 106.6 million, or 26.8%, from PLN 397.8 million for the three-month period ended March 31, 2015, to PLN 504.3 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in interconnection costs and cost of goods sold.

Under the New Financial Statements direct costs increased by PLN 119.5 million, or by 18.0%, from PLN 662.4 million for the three-month period ended March 31, 2015, to PLN 781.9 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in interconnection costs and cost of goods sold.

The difference in direct costs presented in the New Financial Statements compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 'Revenue from contracts with customers'.

The following table presents a breakdown of direct costs.

| (PLN in millions) | Three-month period ended March 31, 2015 Unaudited | Three-month period ended March 31, 2016 Unaudited | Change % | Three-month period ended March 31, 2015 Unaudited | Three-month period ended March 31, 2016 Unaudited | Change % |
|---|---|---|---|---|---|---|
| | Historical | | | New | | |
| Interconnection costs | (229.8) | (275.9) | 20.1 | (229.8) | (275.9) | 20.1 |
| National roaming/network sharing | (37.9) | (39.2) | 3.6 | (37.9) | (39.2) | 3.6 |
| Subscriber acquisition costs, net | (172.1) | (171.9) | (0.1) | - | - | - |
| Subscriber retention costs, net | (135.5) | (127.4) | (6.0) | - | - | - |
| Subscriber acquisition and retention costs capitalized | 289.3 | 276.2 | (4.5) | - | - | - |
| Contract costs, net | - | - | - | 87.9 | 99.5 | 13.2 |
| Cost of goods sold | (73.2) | (132.3) | 80.8 | (268.1) | (333.5) | 24.4 |
| Other direct costs | (38.8) | (33.9) | (12.5) | (38.8) | (33.9) | (12.5) |
| **Direct Costs** | **(397.8)** | **(504.3)** | **(26.8)** | **(662.4)** | **(781.9)** | **(18.0)** |

*Interconnection costs*

Interconnection costs increased by PLN 46.1 million, or 20.1%, from PLN 229.8 million for the three-month period ended March 31, 2015, to PLN 275.9 million for the three-month period ended March 31, 2016, which resulted from the growth in the volume of traffic terminated on other networks due to the increase in our subscriber base as well as due to the general increase in the traffic per user.

Under the New Financial Statements there was no change in the interconnection costs for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016.

*National roaming/Network sharing costs*

In spite of the increase in traffic volume, the costs of national roaming/network sharing increased only by PLN 1.3 million, or 3.6%, from PLN 37.9 million for the three-month period ended March 31, 2015, to PLN 39.2 million for the three-month period ended March 31, 2016, due to more favorable unit price terms.

Under the New Financial Statements there was no change in the costs of national roaming network sharing for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016.

*Subscriber acquisition costs*

Subscriber acquisition costs decreased by PLN 0.2 million, or 0.1%, from PLN 172.1 million for the three-month period ended March 31, 2015, to PLN 171.9 million for the three-month period ended March 31, 2016, due to optimization of acquisition costs and structure of acquired customers' base.

Under the New Financial Statements this line item was no longer included due to adoption of the new standard IFRS 15 'Revenue from contracts with customers'.

*Subscriber retention costs*

Subscriber retention costs decreased by PLN 8.1 million, or 6.0%, from PLN 135.5 million for the three-month period ended March 31, 2015, to PLN 127.4 million for the three-month period ended March 31, 2016, due to smaller percentage of subscribers base with contract expiration in Q1 2016 versus Q1 2015.

Under the New Financial Statements this line item was no longer included due to adoption of the new standard IFRS 15 'Revenue from contracts with customers'.

*Contract costs (net)*

Under the Historical Financial Statements direct costs did not include this line item.

Under the New Financial Statements contract costs (net) increased by PLN 11.6 million, or 13.2% from PLN 87.9 million for the three-month period ended March 31, 2015, to PLN 99.5 million for the three-month period ended March 31, 2016 due to continuous growth of the customer base resulting in more contract costs being incurred and capitalized than amortized in the period under review.

*Cost of goods sold*

Cost of goods sold increased by PLN 59.1 million, or 80.8%, from PLN 73.2 million for the three-month period ended March 31, 2015, to PLN 132.3 million for the three-month period ended March 31, 2016, mainly due to the increase in sales of devices to newly acquired and retained subscribers.

Under the New Financial Statements costs of goods sold increased by PLN 65.4 million, or by 24.4%, from PLN 268.1 million for the three-month period ended March 31, 2015, to PLN 333.5 million for the three-month period ended March 31, 2016, mainly due to the increase in sales of devices to newly acquired and retained subscribers.

The difference in cost of goods sold under the New Financial Statements compared to the Historical Financial Statements was due to adoption of the new standard IFRS 15 ‘Revenue from contracts with customers’.

*Other direct costs*

Other direct costs decreased by PLN 4.9 million, or 12.5%, from PLN 38.8 million for the three-month period ended March 31, 2015, to PLN 33.9 million for the three-month period ended March 31, 2016. This decrease resulted primarily from the decrease in international roaming costs of PLN 4.9 million due to better commercial terms.

Under the New Financial Statements there was no change in other direct costs for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016.

***General and administrative expenses***

The following table presents a breakdown of general and administrative expenses.

| (PLN in millions) | Three-month period ended | | | Three-month period ended | | |
|---|---|---|---|---|---|---|
| | March 31, 2015 | March 31, 2016 | | March 31, 2015 | March 31, 2016 | |
| | Unaudited | Unaudited | | Unaudited | Unaudited | |
| | Historical | | Change % | New | | Change % |
| Salaries and social security | (49.2) | (51.7) | 5.1 | (49.2) | (51.7) | (5.1) |
| Special bonuses and retention programs | (21.2) | 23.4 | - | (21.2) | 23.4 | - |
| **Employee benefits** | **(70.4)** | **(28.3)** | **(59.7)** | **(70.4)** | **(28.3)** | **(59.7)** |
| Network maintenance, leased lines, site rent and energy | (57.2) | (61.4) | 7.4 | (25.0) | (28.5) | 14.1 |
| Advertising and promotion expenses | (48.5) | (49.2) | 1.3 | (48.5) | (49.2) | 1.3 |
| Customer relations costs | (16.1) | (15.3) | (5.2) | (16.1) | (15.3) | (5.2) |
| Office and points of sale maintenance | (10.5) | (10.9) | 4.1 | (3.4) | (3.5) | 3.8 |
| IT expenses | (7.7) | (7.9) | 2.7 | (7.7) | (7.9) | 2.7 |
| People related costs - cars, trainings and other | (4.0) | (3.3) | (17.6) | (4.0) | (3.3) | (17.6) |
| Finance and legal services | (4.1) | (4.8) | 18.9 | (4.1) | (4.8) | 18.9 |
| Advisory services provided by shareholders | (6.6) | (7.8) | 17.7 | (6.6) | (7.8) | 17.7 |
| Other external services | (11.8) | (11.9) | 1.6 | (11.8) | (11.9) | 1.6 |
| **External services** | **(166.5)** | **(172.6)** | **3.6** | **(127.2)** | **(132.2)** | **3.9** |
| **Taxes and fees** | **(13.2)** | **(16.4)** | **24.2** | **(13.2)** | **(16.4)** | **24.2** |
| **General and administrative expenses** | **(250.2)** | **(217.4)** | **(13.1)** | **(210.8)** | **(177.0)** | **(16.0)** |
| **General and administrative expenses excluding retention programs valuation and special bonuses and advisory services provided by shareholders** | **(222.3)** | **(232.9)** | **4.8** | **(183.0)** | **(192.6)** | **5.3** |

Total general and administrative expenses decreased by PLN 32.8 million, or 13.1%, from PLN 250.2 million for the three-month period ended March 31, 2015, to PLN 217.4 million for the three-month period ended March 31, 2016, mainly due to decreased employee benefits expenses, partially offset by increased costs of external services.

Excluding the impact of decrease in retention programs valuation and costs of special bonuses of PLN 44.6 million, increase in cost of advisory services provided by shareholders of PLN 1.2 million, general and administrative expenses increased by PLN 10.6 million, or 4.8%, from PLN 222.3 million for the three-month period ended March 31, 2015, to PLN 232.9 million for the three-month period ended March 31, 2016, mainly as a result of increased network maintenance, leased lines, site rent and energy costs and taxes and fees.

Under the New Financial Statements general and administrative expenses decreased by PLN 33.8 million, or by 16.0%, from PLN 210.8 million for the three-month period ended March 31, 2015, to PLN 177.0 million for the three-month period ended March 31, 2016, mainly due to decreased employee benefits expenses, partially offset by increased costs of external services.

The difference in general and administrative expenses under the New Financial Statements compared to the Historical Financial Statements was due to the capitalization of rental costs under IFRS 16.

*Salaries and social security*

The cost of salaries and social security for the three-month period ended March 31, 2016, increased by PLN 2.5 million, or 5.1%, compared to the three-month period ended March 31, 2015. The increase was in line with the increase in the number of employees due to growing scope of Group operations.

Under the New Financial Statements there was no change in the cost of salaries and social security for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016, compared to Historical Financial Statements.

*Retention programs*

Valuation of the retention programs liabilities for the three-month period ended March 31, 2016, resulted in the reduction of costs in the amount of PLN 23.4 million. This can be attributed to the decreased valuation of the Group due to increased net indebtedness as a result of the raising of the Additional Notes for payment of the 800 MHz and 2600 MHz frequencies.

Under the New Financial Statements there was no change in the valuation of the retention programs for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016, compared to Historical Financial Statements.

*External services*

External services costs increased by PLN 6.0 million, or 3.6%, from PLN 166.5 million for the three-month period ended March 31, 2015, to PLN 172.6 million for the three-month period ended March 31, 2016. This growth was primarily due to the increase in costs of network maintenance, leased lines, site rent and energy of PLN 4.2 million due to higher costs of energy, as well as an advisory services charge higher by PLN 1.2 million due to increased volume of services delivered by shareholders.

Under the New Financial Statements external services costs increased by PLN 5.0 million, or 3.9%, from PLN 127.2 million for the three-month period ended March 31, 2015, to PLN 132.2 million for the three-month period ended March 31, 2016. This growth was primarily due to the increase in costs of network maintenance, leased lines, site rent and energy of PLN 3.6 million due to higher costs of energy, as well as an advisory services charge higher by PLN 1.2 million due to increased volume of services delivered by shareholders.

The difference compared to the Historical Financial Statements was due to site, point of sale, office and other rent costs being capitalized as “right-of-use assets” under IFRS 16.

*Taxes and fees*

The cost of taxes and fees increased by PLN 3.2 million, or 24.2%, from PLN 13.2 million for the three-month period ended March 31, 2015, to PLN 16.4 million for the three-month period ended March 31, 2016, primarily due to frequency fees for 800 MHz and 2600 MHz spectra.

Under the New Financial Statements there was no change in the cost of taxes and fees for the three-month period ended March 31, 2015 and for the three-month period ended March 31, 2016, compared to Historical Financial Statements.

***Other Operating Income and Other Operating Costs***

Other operating income increased by PLN 4.0 million, or 30.8%, from PLN 12.9 million for the three-month period ended March 31, 2015, to PLN 16.9 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in income from early contract termination fees of PLN 2.3 million due to improved collectability of such fees.

Under the New Financial Statements other operating income increased by PLN 4.0 million, or by 26.8%, from PLN 14.9 million for the three-month period ended March 31, 2015, to PLN 18.9 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in income from early contract termination fees of PLN 2.3 million due to improved collectability of such fees.

The difference compared to the Historical Financial Statements was mainly due to income from subleasing of right-of-use assets recognized under IFRS 16.

Other operating costs increased by PLN 8.1 million, or 31.0%, for the same period under review. This increase resulted primarily from a one-off write-off of disputed interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling partially offset by the decrease in exchange rate losses of PLN 9.5 million.

Under the New Financial Statements other operating costs increased by PLN 8.6 million, or by 31.4%, from PLN 27.4 million for the three-month period ended March 31, 2015, to PLN 36.0 million for the three-month period ended March 31, 2016. This increase resulted primarily from a one-off write-off of disputed interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling partially offset by the decrease in exchange rate losses of PLN 9.5 million.

The difference compared to the Historical Financial Statements was due to derecognition of the impairment of SAC/SRC assets and recognition of the impairment of contract assets.

***Depreciation and amortization***

Depreciation and amortization increased by PLN 20.1 million, or 5.7%, from PLN 355.5 million for the three-month period ended March 31, 2015, to PLN 375.6 million for the three-month period ended March 31, 2016. This increase resulted primarily from the increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets of PLN 26.2 million as a result of higher SAC acquisition/retention cost capitalized, the increase in amortization of telecommunication licenses of PLN 21.0 million due to amortization charges of 800 MHz and 2600 MHz frequencies partially offset by the decrease in depreciation of fixed assets of PLN 21.4 million resulting from reviewed and adjusted fixed assets' residual values and useful lives.

Under the New Financial Statements depreciation and amortization decreased by PLN 5.5 million, or by 3.8%, from PLN 146.5 million for the three-month period ended March 31, 2015, to PLN 141.0 million for the three-month period ended March 31, 2016. This decrease was due to the decrease in depreciation of property, plant and equipment of PLN 18.4 million resulting from reviewed and adjusted fixed assets' residual values and useful lives, partially offset by the increase in amortization of intangibles by PLN 15.5 million, mainly driven by increase of amortization of telecommunication licenses of PLN 21.0 million due to amortization charges of 800 MHz and 2600 MHz frequencies.

The difference compared to the Historical Financial Statements was due to derecognition of the amortization of SAC/SRC assets and recognition of the depreciation of right-of-use assets.

***Finance Income and Cost***

The following table presents a breakdown of the financial income and financial costs.

| | **Three-month period ended** | | | **Three-month period ended** | | |
|---|---|---|---|---|---|---|
| | **March 31, 2015** | **March 31, 2016** | | **March 31, 2015** | **March 31, 2016** | |
| | **Unaudited** | **Unaudited** | | **Unaudited** | **Unaudited** | |
| **(PLN in millions)** | **Historical** | | **Change %** | **New** | | **Change %** |
| Interest income | 3.3 | 7.6 | 132.5 | 0.7 | 3.6 | 457.8 |
| Interest expense | (57.0) | (71.7) | 25.8 | (72.1) | (86.9) | 20.5 |
| Exchange rate gains/(losses) | 156.9 | (9.8) | - | 160.4 | (9.8) | - |
| Net gain/(loss) on finance assets at fair value through profit or loss | 17.1 | (11.4) | - | 17.1 | (11.4) | - |
| **Financial income and costs** | **120.3** | **(85.3)** | **(171.0)** | **106.1** | **(104.5)** | **(198.5)** |

*Interest income*

Interest income increased by PLN 4.3 million, or 132.5%, from PLN 3.3 million for the three-month period ended March 31, 2015, to PLN 7.6 million for the three-month period ended March 31, 2016. This increase resulted mainly from a higher amount of interest on notes issued by Play Topco S.A. to the Group due to increased outstanding balance of the notes receivables.

Under the New Financial Statements interest income increased by PLN 3.0 million from PLN 0.7 million for the three-month period ended March 31, 2015, to PLN 3.6 million for the three-month period ended March 31, 2016. This increase resulted mainly from a higher amount of interest on notes issued by Play Topco S.A. to the Group due to increased outstanding balance of the notes receivables.
The difference compared to the Historical Financial Statements was due to reversal of discounting of the instalment sales receivables.

*Interest expense*

Interest expense increased by PLN 14.7 million, or 25.8%, from PLN 57.0 million for the three-month period ended March 31, 2015, to PLN 71.7 million for the three-month period ended March 31, 2016. This increase resulted from higher interests charged on notes due to higher average indebtedness as well as depreciation of PLN against EUR in the three-month period ended March 31, 2016, compared to appreciation of PLN against EUR in the three-month period ended March 31, 2015.

Under the New Financial Statements interest expense increased by PLN 14.8 million, or by 20.5%, from PLN 72.1 million for the three-month period ended March 31, 2015, to PLN 86.9 million for the three-month period ended March 31, 2016. This increase resulted from higher interests charged on notes due to higher average indebtedness as well as depreciation of PLN against EUR in the three-month period ended March 31, 2016, compared to appreciation of PLN against EUR in the three-month period ended March 31, 2015.

The difference compared to the Historical Financial Statements was due to recognition of interest on finance lease under IFRS 16.

*Exchange rate gains or losses*

Results on exchange rate differences changed from exchange rate gains of PLN 156.9 million for the three-month period ended March 31, 2015, to exchange rate losses of PLN 9.8 million for the three-month period ended March 31, 2016. This change resulted mainly from the valuation of the EUR-denominated debt due to depreciation of PLN against EUR in the three-month period ended March 31, 2016, compared to appreciation of PLN against EUR in the three-month period ended March 31, 2015.

Under the New Financial Statements exchange rate differences changed from exchange rate gains of PLN 160.4 million for the three-month period ended March 31, 2015, to exchange rate losses of PLN 9.8 million for the three-month period ended March 31, 2016. This change resulted mainly from the valuation of the EUR-denominated debt due to depreciation of PLN against EUR in the three-month period ended March 31, 2016, compared to appreciation of PLN against EUR in the three-month period ended March 31, 2015.

The difference compared to the Historical Financial Statements was due to exchange rate differences recognized on finance lease liabilities under IFRS 16.

*Net gain or loss on finance assets at fair value through profit or loss*

Net gain or loss on finance assets at fair value through profit or loss resulted from the valuation of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture.

***Results of Operations: Comparison of the Year Ended December 31, 2015 and the Year Ended December 31, 2014***

The following table presents the consolidated statement of comprehensive income data for the periods under review.

| (PLN in millions) | Year ended December 31, 2014 | Year ended December 31, 2015 | Change % | Year ended December 31, 2014 | Year ended December 31, 2015 | Change % |
|---|---|---|---|---|---|---|
| | Historical | | | New | | |
| **Operating revenue** | **4,392.4** | **5,362.7** | **22.1** | **4,589.7** | **5,436.5** | **18.5** |
| Direct costs | (1,409.5) | (1,789.9) | 27.0 | (2,401.6) | (2,888.1) | 20.3 |
| General and administrative expenses | (1,005.2) | (1,046.7) | 4.1 | (852.4) | (887.7) | 4.1 |
| Depreciation and amortization | (1,274.3) | (1,467.8) | 15.2 | (540.1) | (597.3) | 10.6 |
| Other operating income | 56.0 | 70.4 | 25.8 | 64.2 | 78.4 | 22.1 |
| Other operating costs | (77.7) | (71.5) | (8.0) | (86.3) | (76.1) | (11.8) |
| **Operating profit** | **681.6** | **1,057.3** | **55.1** | **773.5** | **1,065.9** | **37.8** |
| Finance income | 86.8 | 18.0 | (79.2) | 74.7 | 7.6 | (89.2) |
| Finance costs | (368.4) | (308.0) | (16.4) | (432.6) | (367.9) | (14.9) |
| **Profit before income tax** | **400.1** | **767.3** | **91.8** | **415.6** | **705.5** | **69.8** |
| Income tax benefit/(charge) | 86.2 | (166.9) | - | **83.3** | (155.2) | - |
| **Net profit for the period** | **486.3** | **600.4** | **23.5** | **498.9** | **550.3** | **10.3** |
| **Other comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **486.3** | **600.4** | **23.5** | **498.9** | **550.3** | **10.3** |

***Operating revenue***

Operating revenue increased by PLN 970.3 million, or 22.1%, from PLN 4,392.4 million for the year ended December 31, 2014 to PLN 5,362.7 million for the year ended December 31, 2015. This increase resulted from growth in all categories of revenue, primarily in retail contract usage revenue and interconnection revenue.

Under the New Financial Statements operating revenue increased by PLN 846.8 million, or by 18.5%, from PLN 4,589.7 million for the year ended December 31, 2014, to PLN 5,436.5 million for the year ended December 31, 2015.

This increase resulted from growth in all categories of revenue, primarily in retail contract revenue, interconnection revenue and sales of goods and other revenue.

The difference in operating revenue presented under New Financial Statements compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 ‘Revenue from contracts with customers’ and on how the total consideration from contracts is allocated under IFRS 15.

The following table presents a breakdown of the operating revenue or the periods under review along with a percentage change over such periods.

| (PLN in millions) | Year ended December 31, 2014 | December 31, 2015 | Change % | Year ended December 31, 2014 | December 31, 2015 | Change % |
|---|---|---|---|---|---|---|
| | Historical | | | New | | |
| **Service revenue** | **4,161.1** | **4,981.9** | **19.7** | **3,398.4** | **4,059.5** | **19.5** |
| Usage revenue | 3,523.9 | 4,102.4 | 16.4 | 2,761.3 | 3,180.1 | 15.2 |
| Retail contract revenue | 2,844.2 | 3,337.6 | 17.3 | 2,128.6 | 2,459.0 | 15.5 |
| Retail prepaid revenue | 587.4 | 642.9 | 9.5 | 587.4 | 642.9 | 9.5 |
| Other revenue | 92.3 | 122.0 | 32.1 | 45.3 | 78.2 | 72.6 |
| Interconnection revenue | 637.2 | 879.4 | 38.0 | 637.2 | 879.4 | 38.0 |
| **Sales of goods and other revenue** | **231.3** | **380.8** | **64.6** | **1,191.2** | **1,376.9** | **15.6** |
| **Operating Revenue** | **4,392.4** | **5,362.7** | **22.1** | **4,589.7** | **5,436.5** | **18.5** |

*Retail contract usage revenue*

Revenue from retail contract usage increased by PLN 493.4 million, or 17.3%, from PLN 2,844.2 million for the year ended December 31, 2014 to PLN 3,337.6 million for the year ended December 31, 2015. The increase was primarily due to growth in the reported contract subscriber base of 1.3 million, or 21.7% from December 31, 2014 to December 31, 2015 due to the continued success of our subscriber acquisition and retention strategy.

Under the New Financial Statements revenue from retail contract usage increased by PLN 330.4 million, or 15.5%, from PLN 2,128.6 million for the year ended December 31, 2014, to PLN 2,459.0 million for the year ended December 31, 2015. This increase was primarily due to growth in the reported contract subscriber base of 1.3 million, or 21.7%, from December 31, 2014 to December 31, 2015 due to the continued success of our subscriber acquisition and retention strategy.

The difference compared to the Historical Financial Statements was due to adoption of the new standard IFRS 15 'Revenue from contracts with customers' and on how the total consideration from contracts is allocated under IFRS 15.

*Retail prepaid usage revenue*

Revenue from prepaid usage increased by PLN 55.5 million, or 9.5%, from PLN 587.4 million for the year ended December 31, 2014 to PLN 642.9 million for the year ended December 31, 2015. This increase resulted primarily from growth in the reported prepaid subscriber base of 0.6 million, or 9.3% due to the continued success of our subscriber acquisition strategy.

Under the New Financial Statements there was no change in retail prepaid usage revenue for the year ended December 31, 2014 and for the year ended December 31, 2015.

*Other usage revenue*

Other usage revenue increased by PLN 29.7 million, or 32.1%, from PLN 92.3 million for the year ended December 31, 2014 to PLN 122.0 million for the year ended December 31, 2015. This growth resulted primarily from the increase in traffic generated by the customers of our MVNO partners (increase in wholesale usage revenue of PLN 30.0 million).

Under the New Financial Statements other usage revenue increased by PLN 32.9 million, or 72.6%, from PLN 45.3 million for the year ended December 31, 2014, to PLN 78.2 million for the year ended December 31, 2015. This growth resulted from the increase in traffic generated by the customers of our MVNO partners (increase in wholesale usage revenue of PLN 30.0 million).

The difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with customers'. Under the Historical Financial Statements one-time connection fee was included in other usage revenue whereas under the New Financial Statements it is treated as an element of transaction price of a contract and therefore allocated to all products and services based on their relative stand-alone selling price. As a result, one-time connection fee allocated to services is presented in contract usage revenue. Presentation of wholesale usage revenue remains unchanged.

*Interconnection revenue*

Interconnection revenue increased by PLN 242.3 million, or 38.0%, from PLN 637.2 million for the year ended December 31, 2014 to PLN 879.4 million for the year ended December 31, 2015 as a result of growing volume of traffic incoming to our network from other network operators due to the increase in our subscriber base as well as due to the general increase in the traffic per user.

Under the New Financial Statements there was no change in interconnection revenue for the year ended December 31, 2014 and for the year ended December 31, 2015.

*Sales of goods and other revenue*

Revenue from sales of goods and other revenue increased by PLN 149.5 million, or 64.6%, from PLN 231.3 million for the year ended December 31, 2014 to PLN 380.8 million for the year ended December 31, 2015. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

Under the New Financial Statements revenue from sales of goods and other revenue increased by PLN 185.7 million, or by 15.6%, from PLN 1,191.2 million for the year ended December 31, 2014, to PLN 1,376.9 million for the year ended December 31, 2015. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

The difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with customers' and on how the total consideration from contracts is allocated under IFRS 15.

***Direct Costs***

Direct costs increased by PLN 380.4 million, or by 27.0%, from PLN 1,409.5 million for the year ended December 31, 2014 to PLN 1,789.9 million for the year ended December 31, 2015. This increase resulted primarily from the increase in interconnection costs and cost of goods sold partially offset by the decrease in national roaming/network sharing costs.

Under the New Financial Statements direct costs increased by PLN 486.5 million, or by 20.2%, from PLN 2,401.6 million for the year ended December 31, 2014, to PLN 2,888.1 million for the year ended December 31, 2015. This increase resulted primarily from the increase in interconnection costs and cost of goods sold.

The difference in direct costs presented in the New Financial Statements compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 'Revenue from contracts with customers'. The following table presents a breakdown of direct costs.

The following table presents a breakdown of direct costs.

| | **Year ended** | | | **Year ended** | | |
|---|---|---|---|---|---|---|
| | **December 31, 2014** | **December 31, 2015** | | **December 31, 2014** | **December 31, 2015** | |
| **(PLN in millions)** | **Historical** | | **Change %** | **New** | | **Change %** |
| Interconnection costs | (776.5) | (1,002.4) | 29.1 | (776.5) | (1,002.4) | 29.1 |
| National roaming/network sharing | (179.6) | (160.0) | (10.9) | (179.6) | (160.0) | (10.9) |
| Subscriber acquisition costs, net | (637.7) | (678.5) | 6.4 | - | - | - |
| Subscriber retention costs, net | (490.3) | (554.0) | 13.0 | - | - | - |
| Subscriber acquisition and retention costs capitalized | 1,050.4 | 1,151.0 | 9.6 | - | - | - |
| Contract costs, net | - | - | - | (318.3) | (376.3) | 18.2 |
| Cost of goods sold | (233.5) | (377.9) | 61.9 | (984.8) | (1,181.2) | 20.0 |
| Other direct costs | (142.4) | (168.2) | 18.1 | (142.4) | (168.2) | 18.1 |
| **Direct costs** | (1,409.6) | (1,789.9) | 28.3 | (2,401.6) | (2,888.1) | 20.3 |

*Interconnection costs*

Interconnection costs increased by PLN 225.9 million, or 29.1%, from PLN 776.5 million for the year ended December 31, 2014 to PLN 1,002.4 million for the year ended December 31, 2015, which resulted from the growth in the volume of traffic terminated on other networks due to the increase in our subscriber base as well as due to the general increase in the traffic per user.

Under the New Financial Statements there was no change in interconnection costs for the year ended December 31, 2014 and for the year ended December 31, 2015.

*National roaming/Network sharing costs*

National roaming/network sharing costs decreased by PLN 19.6 million, or 10.9%, from PLN 179.6 million for the year ended December 31, 2014 to PLN 160.0 million for the year ended December 31, 2015, which resulted primarily from our new national roaming/network sharing agreement with T-Mobile, which has offered better commercial terms. We started to migrate our national roaming/network sharing traffic from other national roaming/network sharing providers to T-Mobile on March 25, 2014, and, as of December 31, 2015, T-Mobile carried most of our national roaming/network sharing traffic.

Under the New Financial Statements there was no change in the national roaming/network sharing costs for the year ended December 31, 2014 and for the year ended December 31, 2015.

*Subscriber acquisition costs*

Subscriber acquisition costs increased by PLN 40.8 million, or 6.4%, from PLN 637.7 million for the year ended December 31, 2014 to PLN 678.5 million for the year ended December 31, 2015 primarily due to increased number of acquired customers.

Under the New Financial Statements this line item was no longer included due to adoption of the new standard IFRS 15 'Revenue from contracts with customers'.

*Subscriber retention costs*

Subscriber retention costs increased by PLN 63.7 million, or 13.0%, from PLN 490.3 million for the year ended December 31, 2014 to PLN 554.0 million for the year ended December 31, 2015, due to our higher overall number of subscribers, which meant we spent more money on retaining subscribers to avoid them churning.

Under the New Financial Statements this line item was no longer included due to adoption of the new standard IFRS 15 'Revenue from contracts with customers'.

*Contract costs (net)*

Under the Historical Financial Statements direct costs did not include this line item.

Under the New Financial Statements contract costs (net) increased by PLN 58.0 million, or 18.2% from PLN 318.3 million for the three-month period ended March 31, 2015, to PLN 376.3 million for the three-month period ended March 31, 2016, due to continuous growth of the customer base resulting in more contract costs (sales commissions) being incurred and capitalized than amortized in the period under review.

*Cost of goods sold*

Cost of goods sold increased by PLN 144.4 million, or 61.9%, from PLN 233.5 million for the year ended December 31, 2014 to PLN 377.9 million for the year ended December 31, 2015, mainly due to the increase in sales of devices to newly acquired and retained subscribers.

Under the New Financial Statements cost of goods sold increased by PLN 196.4 million, or by 20.0%, from PLN 984.8 million for the year ended December 31, 2014, to PLN 1,181.2 million for the year ended December 31, 2015, mainly due to the increase in sales of devices to newly acquired and retained subscribers.

The difference in cost of goods sold under the New Financial Statements compared to the Historical Financial Statements was due to adoption of the new standard IFRS 15 'Revenue from contracts with customers'.

*Other direct costs*

Other direct costs increased by PLN 25.8 million, or 18.1%, from PLN 142.4 million for the year ended December 31, 2014 to PLN 168.2 million for the year ended December 31, 2015. This increase resulted primarily from growth in prepaid distribution costs (of PLN 12.5 million) which can be explained by higher sales of prepaid products and consequently higher volumes of rebates granted to our distributors. We also noted the increase in international roaming costs of PLN 8.1 million, which was a result of an increase in the number of subscribers (and hence a larger number who may travel abroad). In addition to the above the costs of production of Play's own value added services were higher by PLN 5.5 million due to the extended range of such services and increased subscriber base.

Under the New Financial Statements there was no change in other direct costs for the year ended December 31, 2014 and for the year ended December 31, 2015.

***General and administrative expenses***

The following table presents a breakdown of general and administrative expenses.

| | Year ended | | | Year ended | | |
|---|---|---|---|---|---|---|
| | **December 31, 2014** | **December 31, 2015** | | **December 31, 2014** | **December 31, 2015** | |
| **(PLN in millions)** | **Historical** | | **Change %** | **New** | | **Change %** |
| Salaries and social security | (203.1) | (214.6) | 5.6 | (203.1) | (214.6) | 5.6 |
| Special bonuses and retention programs | (83.8) | (93.1) | 11.2 | (83.8) | (93.1) | 11.2 |
| **Employee benefits** | **(286.9)** | **(307.7)** | **7.3** | **(286.9)** | **(307.7)** | **7.3** |
| Network maintenance, leased lines, site rent and energy | (234.1) | (242.2) | 3.4 | (109.5) | (111.6) | 1.9 |
| Advertising and promotion expenses | (170.1) | (181.0) | 6.4 | (170.1) | (181.0) | 6.4 |
| Customer relations costs | (66.8) | (66.6) | (0.3) | (66.8) | (66.6) | (0.3) |
| Office and points of sale maintenance | (42.4) | (44.4) | 4.8 | (14.3) | (15.9) | 11.2 |
| IT expenses | (28.9) | (30.1) | 4.2 | (28.9) | (30.1) | 4.2 |
| People related costs - cars, trainings and other | (18.9) | (19.2) | 1.7 | (18.9) | (19.2) | 1.7 |
| Finance and legal services | (19.5) | (18.5) | (4.8) | (19.5) | (18.5) | (4.8) |
| Advisory services provided by shareholders | (21.2) | (27.7) | 30.5 | (21.2) | (27.7) | 30.5 |
| Other external services | (49.6) | (54.9) | 10.7 | (49.6) | (54.9) | 10.7 |
| **External services** | **(651.3)** | **(684.6)** | **5.1** | **(498.6)** | **(525.5)** | **5.4** |
| **Taxes and fees** | **(67.0)** | **(54.5)** | **(18.7)** | **(67.0)** | **(54.5)** | **(18.7)** |
| **General and administrative expenses** | **(1,005.2)** | **(1,046.7)** | **4.1** | **(852.4)** | **(887.7)** | **4.1** |
| **General and administrative expenses excluding retention programs valuation and special bonuses, advisory services provided by shareholders and one-off civil law activities tax** | **(886.0)** | **(925.9)** | **4.5** | **(733.2)** | **(766.9)** | **4.6** |

Total general and administrative expenses increased by PLN 41.5 million, or 4.1%, from PLN 1,005.2 million for the year ended December 31, 2014 to PLN 1,046.7 million for the year ended December 31, 2015, mainly due to increased employee expenses and advertising and promotion expenses offset by the decrease in cost of taxes and fees.

Excluding the impact of decrease in retention programs valuation and costs of special bonuses of PLN 9.4 million, increase in cost of advisory services provided by shareholders of PLN 6.5 million, as well as cost of one-off civil law activities tax of PLN 14.2 million on sale of 19.96% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to P4BIS incurred in the first and third quarter of 2014, general and administrative expenses increased by PLN 39.9 million, or 4.5%, from PLN 886.0 million for the year ended December 31, 2014 to PLN 925.9 million for the year ended December 31, 2015, mainly as a result of increased advertising and promotion expenses and employee salaries.

Under the New Financial Statements total general and administrative expenses increased by PLN 35.3 million, or 4.1%, from PLN 852.4 million for the year ended December 31, 2014, to PLN 887.7 million for the year ended December 31, 2015, mainly due to decreased employee benefits expenses, partially offset by increased costs of external services. Excluding the impact of decrease in retention programs valuation and costs of special bonuses of PLN 9.3 million, increase in cost of advisory services provided by shareholders of PLN 6.5 million, as well as cost of one-off civil law activities tax of PLN 14.2 million on sale of 19.96% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to P4BIS incurred in the first and third quarter of 2014, general and administrative expenses increased by PLN 33.7 million, or 4.6%, from PLN 733.2 million for the year ended

December 31, 2014 to PLN 766.9 million for the year ended December 31, 2015, mainly as a result of increased advertising and promotion expenses and employee salaries.

The difference compared to the Historical Financial Statements was due to capitalization of rental costs under IFRS 16.

*Salaries and social security*

The cost of salaries and social security for the year ended December 31, 2015 increased by PLN 11.5 million, or 5.6%, compared to the year ended December 31, 2014. The increase was in line with the increase of number of employees due to growing scope of Group operations and the increase in employee bonuses resulting from an improved performance of the Group.

Under the New Financial Statements there was no change in the cost of salaries and social security, for the year ended December 31, 2014 and for the year ended December 31, 2015.

*External services*

External services costs increased by PLN 33.2million, or 5.1%, from PLN 651.3 million for the year ended December 31, 2014 to PLN 684.6 million for the year ended December 31, 2015. This growth was primarily due to the increase in advertising and promotion expenses of PLN 10.9 million, increase in costs of network maintenance, leased lines, site rent and energy of PLN 8.1 million due to higher costs of energy, as well as a higher advisory services charge due to increased volume of services delivered by shareholders (an increase by PLN 6.5 million).

Under the New Financial Statements external services costs increased by PLN26.9 million, or by 5.4%, from PLN 498.6 million for the year ended December 31, 2014, to PLN525.5 million for the year ended December 31, 2015. This growth was primarily due to the increase in costs of network maintenance, leased lines, site rent and energy of PLN 2.1 million due to higher costs of energy, as well as an advisory services charge higher by PLN 6.5 million due to increased volume of services delivered by shareholders.

The difference compared to the Historical Financial Statements was due to site, point of sale, office and other rent costs being shifted to capital expenditures under IFRS 16.

*Taxes and fees*

The cost of taxes and fees decreased by PLN 12.5 million, or 18.7%, from PLN 67.0 million for the year ended December 31, 2014 to PLN 54.5 million for the year ended December 31, 2015, primarily due to one-off civil law activities tax of PLN 14.2 million on sale of 19.96% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to P4BIS incurred in the year ended December 31, 2014.

Under the New Financial Statements there was no change in the cost of taxes and fees for the year ended December 31, 2014 and for the year ended December 31, 2015.

***Other Operating Income and Other Operating Costs***

Other operating income increased by PLN 14.5 million, or 25.8%, from PLN 56.0 million for the year ended December 31, 2014 to PLN 70.4 million for the year ended December 31, 2015. Higher other operating income in the year ended December 31, 2015 resulted primarily from income from reversal of one-off provision for potential liability towards Competition and Consumer Protection Office ("UOKiK") of PLN 10.7 million which was due to change in the Group's risk assessment concerning the potential liability, compared to reversal of legal provisions in the amount of PLN 4.8 million in the year ended December 31, 2014. Increase in other operating income resulted also from increase of income from early contract termination fees by PLN 7.2 million due to improved collectability of such fees.

Under the New Financial Statements other operating income increased by PLN 14.2 million, or by 22.1%, from PLN 64.2 million for the year ended December 31, 2014, to PLN 78.4 million for the year ended December 31, 2015. Higher other operating income in the year ended December 31, 2015 resulted primarily from income from reversal of one-off provision for potential liability towards Competition and Consumer Protection Office ("UOKiK") of PLN 10.7 million which was due to change in the

Group's risk assessment concerning the potential liability, compared to reversal of legal provisions in the amount of PLN 4.8 million in the year ended December 31, 2014. Increase in other operating income resulted also from increase of income from early contract termination fees by PLN 7.2 million due to improved collectability of such fees.

The difference compared to the Historical Financial Statements was mainly due to income from subleasing of right-of-use assets recognized under IFRS 16.

Other operating costs decreased by PLN 6.2 million, or 8.0% for the same period under review. This decrease resulted primarily from a decrease of costs of bad debt of PLN 14.2 million resulting from improved collectability of receivables.

Under the New Financial Statements other operating costs decreased by PLN 10.2 million, or by 11.8%, from PLN 86.3 million for the year ended December 31, 2014, to PLN 76.1 million for the year ended December 31, 2015. This decrease resulted primarily from a decrease of costs of bad debt of PLN 14.2 million resulting from improved collectability of receivables.

The difference compared to the Historical Financial Statements was due to derecognition of the impairment of SAC/SRC assets and recognition of the impairment of contract assets.

***Depreciation and amortization***

Depreciation and amortization increased by PLN 193.5 million, or 15.2%, from PLN 1,274.3 million for the year ended December 31, 2014 to PLN 1,467.8 million for the year ended December 31, 2015. This increase resulted primarily from an increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets of PLN 142.9 million as a result of higher SAC acquisition/retention cost capitalized.

Under the New Financial Statements depreciation and amortization increased by PLN 57.2 million, or by 10.6%, from PLN 540.1 million for the year ended December 31, 2014, to PLN 597.3 million for the year ended December 31, 2015.

The difference compared to the Historical Financial Statements was due to derecognition of the amortization of SAC/SRC assets and recognition of the depreciation of right-of-use assets.

***Finance Income and Cost***

The following table presents a breakdown of financial income and financial costs.

| | Year ended | | | Year ended | | |
|---|---|---|---|---|---|---|
| | December 31, 2014 | December 31, 2015 | | December 31, 2014 | December 31, 2015 | |
| **(PLN in millions)** | **Historical** | | **Change %** | **New** | | **Change %** |
| Interest income | 13.6 | 18.0 | 32.3 | 1.5 | 7.6 | 406.6 |
| Interest expense | (267.5) | (250.9) | (6.2) | (328.9) | (310.3) | (5.9) |
| Exchange rate losses | (78.4) | (18.7) | (76.1) | (81.2) | (19.3) | (76.2) |
| Net gain/(loss) on finance assets at fair value through profit or loss | 50.7 | (38.4) | - | 50.7 | (38.4) | - |
| **Financial income and costs** | **(281.5)** | **(290.0)** | **3.0** | **(357.9)** | **(360.4)** | **(0.7)** |

*Interest expense*

Interest expense decreased by PLN 16.6 million, or 6.2%, from PLN 267.5 million for the year ended December 31, 2014 to PLN 250.9 million for the year ended December 31, 2015. Higher interest expense in the year ended December 31, 2014 resulted primarily from a one-off write-off of not yet amortized loan origination costs of PLN 28.3 million as well as PLN 12.4 million of break costs related to CDB and Alior bank loans due to the extinguishment of these loans in January 2014. This was partially offset by higher interest charged on notes in the year ended December 31, 2015 due to higher average indebtedness.

Under the New Financial Statements interest expense decreased by PLN 18.6 million, or 5.9%, from PLN 328.9 million for the year ended December 31, 2014, to PLN 310.3 million for the year ended December 31, 2015. Higher interest expense in the year ended December 31, 2014 resulted primarily from a one-off write-off of not yet amortized loan origination costs of PLN 28.3 million as well as PLN 12.4 million of break costs related to CDB and Alior bank loans due to the extinguishment of these loans in January 2014. This was partially offset by higher interest charged on notes in the year ended December 31, 2015 due to higher average indebtedness.

This difference compared to the Historical Financial Statements was due to recognition of interest on finance leases under IFRS 16.

*Exchange rate gains or losses*

Results on exchange rate losses decreased from PLN 78.4 million for the year ended December 31, 2014 to PLN 18.7 million for the year ended December 31, 2015. This change resulted mainly from the valuation of the EUR-denominated debt due to strong depreciation of PLN against EUR in 2014 vs. slight appreciation of PLN against EUR in 2015.

Under the New Financial Statements results on exchange rate losses decreased by PLN 61.9 million, or by 76.2%, from PLN 81.2 million for the year ended December 31, 2014, to PLN 19.3 million for the year ended December 31, 2015. This change resulted mainly from the valuation of the EUR-denominated debt due to strong depreciation of PLN against EUR in 2014 vs. slight appreciation of PLN against EUR in 2015.

The difference compared to the Historical Financial Statements was due to exchange rate differences recognized on finance lease liabilities under IFRS 16.

*Net gain or loss on finance assets at fair value through profit or loss*

The gain/loss on finance assets at fair value through profit or loss resulted from the valuation of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture.

***Cash flows for the three-month period ended March 31, 2016 and March 31, 2015 (Historical and New)***

The following table summarizes net cash flows from operating, investing and financing activities for the periods described below.

| | Three-month period ended | | | Three-month period ended | | |
|---|---|---|---|---|---|---|
| | March 31, 2015 | March 31, 2016 | | March 31, 2015 | March 31, 2016 | |
| | Unaudited | Unaudited | | Unaudited | Unaudited | |
| **(PLN in millions)** | **Historical** | | **Change %** | **New** | | **Change %** |
| **Profit before income tax** | **331.1** | **240.7** | **(27.3)** | **327.5** | **220.9** | **(32.6)** |
| Depreciation and amortization | 355.5 | 375.6 | 5.7 | 146.5 | 141.0 | (3.7) |
| Changes in contract costs (net) | - | - | - | (24.7) | (1.4) | (105.7) |
| Interest expense (net) | 53.7 | 64.1 | 19.3 | 71.4 | 83.2 | 16.6 |
| (Gain)/Loss on valuation of finance assets | (17.1) | 11.4 | - | (17.1) | 11.4 | - |
| Foreign exchange (gains)/losses | (149.6) | 9.8 | - | (153.2) | 9.8 | - |
| Gain on disposal of non-current assets | (0.4) | (0.9) | 111.0 | (0.7) | (1.0) | 40.5 |
| Impairment of non-current assets | 11.3 | 13.4 | 18.7 | 0.1 | 1.8 | 2288.2 |
| Change in provisions and retention programs liabilities | 21.0 | (24.9) | - | 21.0 | (24.9) | - |
| Changes in working capital and other, excluding deposits paid to UKE | (86.9) | (208.3) | 139.6 | (53.1) | (199.4) | 275.8 |
| Interest received | 2.9 | 3.6 | 26.7 | 0.2 | (0.4) | - |
| Income tax paid | (0.1) | (51.3) | 68,273.3 | (0.1) | (51.3) | 68.273.3 |
| Contract assets | - | - | - | (42.6) | (1.5) | (96.5) |
| Contract liabilities | - | - | - | (0.1) | 7.4 | - |
| **Net cash provided by operating activities, excluding deposits paid to UKE** | **521.3** | **433.3** | **(16.9)** | **275.2** | **198.7** | **(27.8)** |
| Deposits paid to UKE | (183.6) | - | (100.0) | (183.6) | - | (100.0) |
| **Net cash provided by operating activities** | **337.8** | **433.3** | **28.3** | **91.6** | **198.7** | **116.9** |
| Proceeds from sale of non-current assets | 0.8 | 2.6 | 233.2 | 0.8 | 2.6 | 233.2 |
| Proceeds from loans given | 0.0 | - | (100.0) | 0.0 | - | (100.0) |
| Purchase of telecommunication licenses | - | (1,704.4) | - | - | (1,704.4) | - |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | (402.8) | (400.4) | (0.6) | (113.5) | (124.3) | 9.5 |
| Purchase of debt securities (Notes issued by Play Topco S.A.) | (75.2) | (69.7) | (7.3) | (75.2) | (69.7) | (7.3) |
| **Net cash used in investing activities** | **(477.2)** | **(2,172.0)** | **355.1** | **(187.9)** | **(1,895.8)** | **908.9** |
| Proceeds from finance liabilities | 543.8 | 190.0 | (65.1) | 543.8 | 190.0 | (65.1) |
| Repayment of finance liabilities and relating finance costs | (120.2) | (134.6) | (13.5) | (163.4) | (176.1) | 7.8 |
| **Net cash provided by financing activities** | **423.6** | **55.5** | **(86.9)** | **380.4** | **13.9** | **(96.4)** |
| **Net change in cash and cash equivalents** | **284.1** | **(1,683.2)** | **-** | **284.1** | **(1,683.2)** | **-** |
| Effect of exchange rate change on cash and cash equivalents | (7.2) | (0.0) | (99.6) | (7.2) | (0.0) | (99.6) |
| **Cash and cash equivalents at the beginning of the period** | **497.8** | **1,556.8** | **212.7** | **497.8** | **1,556.8** | **212.7** |
| **Cash and cash equivalents at the end of the period** | **774.7** | **(126.4)** | **-** | **774.7** | **(126.4)** | **-** |

*Net cash provided by operating activities*

Net cash provided by operating activities increased by PLN 95.5 million, or 28.3%, from PLN 337.8 million for the three-month period ended March 31, 2015, to PLN 433.3 million for the three-month period ended March 31, 2016. In the three-month period ended March 31, 2015, the Group paid PLN 183.6 million deposit to UKE in relation with Group's participation in auction for frequencies in the 800 MHz and in the 2600 MHz band. Excluding the impact of the above mentioned cash outflow, the net cash provided by operating activities decreased by PLN 88.0 million, or 16.9%, from PLN 521.3 million to PLN 433.3 million mainly due to the decrease in the profit before income tax by PLN 90.5 million from PLN 331.1 million to PLN 240.7 million. The further increase in working capital in the three-month period ended March 31, 2016 is mainly attributable to the higher increase in value of receivables due to further growth of the contract customer base.

Under the New Financial Statements  net cash provided by operating activities increased by PLN 107.1 million, or by 116.9%, from PLN 91.6 million for the three-month period ended March 31, 2015, to PLN 198.7 million for the three-month period ended March 31, 2016. This difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 16 'Leases' which resulted in shift of the expenditure on SAC/SRC from investing activities to operating activities and shift of expenditure on monthly rental fees from operating activities to financing activities.

*Net cash used in investing activities*

Net cash used in investing activities increased by PLN 1,694.8 million, or 355.1%, from PLN 477.2 million for the three-month period ended March 31, 2015, to PLN 2,172.0 million for the three-month period ended March 31, 2016. This increase primarily reflects the payments to UKE for new frequencies in 800 MHz and 2600 MHz spectrum bands, in the amount of PLN 1,704.4 million.

Under the New Financial Statements  net cash used in investing activities increased by PLN 1,607.9 million, or by 558.5%, from PLN 287.9 million for the three-month period ended March 31, 2015, to PLN 1,895.8 million for the three-month period ended March 31, 2016. This difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with, which resulted in a shift of the expenditures on SAC/SRC from investing activities to operating activities.

*Net cash provided by financing activities*

Net cash provided by financing activities decreased by PLN 368.1 million, or 86.9%, from PLN 423.6 million for the three-month period ended March 31, 2015, to PLN 55.5 million for the three-month period ended March 31, 2016. This decrease resulted primarily from the decrease in proceeds from finance liabilities of PLN 353.8 million, or 65.1%, from PLN 543.8 million for the three-month period ended March 31, 2015, to PLN 190.0 million for the three-month period ended March 31, 2016. In the three-month period ended March 31, 2015, we received funds from Additional Fixed Rate Senior Secured Notes issuance, whereas in the three-month period ended March 31, 2016, we drew down funds from Revolving Credit Facility.

Under the New Financial Statements net cash provided by financing activities decreased by PLN 366.5 million, or by 96.4%, from PLN 380.4 million for the three-month period ended March 31, 2015, to PLN 13.9 million for the three-month period ended March 31, 2016. This difference compared to the Historical Financial Statements was due to adoption of IFRS 16 which resulted in a shift of expenditure on monthly rental fees from operating activities to financing activities.

***Cash flows for the Year Ended December 31, 2015 and 2014 (Historical and New)***

| (PLN in millions) | Year ended December 31, 2014 | Year ended December 31, 2015 | | Year ended December 31, 2014 | Year ended December 31, 2015 | |
|---|---|---|---|---|---|---|
| | Historical | | Change % | New | | Change % |
| **Profit before income tax** | **400.1** | **767.3** | **91.8** | **415.6** | **705.5** | **69.7** |
| Depreciation and amortization | 1,274.3 | 1,467.8 | 15.2 | 540.1 | 597.3 | 10.6 |
| Changes in contract costs (net) | - | - | - | (58.4) | (52.8) | (9.5) |
| Interest expense (net) | 253.8 | 232.8 | (8.3) | 327.4 | 302.7 | (7.5) |
| Gain/(Loss) on valuation of finance assets | (50.7) | 38.4 | - | (50.7) | 38.4 | - |
| Foreign exchange losses | 85.1 | 18.8 | (77.9) | 87.9 | 19.3 | (78.0) |
| (Gain)/Loss on disposal of non-current assets | (2.5) | (3.1) | (24.0) | (3.5) | (3.9) | 10.5 |
| Impairment of non-current assets | 42.3 | 48.7 | 15.1 | (1.7) | 1.7 | - |
| Change in provisions and retention programs liabilities | 33.9 | 61.2 | 80.5 | 33.9 | 61.2 | 80.5 |
| Changes in working capital and other | 32.2 | (129.1) | - | 65.5 | (26.3) | - |
| Interest received | 14.0 | 10.5 | 25.0 | 1.9 | 0.1 | - |
| Income tax paid | (10.5) | (4.2) | 60.0 | (10.5) | (4.2) | (60.0) |
| Transfers from restricted cash (operating) | - | 0.2 | - | - | 0.2 | - |
| Contract assets | - | - | - | (167.2) | (114.9) | (31.3) |
| Contract liabilities | - | - | - | 2.5 | 1.0 | (60.9) |
| **Net cash provided by operating activities** | **2,071.9** | **2,509.3** | **21.1** | **1,182.7** | **1,525.1** | **29.0** |
| Proceeds from sale of non-current assets | 7.6 | 7.8 | 2.6 | 7.6 | 7.8 | 2.6 |
| Proceeds from loans given | 0.0 | 0.1 | - | 0.0 | 0.1 | - |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | (1,507.3) | (1,587.8) | 5.3 | (456.9) | (436.8) | (4.4) |
| Loans given | (0.1) | - | - | 0.0 | - | - |
| Purchase of debt securities (Notes issued by Play Topco) | - | (144.0) | - | - | (144.0) | - |
| Transfer to other finance assets | (720.3) | - | - | (720.3) | - | - |
| Transfer from other finance assets | 705.2 | - | - | 705.2 | - | - |
| **Net cash used in investing activities** | **(1,514.7)** | **(1,723.9)** | **13.8** | **(464.3)** | **(572.9)** | **23.4** |
| Proceeds from finance liabilities | 3,816.0 | 543.8 | 85.7 | 3,816.0 | 543.8 | 85.8 |
| Distribution of share premium | (1,416.1) | - | - | (1,416.1) | - | - |
| Repayment of finance liabilities and relating finance costs | (2,766.7) | (270.1) | (90.2) | (2,927.9) | (437.0) | (85.1) |
| Transfers from restricted cash | 134.7 | - | - | 134.7 | - | - |
| Transfers to restricted cash | - | - | - | - | - | - |
| Other proceeds from financing activities | 22.5 | - | - | 22.5 | - | - |
| Other payments relating to financing activities | (22.4) | - | - | (22.4) | - | - |
| **Net cash provided by/(used in) financing activities** | **(232.0)** | **273.7** | - | **(393.2)** | **106.8** | **-** |
| **Net change in cash and cash equivalents** | **325.1** | **1,059.1** | 225.8 | **325.1** | **1,059.0** | **225.7** |
| Effect of exchange rate change on cash and cash equivalents | 0.1 | (0.1) | **-** | 0.1 | (0.1) | - |
| **Cash and cash equivalents at the beginning of the period** | **172.6** | **497.8** | **188.4** | **172.6** | **497.8** | **188.6** |
| **Cash and cash equivalents at the end of the period** | **497.8** | **1,556.8** | **212.7** | **497.8** | **1,556.8** | **212.7** |

*Net cash provided by operating activities*

Net cash provided by operating activities increased by PLN 437.4 million, or 21.1%, from PLN 2,071.9 million for the year ended December 31, 2014 to PLN 2,509.3 million for the year ended December 31, 2015, primarily due to increase in the profit before income tax by PLN 367.2 million from PLN 400.1 million to PLN 767.3 million. The increase in working capital in the year ended December 31, 2015 is mainly attributable to the higher value of receivables due to further growth of the contract customer base.

Under the New Financial Statements net cash provided by operating activities increased by PLN 342.4 million, or 29.0%, from PLN 1,182.7 million for the year ended December 31, 2014, to PLN 1,525.1 million for the year ended December 31, 2015. This difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' which resulted in shift of the expenditure on SAC/SRC from investing activities to operating activities and shift of expenditure on monthly rental fees from operating activities to financing activities.

*Net cash used in investing activities*

Net cash used in investing activities increased by PLN 209.2 million, or 13.8%, from PLN 1,514.7 million for the year ended December 31, 2014 to PLN 1,723.9 million for the year ended December 31, 2015. This increase primarily reflects the purchase of bonds from Play Topco S.A. in the amount of PLN 144.0 million to facilitate the payment of the PIK Notes coupon in the year ended December 31, 2015.

Under the New Financial Statements cash outflows from investing activities increased by PLN 108.6 million, or by 23.4%, from PLN 464.3 million for the year ended December 31, 2014, to PLN 572.9 million for the year ended December 31, 2015. This difference compared to the Historical Financial Statements was due to the adoption of the new standards IFRS 15 'Revenue from contracts with customers' which resulted in shift of the expenditure on SAC/SRC from investing activities to operating activities.

*Net cash provided by or used in financing activities*

Cash flows from financing activities changed from the net cash outflow of PLN 232.0 million for the year ended December 31, 2014 to the net cash inflow of PLN 273.7 million for the year ended December 31, 2015. In the year ended December 31, 2015 the Group issued Additional Notes resulting in the cash inflow in the amount of PLN 543.8 million, partially offset with paid finance cost of PLN 240.2 million. In the year ended December 31, 2014 total proceeds from Notes issued amounted to PLN 3,816.0 million and were mainly used for the repayment of bank loans (in the amount of PLN 2,499.5 million) and distribution of share premium (of PLN 1,416.1 million).

Under the New Financial Statements the cash flows from financing activities changed from the net cash outflow of PLN 393.2 million for the year ended December 31, 2014 to the net cash inflow of PLN 106.8 million for the year ended December 31, 2015. The difference compared to the Historical Financial Statements was due to the adoption of the new standards under IFRS 16 'Leases' which resulted in a shift of expenditure on monthly rental fees from operating activities to financing activities.

***Certain other contractual commitments***

*Leases*

Under IFRS 16 'Leases', the Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. Please see "*Presentation of Financial Information —Changes in Accounting Policies*".

**Critical Accounting Policies, Estimates and Judgments**

For further information please see Note 2.2 to the New 1Q 2016 Financial Statements, Note 2.2 to the New YE 2015 Financial Statements of the Parent and "*Presentation of Financial Information —Changes in Accounting Policies*".

**ANNEX A**
**GLOSSARY OF TECHNICAL TERMS**

Unless otherwise required by the context, the following definitions shall apply throughout the document:

| | |
|---|---|
| 3G......................................... | Third generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies at top speeds varying from 384 Kbps (UMTS) to 42 Mbps (HSPA+). |
| Airtime.................................. | Time spent communicating using a handset. |
| Broadband (BB) ..................... | A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (with capacity equal to or higher than 144 Kbps). |
| Devices ................................. | Handsets, modems, routers, MCDs (Mobile Computing Devices, *e.g.*, tablets, laptops, netbooks) and other equipment sold to subscribers. |
| Frequency .............................. | One of the parameters of radio waves, usually understood as a location on the radio frequency spectrum, the capacity of which is limited. |
| GDP ...................................... | Gross Domestic Product. |
| HSDPA.................................. | High-Speed Downlink Packet Access. 3G/UMTS technology enhancements, allowing for fast data transmission from network to mobile device. Supports speeds of up to 14.4 Mbps (depending on the technology used). |
| HSPA .................................... | High-Speed Packet Access. A mix of two mobile telephony protocols, high- speed download Packet Access (HSDPA) and High-Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols. |
| HSPA+ .................................. | Evolved High-Speed Packet Access. A set of 3G/UMTS technology enhancements allowing for very fast data transmission between network and mobile device. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network. |
| Interconnection ...................... | Point of interconnection between two telecommunication operators. Consists of equipment, including links, and a mutually compatible configuration. |
| IP.......................................... | Internet Protocol. |
| IT.......................................... | Information Technology. |
| Kbps ..................................... | Kilobits per second. Measurement of the transmission speed of units of data (kilobits) over a network. |
| MNO ..................................... | Mobile Network Operator. A provider of wireless services with its own reserved frequency spectrum and wireless network infrastructure. |
| Mobile Broadband.................. | Wireless internet access through a portable (USB, or WiFi) or built-in modem, used with laptop tablet or other mobile device. |
| MVNO ................................... | Mobile Virtual Network Operator. A company that does not own a reserved frequency spectrum, but resells wireless services under its own brand name, using the network of another MNO. |
| S.A........................................ | Joint stock company (Spółka Akcyjna). |
| SIM cards.............................. | SIM cards are subscriber identity modules. A SIM card is a smart card that securely stores the key identifying a handset service subscriber, as well as subscription information, preferences and text messages. |

SMS ...................................... Short Messaging Service. Enables transmissions of alphanumeric messages of up to 160 characters among fixed line and mobile subscribers and is only available on digital networks.

Sp. z o.o ................................ Limited liability company (s*półka z ograniczoną odpowiedzialnością*).

Spectrum .............................. A range of frequencies available for over-the-air transmission.

T-Mobile................................ T-Mobile Polska S.A. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the T-Mobile brand.

Traffic ................................... Calls or other transmissions being sent and received over a communications network.

UOKiK ................................... Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

UKE....................................... Office of Electronic Communications (Urząd Komunikacji Elektronicznej), which supervises and regulates the Polish telecommunications market.

UMTS .................................... Universal Mobile Telecommunications System. A set of third-generation (3G) handset technologies.

**ANNEX B**
**DEFINTIONS**

| | |
|---|---|
| "Additional Fixed Rate Senior Secured Notes" or "Additional Notes"................................... | The €125 million in aggregate principal amount of Fixed Rate Senior Secured Notes due 2019 issued on March 19, 2015, pursuant to the Senior Secured Notes Indenture. |
| "Alior" .................................... | Alior Bank S.A. |
| "Alior Bank Loan".................... | The loan provided by Alior which was repaid in full within the Refinancing and Recapitalization. |
| "Bank Zachodni WBK Revolving Credit Facility" | Revolving credit line agreement between the Group and Bank Zachodni WBK S.A. |
| "CDB"..................................... | China Development Bank. |
| "CDB Credit Facilities"............. | The loan provided by CDB which was repaid in full within the Refinancing and Recapitalization. |
| "CEE" ..................................... | Central and Eastern Europe, excluding Russia, and comprising Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Albania, Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Macedonia. |
| "Collateral" ............................ | The collateral securing the Senior Secured Notes or the Senior Notes, as applicable. |
| "Company", "Play" or "P4" ....... | P4 sp. z o.o., with its registered office in Warsaw, 7 Taśmowa street, registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Department of the National Court Register, under number KRS 0000217207. |
| "EC" ....................................... | European Commission. |
| "EU" ....................................... | European Union. |
| "euro," "EUR" or "€" ................. | Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. |
| "Fixed Rate Senior Secured Notes"..................................... | The EUR 725,000,000 $5^1/_4$% Fixed Rate Senior Secured Notes due 2019 comprising the Initial Fixed Rate Senior Secured Notes and Additional Fixed Rate Senior Secured Notes. |
| "Floating Rate Senior Secured Notes"..................................... | The PLN 130,000,000 Floating Rate Senior Secured Notes due 2019 issued on January 31, 2014. |
| "Group," "we," "us," "our" or "ourselves"............................. | Refers to, for the period prior to the consummation of the Refinancing and Recapitalization, Play and its consolidated subsidiaries and, after the Refinancing and Recapitalization, the Parent and its consolidated subsidiaries. |
| "HoldCo 3" ............................. | Play Holdings 3 S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized under the laws of Luxembourg. On May 9, 2016 Holdco 3 will merge with Parent (the surviving company). |
| "IFRS" .................................... | International Financial Reporting Standards, as adopted by the EU. |
| "IFRS with early adoption of IFRS 15 and IFRS 16" | International Financial Reporting Standards, with early adoption of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'. |
| "IFRS 15" | International Financial Reporting Standard 15 'Revenue from contracts with customers'. |
| "IFRS 16" | International Financial Reporting Standard 16 'Leases'. |
| "Initial Fixed Rate Senior Secured Notes"....................... | The EUR 600,000,000 $5^1/_4$% Fixed Rate Senior Secured Notes due 2019 issued on January 31, 2014. |

| | |
|---|---|
| "Initial Notes" | Collectively the Initial Fixed Rate Senior Secured Notes, Floating Rate Senior Secured Notes and Senior Notes. |
| "Issuers" | The Senior Secured Notes Issuer and the Senior Notes Issuer. |
| "Millennium Revolving Credit Facility" | Revolving credit line agreement between the Group and Bank Millennium S.A. |
| "Note Guarantees" or "Guarantees" | Collectively, guarantees of the Senior Secured Notes (also referred to as the "**Senior Secured Note Guarantees**") and the guarantees of the Senior Notes (also referred to as the "**Senior Note Guarantees**"), or individually, as the context requires. |
| "Note Guarantor" or "Guarantor" | Collectively, the providers of the Guarantees, or individually, as the context requires. |
| "Notes" | Collectively, the Senior Secured Notes and the Senior Notes. |
| "Novator" | TELCO HOLDINGS S.À R.L, a Luxembourg *société anonyme*, with a share capital of EUR 21,500 and registered with the Luxembourg Trade and Companies Register under number B191962 (formerly known as NTP Limited, a private limited company incorporated in Jersey with registered number 115496 and having its registered office at 13 Castle Street, St Helier, Jersey JE4 5UT). |
| "Olympia" | Olympia Development S.A., with its registered office at 25 Ermou St., Nea Kifisia 14564, Attiki, Greece. |
| "Overdraft Facility" | The overdraft facility in an aggregate principal amount of PLN 150 million made available by Bank Zachodni WBK S.A. |
| "P4BIS" | Glenmore Investments Sp. z o.o., with its registered office at Taśmowa 7, 02-677 Warsaw, and registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register, under number KRS 429787. On September 30, 2015 Glenmore Investments Sp. z o.o. has merged with P4 Sp. z o.o (the surviving company). |
| "Parent" | Play Holdings 2 S.à r.l., a private limited liability company (*société à responsabilité limitée*) company organized under the laws of Luxembourg. |
| "PIK Notes Issuer" | Play Topco S.A., a public limited liability company (*société anonyme*) organized under the laws of Luxembourg. |
| "PIK Notes Issuer Group" | Play Topco S.A. and its consolidated subsidiaries. |
| "Play 3GNS" | Play 3GNS Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office at Taśmowa 7, 02-677 Warsaw, and registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Department of the National Court Register, under number KRS 0000335214. |
| "PLN" or "zloty" | Polish zloty, the lawful currency of Poland. |
| "Refinancing and Recapitalization" | Refers collectively to the issue on January 31, 2014, of the Initial Notes, the entry into the Revolving Credit Facility and the application of proceeds therefrom to the repayment of indebtedness under the CDB Credit Facilities and the Alior Bank Loan, payments of certain amounts to shareholders of the Parent and payment of fees and expenses related to the such transactions. |
| "Report" | The present report. |

| | |
|---|---|
| "Revolving Credit Facility" ....... | PLN 400,000,000 multi-currency revolving credit facility provided pursuant to an agreement dated January 24, 2014, between, amongst others, P4 Sp. z o.o. as the company, Play Holdings 2 S.à r.l. as the parent, the subsidiaries of Play Holdings 2 S.à r.l. listed therein as borrowers and guarantors, Bank Zachodni WBK S.A. and Alior Bank S.A. as mandated lead arrangers, the financial institutions listed therein as lenders, Bank Zachodni WBK S.A. as agent and Citibank N.A., London Branch as security agent |
| "SEC" .................................... | The United States Securities and Exchange Commission. |
| "Security Agent"...................... | Citibank N.A. London Branch. |
| "Security Documents" ........... | The security documents which comprise the Collateral. |
| "Senior Note Guarantors" ........ | Collectively, the Parent, HoldCo 3, the Company, the Senior Secured Notes Issuer and Play 3GNS. |
| "Senior Notes"........................ | The EUR 270,000,000 $6^1/_2$% senior notes due 2019 issued on January 31, 2014. |
| "Senior Notes Indenture"......... | The indenture governing the Senior Notes dated as of January 31, 2014, among, *inter alios*, the Senior Notes Issuer, the Senior Note Guarantors, the Senior Notes Trustee and the Security Agent. |
| "Senior Notes Issuer"............. | Play Finance 1 S.A., a public limited liability company (*société anonyme*) organized under the laws of Luxembourg. |
| "Senior Notes Trustee"........... | Citibank, N.A., London Branch, as trustee for the holders of the Senior Notes. |
| "Senior PIK Toggle Notes"....... | The $7^3/_4$% / $8^1/_2$% Senior PIK Toggle Notes due 2020 issued on August 6, 2014, by the PIK Notes Issuer. |
| "Senior PIK Toggle Notes Indenture" .............................. | The indenture governing the Senior PIK Toggle Notes dated as of August 6, 2014, among, *inter alios*, the PIK Notes Issuer and Senior PIK Toggle Notes Trustee. |
| "Senior PIK Toggle Notes Trustee" ................................ | Citibank, N.A., London Branch, as trustee for the holders of the Senior PIK Toggle Notes. |
| "Senior Secured Notes"........... | The Fixed Rate Senior Secured Notes and the Floating Rate Senior Secured Notes. |
| "Senior Secured Note Guarantors"............................ | Collectively, the Parent, HoldCo 3, the Company, the Senior Notes Issuer and Play 3GNS. |
| "Senior Secured Notes Indenture" .............................. | The indenture governing the Notes dated January 31, 2014, among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent, as supplemented on May 27, 2014 and March 10, 2015. |
| "Senior Secured Notes Issuer". | Play Finance 2 S.A., a public limited liability company (*société anonyme*) company organized under the laws of Luxembourg. |
| "U.S." or "United States".......... | United States of America. |
| "U.S. dollars," "USD," "dollars" or "$" .................................... | U.S. dollars, the lawful currency of the United States of America. |
| "U.S. GAAP"............................ | Generally accepted accounting principles in the United States. |

## ANNEX C
## INDUSTRY TERMS

| *Term* | *Usage by Play* |
|---|---|
| subscriber ............................... | We define a subscriber as any customer that we provide services to until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards which are registered on our network and have not been disconnected. |
| contract subscribers ................ | We define contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a small number of SIM cards that have been issued pursuant to family calling plans that do not represent additional subscribers, although we do not consider these figures material. |
| prepaid subscribers ................. | We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value. |
| reported subscriber base ......... | We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base. |
| active subscriber base ............ | We define active subscriber base as the sum of the number of contract subscribers and active prepaid subscribers at the end of a given period. Our active prepaid subscribers are defined as the number of prepaid subscribers who had used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)). |
| average subscriber base (reported or active) .................. | We define average subscriber base in a reporting period as follows:<br>• for a one-month period, the average subscriber base is calculated as our beginning of month subscriber base *plus* our end of month subscriber base divided by two; and<br>• for over a one-month period (*e.g.*, several months, quarters or annual), the average subscriber base is calculated as the average of the monthly averages (*i.e.*, the sum of monthly averages divided by the number of months in a given period).<br>The above methodology is used to calculate our average reported subscriber base or average active subscriber base. |
| retained subscribers ................ | We define retained subscribers as every contract subscriber who renewed their contract (by signing a contract extension) in a given period. |
| contract gross additions .......... | We define contract gross additions as every new contract subscriber added to the subscriber base in a given period (in a standard acquisition or through mobile number portability ("**MNP**") as well as through migrations from prepaid tariff plans to contract tariff plans). Other migrations (*e.g.*, between different contract plans) are not recognized as gross additions. |

| *Term* | *Usage by Play* |
|---|---|
| prepaid gross additions | We define prepaid gross additions as every new prepaid subscriber added to the subscriber base (through making a "first call," defined as the first-time usage of any outgoing voice call, SMS or MMS sent or data transmission). Migrations from contract tariff plans to prepaid tariff plans as well as other migrations (*e.g.*, between different prepaid tariff plans) are not recognized as gross additions. |
| churn | We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period.<br>Contract subscribers are recognized as churned when they voluntarily applied to terminate their agreement with us (voluntary churn), where we disconnect them due to a lack of payment (collection churn) or due to certain other events such as the non-renewal of contracts by new subscribers who subscribed for services on a trial basis, or extraordinary events (such as the death of a subscriber).<br>Prepaid subscribers are recognized as churned when they are deactivated, which generally occurs if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the tariff plan chosen and the last top-up value.<br>Migration of a subscriber:<br>• from a contract tariff plan to a prepaid tariff plan;<br>• from a prepaid tariff plan to a contract tariff plan; or<br>• within a segment (*e.g.*, individual contract subscriber migrating to a business plan),<br>is not recognized as churn and therefore does not affect the churn rate of a particular segment. |
| churn rate/churn (%) | We define churn rate (as a percentage) as the churn divided by the average reported subscriber base in a given period. Churn rate (as a percentage) is calculated on a monthly basis, therefore churn rate (as a percentage) for over a one-month period (*e.g.*, quarterly or annual) is calculated as the churn for the period divided by the number of months and further divided by the average reported subscriber base for such period. |
| migrations | We define migrations as subscribers who switch (i) from contract tariff plans to prepaid tariff plans or from prepaid tariff plans to contract tariff plans; or (ii) within a segment (*e.g.*, an individual contract subscriber migrating to a business plan or the reverse). Movements between tariff plans in the same category are not counted as migrations. |
| subscriber acquisition costs | We define subscriber acquisition costs as the sum of contract subscriber acquisition costs and prepaid subscriber acquisition costs.<br>We define contract subscriber acquisition costs as total costs relating to new contract subscribers acquired (or migrated from being prepaid tariff plans to contract tariff plans) in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device; (ii) commission costs paid to dealers and our own sales force and (iii) other SAC costs (primarily SIM cards).<br>We define prepaid subscriber acquisition costs as the total costs relating to the acquisition of new prepaid subscribers in a given period, which mainly consist of the costs of SIM cards and the costs of rebates for distributors of prepaid starter packs. |
| subscriber retention costs | We define subscriber retention costs as the total costs relating to the contract subscribers renewing their contracts in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device; and (ii) commission costs paid to dealers and our own sales force. |

**ANNEX D**

RECONCILIATION OF HISTORICAL AND NEW ADJUSTED EBITDA

The below is a reconciliation between Adjusted EBITDA under our Historical Financial Statements under the old presentation (as presented under "*Consolidated Financial and Other Information—Other Operating and Financial Information - Historical*") and Adjusted EBITDA under our New Financial Statements with the new presentation (as presented under "*Consolidated Financial and Other Information—Other Operating and Financial Information - New*").

| **(PLN in millions)** | **Year ended December 31 2014** | **Year ended December 31 2015** | **Three months ended March 31, 2015** | **Three months ended March 31, March 31, 2016** |
|---|---|---|---|---|
| **Adjusted EBITDA under Historical Financial Statements** | **1,071.6** | **1,543.6** | **323.5** | **437.5** |
| **IFRS 16 Lease – total adjustments** | **161.1** | **167.1** | **41.4** | **42.3** |
| **IFRS 15 Revenue from contracts from customers adjustments:** | | | | |
| Service revenue adjustment | (762.6) | (922.4) | (219.7) | (240.4) |
| Sales of goods adjustment | 959.9 | 996.2 | 245.6 | 242.2 |
| Capitalization of commissions | 342.7 | 395.4 | 105.8 | 92.0 |
| Amortization and impairment of commissions | (284.3) | (342.6) | (81.1) | (93.4) |
| Impairment of contract asset | (52.6) | (51.6) | (12.3) | (13.2) |
| **Adjusted EBITDA under New Financial Statements** | **1,435.8** | **1,785.7** | **403.1** | **466.9** |

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Play Holdings 2 S. à r. l.
and its subsidiaries
Consolidated financial statements

Prepared in accordance with IFRS
with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2015,
December 31, 2014 and December 31, 2013

PLAY

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# Consolidated statement of financial position

| | Notes | December 31, 2015 | December 31, 2014 | December 31, 2013 | January 1, 2013 |
|---|---|---|---|---|---|
| | | See Note 2.2 | See Note 2.2 | See Note 2.2 | See Note 2.2 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | 907,747 | 860,351 | 684,325 | 677,377 |
| Right-of-use assets | 4 | 767,924 | 719,313 | 709,158 | 696,192 |
| Intangible assets | 5 | 1,126,772 | 1,261,636 | 1,312,215 | 902,642 |
| Assets under construction | 6 | 393,536 | 285,466 | 344,576 | 242,832 |
| Contract costs | 7 | 309,944 | 257,114 | 198,714 | 166,683 |
| Long term investments | | - | - | - | 23 |
| Long term receivables - debt securities | 8 | 153,441 | - | - | - |
| Other long term receivables | 9 | 11,134 | 14,336 | 13,058 | 15,508 |
| Finance assets at fair value through profit or loss | 10 | 19,219 | 57,611 | - | - |
| Deferred tax asset | 30 | 184,146 | 281,475 | 180,998 | 241,232 |
| **Total non-current assets** | | **3,873,863** | **3,737,302** | **3,443,044** | **2,942,489** |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 11 | 212,209 | 194,935 | 157,066 | 168,808 |
| Trade and other receivables | 12 | 876,894 | 716,015 | 689,779 | 755,390 |
| Contract assets | 13 | 1,000,880 | 885,990 | 718,767 | 612,803 |
| Current income tax receivables | | - | 559 | 558 | 572 |
| Prepaid expenses | 14 | 41,771 | 34,670 | 24,097 | 33,798 |
| Cash and cash equivalents | 15 | 1,556,801 | 497,981 | 307,510 | 322,087 |
| **Total current assets** | | **3,688,555** | **2,330,150** | **1,897,777** | **1,893,458** |
| **TOTAL ASSETS** | | **7,562,418** | **6,067,452** | **5,340,821** | **4,835,947** |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves attributable to shareholders of the Company** | | | | | |
| Share capital | 16 | 52 | 52 | - | - |
| Share premium | 16 | 5,644,191 | 5,635,996 | - | - |
| Retained losses | | (5,013,619) | (5,563,897) | - | - |
| **Total equity** | | **630,624** | **72,151** | **-** | **-** |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Long-term finance liabilities | 17 | 4,996,618 | 4,383,193 | 2,613,232 | 2,223,723 |
| Long-term provisions | 18 | 46,472 | 53,523 | 49,100 | 41,334 |
| Long-term retention programs liabilities | 19 | 163,040 | 95,702 | 71,609 | 112,237 |
| Deferred tax liability | 30 | 36 | - | 1,572 | 83 |
| Other non-current liabilities | | 11,379 | 12,730 | 11,455 | 6,144 |
| **Total non-current liabilities** | | **5,217,545** | **4,545,148** | **2,746,968** | **2,383,521** |
| | | | | | |
| **Current liabilities** | | | | | |
| Short-term finance liabilities | 17 | 277,245 | 278,475 | 628,049 | 689,801 |
| Trade and other payables | 20 | 976,949 | 836,115 | 671,797 | 766,994 |
| Contract liabilities | | 22,322 | 21,346 | 18,848 | 5,607 |
| Current income tax payable | | 61,296 | 8,078 | 115 | 171 |
| Accruals | 21 | 68,539 | 61,226 | 65,457 | 42,227 |
| Short-term provisions | 18 | 996 | 1,653 | 1,549 | 4,420 |
| Short-term retention programs liabilities | 19 | 22,294 | 14,129 | - | 7,873 |
| Deferred income | 22 | 284,608 | 229,131 | 218,708 | 174,481 |
| **Total current liabilities** | | **1,714,249** | **1,450,153** | **1,604,523** | **1,691,574** |
| **TOTAL LIABILITIES AND EQUITY** | | **7,562,418** | **6,067,452** | **4,351,491** | **4,075,095** |
| | | | | | |
| **Net assets attributable to shareholders of P4 Sp. z o.o.** | 16 | **-** | **-** | **989,330** | **760,852** |



The accompanying notes are an integral part of these consolidated financial statements

## Consolidated statement of comprehensive income

| | Notes | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|---|
| | | See Note 2.2 | See Note 2.2 | See Note 2.2 |
| **Operating revenue** | 23 | **5,436,503** | **4,589,665** | **3,884,459** |
| Service revenue | | 4,059,534 | 3,398,442 | 2,849,641 |
| Sales of goods and other revenue | | 1,376,969 | 1,191,223 | 1,034,818 |
| **Operating expenses** | | **(4,373,058)** | **(3,794,130)** | **(3,370,684)** |
| Interconnection, roaming and other service costs | 24 | (1,330,623) | (1,098,504) | (989,077) |
| Contract costs, net | 25 | (376,269) | (318,265) | (279,390) |
| Cost of goods sold | | (1,181,221) | (984,781) | (892,086) |
| General and administrative expenses | 26 | (887,685) | (852,438) | (706,964) |
| Depreciation and amortization | 27 | (597,260) | (540,142) | (503,167) |
| **Other operating income** | 28 | **78,488** | **64,208** | **54,309** |
| **Other operating costs** | 28 | **(76,080)** | **(86,259)** | **(75,338)** |
| **Operating profit** | | **1,065,853** | **773,484** | **492,746** |
| Finance income | 29 | 7,576 | 74,727 | 3,318 |
| Finance costs | 29 | (367,978) | (432,609) | (205,717) |
| **Profit before income tax** | | **705,451** | **415,602** | **290,347** |
| Income tax benefit/(charge) | 30 | (155,173) | 83,259 | (61,869) |
| **Net profit for the period** | | **550,278** | **498,861** | **228,478** |
| **Other comprehensive income for the period** | | **-** | **-** | **-** |
| **Total comprehensive income for the period** | | **550,278** | **498,861** | **228,478** |

No profit for the current and comparative periods was attributable to non-controlling interest.

No comprehensive income for the current and comparative periods was attributable to non-controlling interest.

## Consolidated statement of changes in equity

| **See also Note 2.2** | Attributable to the Company's shareholders | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Retained losses** | **Total equity** | **Notes** |
| **As at January 1, 2015** | **52** | **5,635,996** | **(5,563,897)** | **72,151** | |
| Correction of currency translation | - | 8,195 | - | 8,195 | |
| Net profit for the period | - | - | 550,278 | 550,278 | |
| **As at December 31, 2015** | **52** | **5,644,191** | **(5,013,619)** | **630,624** | 14 |

| **See also Note 2.2** | Attributable to the Company's shareholders | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Retained losses** | **Total equity** | **Notes** |
| **As at January 1, 2014** | **-** | **-** | **-** | **-** | |
| Issue of shares | 52 | - | - | 52 | |
| Issue of shares - contribution in kind of P4 Sp. z o.o. and its subsidiaries | - | 7,052,087 | (6,090,919) | 961,168 | |
| Distribution of share premium | - | (1,416,091) | - | (1,416,091) | |
| Net profit for the period from the date of Incorporation to December 31, 2014 | - | - | 527,022 | 527,022 | |
| **As at December 31, 2014** | **52** | **5,635,996** | **(5,563,897)** | **72,151** | 14 |

| **See also Note 2.2** | Attributable to the Company's shareholders | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Retained losses** | **Total equity** | **Notes** |
| **As at January 1, 2013** | **-** | **-** | **-** | **-** | |
| Net loss for the period | - | - | - | - | |
| **As at December 31, 2013** | **-** | **-** | **-** | **-** | 14 |

The value of total equity from issue of shares as a result of contribution in kind of P4 Sp. z o.o. and its subsidiaries equals book value of net assets of P4 Sp. z o.o. and its subsidiaries as at the date of contribution.

# Consolidated statement of changes in net assets attributable to shareholders of P4 Sp. z o.o.

| See also Note 2.2 | Net assets attributable to shareholders of P4 Sp. z o.o. | Notes |
|---|---|---|
| **As at January 1, 2015** | **-** | |
| Net loss for the period | - | |
| **As at December 31, 2015** | **-** | 16 |

| See also Note 2.2 | Net assets attributable to shareholders of P4 Sp. z o.o. | Notes |
|---|---|---|
| **As at January 1, 2014** | **989,330** | |
| Net loss for the period from 1 January to the Date of Contribution | (28,162) | |
| Settlement of contribution of P4 Sp. z o.o. and its subsidiaries to Play Group | (961,168) | |
| **As at December 31, 2014** | **-** | 16 |

| See also Note 2.2 | Net assets attributable to shareholders of P4 Sp. z o.o. | Notes |
|---|---|---|
| **As at January 1, 2013** | **760,852** | |
| Net profit for the period | 228,478 | |
| **As at December 31, 2013** | **989,330** | 16 |

# Consolidated statement of cash flows

| | Notes | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|---|
| | | See Note 2.2 | See Note 2.2 | See Note 2.2 |
| **Profit before income tax** | | **705,451** | **415,602** | **290,347** |
| Depreciation and amortization | | 597,260 | 540,142 | 503,167 |
| Changes in contract costs (net) | | (52,830) | (58,400) | (32,031) |
| Interest expense (net) | | 302,743 | 327,362 | 177,076 |
| (Gain)/Loss on valuation of finance assets | | 38,392 | (50,719) | - |
| Foreign exchange losses | | 19,329 | 87,924 | 44,649 |
| Gain on disposal of non-current assets | | (3,900) | (3,531) | (3,892) |
| Impairment of non-current assets | | 1,664 | (1,664) | 3,812 |
| Change in provisions and retention programs liabilities | | 61,180 | 33,851 | (39,638) |
| Changes in working capital and other | 32 | (26,286) | 65,488 | 39,294 |
| Changes in contract assets | | (114,890) | (167,223) | (105,964) |
| Changes in contract liabilities | | 976 | 2,498 | 13,241 |
| **Cash provided by operating activities** | | **1,529,089** | **1,191,330** | **890,061** |
| Interest received | | 68 | 1,901 | 3,317 |
| Income tax paid | | (4,213) | (10,539) | (187) |
| Transfers from restricted cash (operating) | | 200 | - | - |
| **Net cash provided by operating activities** | | **1,525,144** | **1,182,692** | **893,191** |
| Proceeds from sale of non-current assets | | 7,832 | 7,632 | 8,298 |
| Proceeds from loans given | | 79 | 26 | - |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | | (436,787) | (456,869) | (864,827) |
| Proceeds from other finance assets | | - | - | 19 |
| Loans given | | - | (55) | - |
| Purchase of debt securities (Notes issued by Play Topco S.A.) | | (143,993) | - | - |
| Transfer to other finance assets | | - | (720,256) | - |
| Transfer from other finance assets | | - | 705,184 | - |
| **Net cash used in investing activities** | | **(572,869)** | **(464,338)** | **(856,510)** |
| Proceeds from finance liabilities | 34 | 543,772 | 3,816,016 | 783,535 |
| Distribution of share premium | | - | (1,416,091) | - |
| Repayment of finance liabilities and relating finance costs | 34 | (436,965) | (2,927,907) | (762,507) |
| Transfers from restricted cash | | - | 134,722 | - |
| Transfers to restricted cash | | - | - | (7,514) |
| Other proceeds from financing activities | | - | 22,488 | - |
| Other payments relating to financing activities | | - | (22,435) | - |
| **Net cash provided by/(used in) financing activities** | | **106,807** | **(393,207)** | **13,514** |
| **Net change in cash and cash equivalents** | | **1,059,082** | **325,147** | **50,195** |
| Effect of exchange rate change on cash and cash equivalents | 33 | (62) | 59 | 1 |
| **Cash and cash equivalents at the beginning of the period** | | **497,781** | **172,575** | **122,379** |
| **Cash and cash equivalents at the end of the period** | 31 | **1,556,801** | **497,781** | **172,575** |

# Notes

## 1. The Company and the Play Group

Play Holdings 2 S. à r. l. (the "Company") was incorporated under Luxembourg law on January 10, 2014 ("Date of Incorporation"). The Company's registered office is in Luxembourg. The Company and its subsidiaries (together, the "Play Group" or the "Group") operate in the mobile telecommunications sector in Poland.

The Group's business activity embraces the provision of mobile telecommunications services and managing a distribution network of mobile telecommunications products under the brand "PLAY".

The Company's immediate parent is Play Holdings 1 S. à r. l., wholly owned by Play Topco S.A., which is controlled by Tollerton Investments Limited, owning 50.3% of Play Topco S.A. shares.
Play Holdings 2 S. à r. l. is ultimately controlled by Mr. Panos Germanos.
49.7% of Play Topco S.A.'s shares are owned by Telco Holdings S.à r.l.

These consolidated financial statements comprise:
- consolidated statement of financial position;
- consolidated statement of comprehensive income;
- consolidated statement of changes in equity;
- consolidated statement of changes in net assets attributable to shareholders of P4 Sp. z o.o.;
- consolidated statement of cash flows;
- summary of significant accounting policies and other notes

as at and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, further "consolidated financial statements".

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

| **Entity** | **Location** | **Principal activity** | **Ownership and percentage of voting rights** | | |
|---|---|---|---|---|---|
| | | | **As at December 31, 2015** | **As at December 31, 2014** | **As at December 31, 2013** |
| **Subsidiaries held directly and indirectly:** | | | | | |
| Play Holdings 3 S. à r. l. | Luxembourg | Holding | 100% | 100% | - |
| Play Finance 1 S.A. | Luxembourg | Financing | 100% | 100% | - |
| Play Finance 2 S.A. | Luxembourg | Financing | 100% | 100% | - |
| P4 Sp. z o.o. | Poland | Operating | 100% | 100% | - |
| Glenmore Investments Sp. z o.o. | Poland | Strategy | merged with P4 | 100% | - |
| 3GNS Sp. z o.o. | Poland | Holding | 100% | 100% | - |
| Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k. | Poland | Brand management | 100% | 100% | - |

P4 Sp. z o.o. ("P4") is a mobile network operator in Poland. Since March 16, 2007 P4 has been providing mobile telecommunications services using the brand "PLAY".

On January 23, 2014 ("Date of Contribution"), 100% of shares in P4 Sp. z o.o. were contributed in kind to the Company's capital. See also Note 16. Due to the fact that the contribution of shares in P4 to Play Holdings 2 S. à r. l. was not a business combination and did not result in any change of economic substance of the Group, the consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries comprise full year ended December 31, 2014 and year ended December 31, 2013 as comparative periods.

# 2. Summary of significant accounting policies

## *2.1 Basis of preparation*

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective as at December 31, 2015. For the purpose of these consolidated financial statements the Group has early adopted the following standards, amendments to standards and interpretations:

| New regulation | Issued on | Effective for annual periods beginning on or after | In EU effective for annual periods beginning on or after | Early adoption | Group's assessment of the regulation |
|---|---|---|---|---|---|
| Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions' | November 21, 2013 | July 1, 2014 | February 1, 2015 | Permitted | Fully implemented |
| Improvements to IFRS 2010-2012 Cycle | December 12, 2013 | July 1, 2014 | February 1, 2015 | Permitted | Fully implemented |
| Amendments to IFRS 11: 'Accounting for Acquisitions of Interests in Joint Operations' | May 6, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented; early adopted |
| Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | May 12, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented; early adopted |
| Amendments to IAS 16 and IAS 41: Bearer Plants | June 30, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented; early adopted |
| Amendments to IAS 27: Equity Method in Separate Financial Statements | August 12, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented; early adopted |
| Improvements to IFRS 2012-2014 Cycle | September 25, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented; early adopted |
| Amendments to IAS 1: Disclosure Initiative | December 18, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented; early adopted |
| IFRS 15: 'Revenue from Contracts with Customers', including amendments and clarifications | May 28, 2014; September 11, 2015; 12 April 2016 | January 1, 2018 | Not endorsed yet | Permitted | Fully implemented; early adopted |
| IFRS 16: 'Leases' | January 13, 2016 | January 1, 2019 | Not endorsed yet | Permitted | Fully implemented; early adopted |

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended December 31, 2015 and have not been adopted early:

| New regulation | Issued on | Effective for annual periods beginning on or after | In EU effective for annual periods beginning on or after | Early adoption | Group's assessment of the regulation |
|---|---|---|---|---|---|
| IFRS 14 'Regulatory Deferral Accounts' | January 30, 2014 | January 1, 2016 | Not endorsed yet | - | Assessment in progress |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | September 11, 2014 | Deferred indefinitely | Deferred indefinitely | - | Assessment in progress |
| Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception | December 18, 2014 | January 1, 2016 | Not endorsed yet | - | Assessment in progress |
| IFRS 9: ‘Financial Instruments’ | July 24, 2014 | January 1, 2018 | Not endorsed yet | - | Assessment in progress |
| Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions | June 20, 2016 | January 1, 2018 | Not endorsed yet | - | Assessment in progress |
| Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses | January 19, 2016 | January 1, 2017 | Not endorsed yet | - | Assessment in progress |
| Amendments to IAS 7 Disclosure Initiative | January 29, 2016 | January 1, 2017 | Not endorsed yet | - | Assessment in progress |

The Group has issued consolidated financial statements for the same periods (“Historical Financial Statements”), i.e. year ended December 31, 2015 that were authorized for issuance on February 1, 2016 (“Historical YE15 FS”), year ended December 31, 2014 that were authorized for issuance on February 6, 2015 (“Historical YE14 FS”) and year ended December 31, 2013 that were authorized for issuance on February 10, 2014.
The main differences between these sets of consolidated financial statements comprise of:
- early adoption of IFRS 15 and IFRS 16 as further described in Note 2.2;
- subsequent events between February 1, 2016 and the date of issuance of these consolidated financial statements.

These consolidated financial statements were approved for issuance by the Management Board of the Company on August 19, 2016.

The Play Group’s activities are not subject to significant seasonal or cyclical trends.

The consolidated financial statements are prepared under the historical cost convention except for liabilities relating to retention programs and derivatives which are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below and in Note 0.

**Going concern**

The consolidated financial statements disclose all matters of which the Group is aware and which are relevant to the Group’s ability to continue as a going concern, including all significant events, mitigating factors and the Group’s plans. The Group has paid for the new frequencies reservation, generates positive operating cash flows and has secured financing of further development of telecommunications infrastructure. Accordingly, the consolidated financial statements have been prepared on a basis which assumes that the Group will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

## *2.2 Changes in accounting policies*

As indicated in Note 2.1 the Group has early adopted IFRS 15 and IFRS 16 which resulted in changes in accounting policies and consequently in differences to the financial data as presented in the Historical YE15 FS and Historical YE14 FS. The main differences between these sets of financial statements are explained below.

**IFRS 15 Adjustments**
For mobile devices sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunications services. That was typically the amount received from the customer on signing a contract. Under IFRS 15, the total consideration in the contract (e.g. for mobile devices, telecommunication services and activation fees) is allocated to all products and services – e.g. mobile devices and mobile telecommunications services – based on their relative stand-alone selling prices. This resulted in a shift from service revenue to revenue from sales of goods (IFRS 15 [8]) and creation of contract assets (IFRS 15 [5]), which includes also some items previously presented as trade and other receivables (IFRS 15 [4]).

IFRS 15 requires also reclassification of some items previously presented in deferred income (IFRS 15 [7]) to contract liabilities (IFRS 15 [6]). Contract liabilities are then netted off against contract assets on a contract-by-contract basis.

Additionally the Group also moved the inventories in dealers' premises from prepaid expenses to inventories (IFRS 15 [3]). For handsets delivered to dealers who act as agents which had not yet been sold to end customer, the Group has changed the presentation of the value of these handsets from prepaid expenses to inventories (IFRS 15 [3]). Also, the Group has changed the presentation of the consideration expected from dealers relating to these sales from deferred income to trade and other receivables or to trade and other payables (IFRS 15 [3]) (the latter in case the consideration had been paid in advance of dealer's sales to end customer).

In the previous years the Group capitalized so called subscriber acquisition and retention costs ("SAC") relating to postpaid contracts and "mix" contracts in the month of service activation. Components of SAC included:

- subsidy granted to end customer to price of handset or other device, i.e. cost of sales of handset or other device less price charged to end customer (IFRS 15 [11]),
- commission on sale,
- dispatch cost directly attributable to a contract.

The subscriber acquisition and retention costs were capitalized (IFRS 15 [9]) and recognized as intangible assets, - IFRS 15 [1] and amortized in depreciation and amortization (IFRS 15 [12]).

Under IFRS 15 the Group capitalizes solely costs of commissions paid to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized costs of commissions constitute "contract cost" asset (IFRS 15 [2]) and are depreciated on a straight-line basis in the operating expenses in the "contract costs, net" line (IFRS 15 [10]).

**IFRS 16 Adjustments**
Under previous accounting standard IAS 17 'Lease' the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (both as a lessor or a lessee). Leases classified as a finance lease were recognized as Property, plant and equipment. Assets leased under the finance lease agreements comprised mostly vehicles or computers.

Under the new standard IFRS 16 'Leases', the Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. Based on the accounting policy applied the Group recognizes a right-of-use asset (IFRS 16 [B]) and a lease liability (IFRS 16 [C]) at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. Accordingly, the recurring expenses relating to use of leased assets, previously presented in general and administrative expenses (IFRS 16 [D]) are now capitalized and depreciated in depreciation and amortization (IFRS 16 [E]). The discount on lease liability is periodically unwound into finance costs (IFRS 16 [F]).

Assets previously classified as finance lease agreements as well as asset retirement obligation relating to leased property were reclassified from property, plant and equipment to right-of-use assets (IFRS 16 [A]).

The following tables present the impact of changes resulting from the early adoption of IFRS 15 and IFRS 16 on Historical Financial Statements for the year ended December 31, 2015, December 31, 2014 and December 31, 2013.

| | December 31, 2015 Historical YE15 FS | Change | Ref. | December 31, 2015 | December 31, 2014 Historical YE15 FS | Change | Ref. | December 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Property, plant and equipment | 993,083 | (85,336) | IFRS 16 [A] | 907,747 | 941,595 | (81,244) | IFRS 16 [A] | 860,351 |
| Right-of-use assets | - | 767,924 | IFRS 16 [B] | 767,924 | - | 719,313 | IFRS 16 [B] | 719,313 |
| Intangible assets | 2,241,951 | (1,115,179) | IFRS 15 [1] | 1,126,772 | 2,259,234 | (997,598) | IFRS 15 [1] | 1,261,636 |
| Assets under construction | 393,536 | - | | 393,536 | 285,466 | - | | 285,466 |
| Contract costs | - | 309,944 | IFRS 15 [2] | 309,944 | - | 257,114 | IFRS 15 [2] | 257,114 |
| Long term investments | - | - | | - | - | - | | - |
| Long term receivables - debt securities | 153,441 | - | | 153,441 | - | - | | - |
| Other long term receivables | 11,134 | - | | 11,134 | 14,336 | - | | 14,336 |
| Finance assets at fair value through profit or loss | 19,219 | - | | 19,219 | 57,611 | - | | 57,611 |
| Deferred tax asset | 181,935 | 2,211 | | 184,146 | 291,011 | (9,536) | | 281,475 |
| **Total non-current assets** | **3,994,299** | **(120,436)** | | **3,873,863** | **3,849,253** | **(111,951)** | | **3,737,302** |
| Inventories | 177,598 | 34,611 | IFRS 15 [3] | 212,209 | 163,786 | 31,149 | IFRS 15 [3] | 194,935 |
| Trade and other receivables | 1,055,011 | (178,117) | IFRS 15 [4] | 876,894 | 779,649 | (63,634) | IFRS 15 [4] | 716,015 |
| Contract assets | - | 1,000,880 | IFRS 15 [5] | 1,000,880 | - | 885,990 | IFRS 15 [5] | 885,990 |
| Current income tax receivables | - | - | | - | 559 | - | | 559 |
| Prepaid expenses | 78,915 | (37,144) | IFRS 15 [3] | 41,771 | 65,940 | (31,270) | IFRS 15 [3] | 34,670 |
| Cash and cash equivalents | 1,556,801 | - | | 1,556,801 | 497,981 | - | | 497,981 |
| **Total current assets** | **2,868,325** | **820,230** | | **3,688,555** | **1,507,915** | **822,235** | | **2,330,150** |
| **TOTAL ASSETS** | **6,862,624** | **699,794** | | **7,562,418** | **5,357,168** | **710,284** | | **6,067,452** |

| | December 31, 2013 Historical YE15 FS | Change | Ref. | December 31, 2013 | January 1,2013 Historical YE14 FS | Change | Ref. | January 1,2013 |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Property, plant and equipment | 747,681 | (63,356) | IFRS 16 [A] | 684,325 | 758,076 | (80,699) | IFRS 16 [A] | 677,377 |
| Right-of-use assets | - | 709,158 | IFRS 16 [B] | 709,158 | - | 696,192 | IFRS 16 [B] | 696,192 |
| Intangible assets | 2,147,219 | (835,004) | IFRS 15 [1] | 1,312,215 | 1,648,313 | (745,671) | IFRS 15 [1] | 902,642 |
| Assets under construction | 344,576 | - | | 344,576 | 242,832 | - | | 242,832 |
| Contract costs | - | 198,714 | IFRS 15 [2] | 198,714 | - | 166,683 | IFRS 15 [2] | 166,683 |
| Long term investments | - | - | | - | 23 | - | | 23 |
| Long term receivables - debt securities | - | - | | - | - | - | | - |
| Other long term receivables | 13,058 | - | | 13,058 | 15,508 | - | | 15,508 |
| Finance assets at fair value through profit or loss | - | - | | - | - | - | | - |
| Deferred tax asset | 187,591 | (6,593) | | 180,998 | 241,363 | (131) | | 241,232 |
| **Total non-current assets** | **3,440,125** | **2,919** | | **3,443,044** | **2,906,115** | **36,374** | | **2,942,489** |
| Inventories | 129,182 | 27,884 | IFRS 15 [3] | 157,066 | 139,077 | 29,731 | IFRS 15 [3] | 168,808 |
| Trade and other receivables | 708,898 | (19,119) | IFRS 15 [4] | 689,779 | 772,721 | (17,331) | IFRS 15 [4] | 755,390 |
| Contract assets | - | 718,767 | IFRS 15 [5] | 718,767 | - | 612,803 | IFRS 15 [5] | 612,803 |
| Current income tax receivables | 558 | - | | 558 | 572 | - | | 572 |
| Prepaid expenses | 52,009 | (27,912) | IFRS 15 [3] | 24,097 | 63,463 | (29,665) | IFRS 15 [3] | 33,798 |
| Cash and cash equivalents | 307,510 | - | | 307,510 | 322,087 | - | | 322,087 |
| **Total current assets** | **1,198,157** | **699,620** | | **1,897,777** | **1,297,920** | **595,538** | | **1,893,458** |
| **TOTAL ASSETS** | **4,638,282** | **702,539** | | **5,340,821** | **4,204,035** | **631,912** | | **4,835,947** |

The tables above include also a presentation change of advance payments for handsets deliveries from prepaid expenses to inventories applied for the first time in the interim condensed financial statements as at and for the period ended March 31, 2016 in the amounts: PLN 18,158 thousand as at December 31, 2015, PLN 16,573 thousand as at December 31, 2014, PLN 3,413 thousand as at December 31, 2013 and PLN 2,121 as at January 1, 2013.

| | December 31, 2015 Historical YE15 FS | Change | Ref. | December 31, 2015 | December 31, 2014 Historical YE15 FS | Change | Ref. | December 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | | | |
| Share capital | 52 | - | | 52 | 52 | - | | 52 |
| Share premium | 5,644,191 | - | | 5,644,191 | 5,635,996 | - | | 5,635,996 |
| Retained losses | (5,004,186) | (9,433) | | (5,013,619) | (5,604,550) | 40,653 | | (5,563,897) |
| **Total equity** | **640,057** | **(9,433)** | | **630,624** | **31,498** | **40,653** | | **72,151** |
| Long-term finance liabilities | 4,353,543 | 643,075 | IFRS 16 [C] | 4,996,618 | 3,795,168 | 588,025 | IFRS 16 [C] | 4,383,193 |
| Long-term provisions | 46,472 | - | | 46,472 | 53,523 | - | | 53,523 |
| Long-term retention programs liabilities | 163,040 | - | | 163,040 | 95,702 | - | | 95,702 |
| Deferred tax liability | 36 | - | | 36 | - | - | | - |
| Other non-current liabilities | 11,379 | - | | 11,379 | 12,730 | - | | 12,730 |
| **Total non-current liabilities** | **4,574,470** | **643,075** | | **5,217,545** | **3,957,123** | **588,025** | | **4,545,148** |
| Short-term finance liabilities | 120,617 | 156,628 | IFRS 16 [C] | 277,245 | 119,541 | 158,934 | IFRS 16 [C] | 278,475 |
| Trade and other payables | 982,729 | (5,780) | | 976,949 | 832,779 | 3,336 | | 836,115 |
| Contract liabilities | - | 22,322 | IFRS 15 [6] | 22,322 | - | 21,346 | IFRS 15 [6] | 21,346 |
| Current income tax payable | 61,296 | - | | 61,296 | 8,078 | - | | 8,078 |
| Accruals | 68,539 | - | | 68,539 | 61,226 | - | | 61,226 |
| Short-term provisions | 996 | - | | 996 | 1,653 | - | | 1,653 |
| Short-term retention programs liabilities | 22,294 | - | | 22,294 | 14,129 | - | | 14,129 |
| Deferred income | 391,626 | (107,018) | IFRS 15 [7], IFRS 15 [3] | 284,608 | 331,141 | (102,010) | IFRS 15 [7], IFRS 15 [3] | 229,131 |
| **Total current liabilities** | **1,648,097** | **66,152** | | **1,714,249** | **1,368,547** | **81,606** | | **1,450,153** |
| **TOTAL LIABILITIES AND EQUITY** | **6,862,624** | **699,794** | | **7,562,418** | **5,357,168** | **710,284** | | **6,067,452** |
| **Net assets attributable to shareholders of P4 Sp. z o.o.** | **-** | **-** | | **-** | **-** | **-** | | **-** |

| | **December 31, 2013 Historical YE15 FS** | **Change** | **Ref.** | **December 31, 2013** | **January 1,2013 Historical YE14 FS** | **Change** | **Ref.** | **January 1,2013** |
|---|---|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | | | |
| Share capital | - | - | | - | - | - | | - |
| Share premium | - | - | | - | - | - | | - |
| Retained losses | - | - | | - | - | - | | - |
| **Total equity** | **-** | **-** | | **-** | **-** | **-** | | **-** |
| Long-term finance liabilities | 2,015,974 | 597,258 | IFRS 16 [C] | 2,613,232 | 1,658,699 | 565,024 | IFRS 16 [C] | 2,223,723 |
| Long-term provisions | 49,100 | - | | 49,100 | 41,334 | - | | 41,334 |
| Long-term retention programs liabilities | 71,609 | - | | 71,609 | 112,237 | - | | 112,237 |
| Deferred tax liability | 1,572 | - | | 1,572 | 83 | - | | 83 |
| Other non-current liabilities | 11,455 | - | | 11,455 | 6,144 | - | | 6,144 |
| **Total non-current liabilities** | **2,149,710** | **597,258** | | **2,746,968** | **1,818,497** | **565,024** | | **2,383,521** |
| Short-term finance liabilities | 482,250 | 145,799 | IFRS 16 [C] | 628,049 | 558,866 | 130,935 | IFRS 16 [C] | 689,801 |
| Trade and other payables | 670,111 | 1,686 | | 671,797 | 758,459 | 8,535 | | 766,994 |
| Contract liabilities | - | 18,848 | IFRS 15 [6] | 18,848 | - | 5,607 | IFRS 15 [6] | 5,607 |
| Current income tax payable | 115 | - | | 115 | 171 | - | | 171 |
| Accruals | 65,457 | - | | 65,457 | 42,227 | - | | 42,227 |
| Short-term provisions | 1,549 | - | | 1,549 | 4,420 | - | | 4,420 |
| Short-term retention programs liabilities | - | - | | - | 7,873 | - | | 7,873 |
| Deferred income | 307,864 | (89,156) | IFRS 15 [7], IFRS 15 [3] | 218,708 | 253,227 | (78,746) | IFRS 15 [7], IFRS 15 [3] | 174,481 |
| **Total current liabilities** | **1,527,346** | **77,177** | | **1,604,523** | **1,625,243** | **66,331** | | **1,691,574** |
| **TOTAL LIABILITIES AND EQUITY** | **3,677,056** | **674,435** | | **4,351,491** | **3,443,740** | **631,355** | | **4,075,095** |
| **Net assets attributable to shareholders of P4 Sp. z o.o.** | **961,226** | **28,104** | | **989,330** | **760,295** | **557** | | **760,852** |

| | Year ended December 31, 2015 Historical YE15 FS | Change | Ref. | Year ended December 31, 2015 | Year ended December 31, 2014 Historical YE15 FS | Change | Ref. | Year ended December 31, 2014 | Year ended December 31, 2013 Historical YE15 FS | Change | Ref. | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating revenue** | **5,362,702** | **73,801** | | **5,436,503** | **4,392,378** | **197,287** | | **4,589,665** | **3,720,281** | **164,178** | | **3,884,459** |
| Service revenue | 4,981,892 | (922,358) | IFRS 15 [8] | 4,059,534 | 4,161,080 | (762,638) | IFRS 15 [8] | 3,398,442 | 3,457,882 | (608,241) | IFRS 15 [8] | 2,849,641 |
| Sales of goods and other revenue | 380,810 | 996,159 | IFRS 15 [8] | 1,376,969 | 231,298 | 959,925 | IFRS 15 [8] | 1,191,223 | 262,399 | 772,419 | IFRS 15 [8] | 1,034,818 |
| **Operating expenses** | **(4,304,384)** | **(68,674)** | | **(4,373,058)** | **(3,688,996)** | **(105,134)** | | **(3,794,130)** | **(3,301,956)** | **(68,728)** | | **(3,370,684)** |
| Interconnection, roaming and other service costs | (1,330,623) | - | | (1,330,623) | (1,098,504) | - | | (1,098,504) | (989,077) | - | | (989,077) |
| Other subscriber acquisition and retention costs not eligible for capitalization | (81,403) | 81,403 | IFRS 15 [9] | - | (77,571) | 77,571 | IFRS 15 [9] | - | (66,400) | 66,400 | IFRS 15 [9] | - |
| Contract costs, net | - | (376,269) | IFRS 15 [10] | (376,269) | - | (318,265) | IFRS 15 [10] | (318,265) | - | (279,390) | IFRS 15 [10] | (279,390) |
| Cost of goods sold | (377,879) | (803,342) | IFRS 15 [11] | (1,181,221) | (233,465) | (751,316) | IFRS 15 [11] | (984,781) | (259,611) | (632,475) | IFRS 15 [11] | (892,086) |
| General and administrative expenses | (1,046,712) | 159,027 | IFRS 16 [D] | (887,685) | (1,005,183) | 152,745 | IFRS 16 [D] | (852,438) | (848,646) | 141,682 | IFRS 16 [D] | (706,964) |
| Depreciation and amortization, including: | (1,467,767) | 870,507 | | (597,260) | (1,274,273) | 734,131 | | (540,142) | (1,138,222) | 635,055 | | (503,167) |
| Amortization of subscriber acquisition and retention costs assets | (985,595) | 985,595 | IFRS 15 [12] | - | (842,719) | 842,719 | IFRS 15 [12] | - | (732,954) | 732,954 | IFRS 15 [12] | - |
| Depreciation of right-of-use assets | - | (150,768) | IFRS 16 [E] | (150,768) | - | (144,328) | IFRS 16 [E] | (144,328) | - | (132,604) | IFRS 16 [E] | (132,604) |
| **Other operating income** | **70,426** | **8,062** | | **78,488** | **55,966** | **8,242** | | **64,208** | **46,799** | **7,510** | | **54,309** |
| **Other operating costs** | **(71,480)** | **(4,600)** | | **(76,080)** | **(77,726)** | **(8,533)** | | **(86,259)** | **(88,005)** | **12,667** | | **(75,338)** |
| **Operating profit** | **1,057,264** | **8,589** | | **1,065,853** | **681,622** | **91,862** | | **773,484** | **377,119** | **115,627** | | **492,746** |
| Finance income | 18,041 | (10,465) | | 7,576 | 86,841 | (12,114) | | 74,727 | 21,922 | (18,604) | | 3,318 |
| Finance costs | (308,021) | (59,957) | IFRS 16 [F] | (367,978) | (368,354) | (64,255) | IFRS 16 [F] | (432,609) | (142,703) | (63,014) | IFRS 16 [F] | (205,717) |
| **Profit before income tax** | **767,284** | **(61,833)** | | **705,451** | **400,109** | **15,493** | | **415,602** | **256,338** | **34,009** | | **290,347** |
| Income tax benefit/(charge) | (166,920) | 11,747 | | (155,173) | 86,202 | (2,943) | | 83,259 | (55,407) | (6,462) | | (61,869) |
| **Net profit for the period** | **600,364** | **(50,086)** | | **550,278** | **486,311** | **12,550** | | **498,861** | **200,931** | **27,547** | | **228,478** |
| **Other comprehensive income for the period** | **-** | **-** | | **-** | **-** | **-** | | **-** | **-** | **-** | | **-** |
| **Total comprehensive income for the period** | **600,364** | **(50,086)** | | **550,278** | **486,311** | **12,550** | | **498,861** | **200,931** | **27,547** | | **228,478** |

| | Year ended December 31, 2015 Historical YE15 FS | Change | Ref. | Year ended December 31, 2015 | Year ended December 31, 2014 Historical YE15 FS | Change | Ref. | Year ended December 31, 2014 | Year ended December 31, 2013 Historical YE15 FS | Change | Ref. | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit before income tax** | **767,284** | **(61,833)** | | **705,451** | **400,109** | **15,493** | | **415,602** | **256,338** | **34,009** | | **290,347** |
| Depreciation and amortization | 1,467,767 | (870,507) | IFRS 15 [12], IFRS 16 [E] | 597,260 | 1,274,273 | (734,131) | IFRS 15 [12], IFRS 16 [E] | 540,142 | 1,138,222 | (635,055) | IFRS 15 [12], IFRS 16 [E] | 503,167 |
| Changes in contract costs (net) | - | (52,830) | IFRS 15 [2] | (52,830) | - | (58,400) | IFRS 15 [2] | (58,400) | - | (32,031) | IFRS 15 [2] | (32,031) |
| Interest expense (net) | 232,841 | 69,902 | IFRS 16 [F] | 302,743 | 253,798 | 73,564 | IFRS 16 [F] | 327,362 | 96,396 | 80,680 | IFRS 16 [F] | 177,076 |
| (Gain)/Loss on valuation of finance assets | 38,392 | - | | 38,392 | (50,719) | - | | (50,719) | - | - | | - |
| Foreign exchange losses | 18,809 | 520 | | 19,329 | 85,119 | 2,805 | | 87,924 | 43,711 | 938 | | 44,649 |
| Gain on disposal of non-current assets | (3,143) | (757) | | (3,900) | (2,529) | (1,002) | | (3,531) | (3,116) | (776) | | (3,892) |
| Impairment of non-current assets | 48,679 | (47,015) | IFRS 15 [1] | 1,664 | 42,291 | (43,955) | IFRS 15 [1] | (1,664) | 58,251 | (54,439) | IFRS 15 [1] | 3,812 |
| Change in provisions and retention programs liabilities | 61,180 | - | | 61,180 | 33,851 | - | | 33,851 | (39,638) | - | | (39,638) |
| Changes in working capital and other | (129,056) | 102,770 | | (26,286) | 32,223 | 33,265 | | 65,488 | 54,886 | (15,592) | | 39,294 |
| Changes in contract assets | - | (114,890) | IFRS 15 [5] | (114,890) | - | (167,223) | IFRS 15 [5] | (167,223) | - | (105,964) | IFRS 15 [5] | (105,964) |
| Changes in contract liabilities | - | 976 | IFRS 15 [6] | 976 | - | 2,498 | IFRS 15 [6] | 2,498 | - | 13,241 | IFRS 15 [6] | 13,241 |
| **Cash provided by operating activities** | **2,502,753** | **(973,664)** | | **1,529,089** | **2,068,416** | **(877,086)** | | **1,191,330** | **1,605,050** | **(714,989)** | | **890,061** |
| Interest received | 10,533 | (10,465) | | 68 | 14,015 | (12,114) | | 1,901 | 21,465 | (18,148) | | 3,317 |
| Income tax paid | (4,213) | - | | (4,213) | (10,539) | - | | (10,539) | (187) | - | | (187) |
| Transfers from restricted cash (operating) | 200 | - | | 200 | - | - | | - | - | - | | - |
| **Net cash provided by operating activities** | **2,509,273** | **(984,129)** | | **1,525,144** | **2,071,892** | **(889,200)** | | **1,182,692** | **1,626,328** | **(733,137)** | | **893,191** |
| Proceeds from sale of non-current assets | 7,832 | - | | 7,832 | 7,632 | - | | 7,632 | 8,298 | - | | 8,298 |
| Proceeds from loans given | 79 | - | | 79 | 26 | - | | 26 | - | - | | - |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | (1,587,827) | 1,151,040 | IFRS 15 [1] | (436,787) | (1,507,279) | 1,050,410 | IFRS 15 [1] | (456,869) | (1,742,323) | 877,496 | IFRS 15 [1] | (864,827) |
| Proceeds from other finance assets | - | - | | - | - | - | | - | 19 | - | | 19 |
| Loans given | - | - | | - | (55) | - | | (55) | - | - | | - |
| Purchase of debt securities | (143,993) | - | | (143,993) | - | - | | - | - | - | | - |
| Transfer to other finance assets | - | - | | - | (720,256) | - | | (720,256) | - | - | | - |
| Transfer from other finance assets | - | - | | - | 705,184 | - | | 705,184 | - | - | | - |
| **Net cash used in investing activities** | **(1,723,909)** | **1,151,040** | | **(572,869)** | **(1,514,748)** | **1,050,410** | | **(464,338)** | **(1,734,006)** | **877,496** | | **(856,510)** |
| Proceeds from finance liabilities | 543,772 | - | | 543,772 | 3,816,016 | - | | 3,816,016 | 783,535 | - | | 783,535 |
| Distribution of share premium | - | - | | - | (1,416,091) | - | | (1,416,091) | - | - | | - |
| Repayment of finance liabilities and relating finance costs | (270,054) | (166,911) | IFRS 16 [C] | (436,965) | (2,766,697) | (161,210) | IFRS 16 [C] | (2,927,907) | (618,148) | (144,359) | IFRS 16 [C] | (762,507) |
| Transfers from restricted cash | - | - | | - | 134,722 | - | | 134,722 | - | - | | - |
| Transfers to restricted cash | - | - | | - | - | - | | - | (7,514) | - | | (7,514) |
| Other proceeds from financing activities | - | - | | - | 22,488 | - | | 22,488 | - | - | | - |
| Other payments relating to financing activities | - | - | | - | (22,435) | - | | (22,435) | - | - | | - |
| **Net cash provided by/(used in) financing activities** | **273,718** | **(166,911)** | | **106,807** | **(231,997)** | **(161,210)** | | **(393,207)** | **157,873** | **(144,359)** | | **13,514** |
| **Net change in cash and cash equivalents** | **1,059,082** | **-** | | **1,059,082** | **325,147** | **-** | | **325,147** | **50,195** | **-** | | **50,195** |
| Effect of exchange rate change on cash and cash equivalents | (62) | - | | (62) | 59 | - | | 59 | 1 | - | | 1 |
| **Cash and cash equivalents at the beginning of the period** | **497,781** | **-** | | **497,781** | **172,575** | **-** | | **172,575** | **122,379** | **-** | | **122,379** |
| **Cash and cash equivalents at the end of the period** | **1,556,801** | **-** | | **1,556,801** | **497,781** | **-** | | **497,781** | **172,575** | **-** | | **172,575** |

| | Year ended December 31, 2015 Historical YE15 FS | Change | Ref. | Year ended December 31, 2015 | Year ended December 31, 2014 Historical YE15 FS | Change | Ref. | Year ended December 31, 2014 | Year ended December 31, 2013 Historical YE15 FS | Change | Ref. | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Share capital opening balance** | 52 | - | | 52 | - | - | | - | - | - | | - |
| Issue of shares | - | | | - | 52 | - | | 52 | - | - | | - |
| **Share capital closing balance** | **52** | **-** | | **52** | **52** | **-** | | **52** | **-** | **-** | | **-** |
| **Share premium opening balance** | 5,635,996 | - | | 5,635,996 | - | - | | - | - | - | | - |
| Issue of shares - contribution in kind of P4 Sp. z o.o. and its subsidiaries | - | - | | - | 7,052,087 | - | | 7,052,087 | - | - | | - |
| Distribution of share premium | - | - | | - | (1,416,091) | - | | (1,416,091) | - | - | | - |
| Correction of currency translation | 8,195 | - | | 8,195 | - | - | | - | - | - | | - |
| **Share premium closing balance** | **5,644,191** | **-** | | **5,644,191** | **5,635,996** | **-** | | **5,635,996** | **-** | **-** | | **-** |
| **Retained losses opening balance** | (5,604,550) | 40,653 | | (5,563,897) | - | - | | - | - | - | | - |
| Issue of shares - contribution in kind of P4 Sp. z o.o. and its subsidiaries | - | - | | - | (6,124,128) | 33,209 | | (6,090,919) | - | - | | - |
| Net profit for the period | 600,364 | (50,086) | | 550,278 | 519,578 | 7,444 | | 527,022 | - | - | | - |
| **Retained losses closing balance** | **(5,004,186)** | **(9,433)** | | **(5,013,619)** | **(5,604,550)** | **40,653** | | **(5,563,897)** | **-** | **-** | | **-** |
| **Total equity opening balance** | 31,498 | 40,653 | | 72,151 | - | - | | - | - | - | | - |
| Issue of shares | - | - | | - | 52 | - | | 52 | - | - | | - |
| Issue of shares - contribution in kind of P4 Sp. z o.o. and its subsidiaries | - | - | | - | 927,959 | 33,209 | | 961,168 | - | - | | - |
| Distribution of share premium | - | - | | - | (1,416,091) | - | | (1,416,091) | - | - | | - |
| Correction of currency translation | 8,195 | (8,195) | | - | - | - | | - | - | - | | - |
| Net profit for the period | 600,364 | (50,086) | | 550,278 | 519,578 | 7,444 | | 527,022 | - | - | | - |
| **Total equity closing balance** | **640,057** | **(17,628)** | | **622,429** | **31,498** | **40,653** | | **72,151** | **-** | **-** | | **-** |

| NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF P4 SP. Z O.O. | Year ended December 31, 2015 Historical YE15 FS | Change | Ref. | Year ended December 31, 2015 | Year ended December 31, 2014 Historical YE15 FS | Change | Ref. | Year ended December 31, 2014 | Year ended December 31, 2013 Historical YE15 FS | Change | Ref. | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Opening balance** | **-** | **-** | | **-** | **961,226** | **28,104** | | **989,330** | **760,295** | **557** | | **760,852** |
| Net profit for the period | - | - | | - | (33,267) | 5,105 | | (28,162) | 200,931 | 27,547 | | 228,478 |
| Settlement of contribution of P4 Sp. z o.o. and its subsidiaries to Play Group | - | - | | - | (927,959) | (33,209) | | (961,168) | - | - | | - |
| **Closing balance** | **-** | **-** | | **-** | **-** | **-** | | **-** | **961,226** | **28,104** | | **989,330** |

Changes to Equity and Net assets attributable to shareholders of P4 sp. z o.o. relate to net impact on net profit and retained losses of the adjustments described above.

## 2.3 Consolidation

Subsidiaries, i.e. those entities which the Play Group has a control over, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee,
- rights arising from other contractual arrangements,
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group's investment in associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated, unrealized losses are also eliminated unless cost cannot be recovered. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Play Group.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interest in the acquiree. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

## 2.4 Foreign currency translation

### 2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Play Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Złoty ("PLN"), which is the Company's presentation and functional currency, due to the fact that the operating activities of the Group are conducted in Poland.

### 2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transactions which might comprise:

- the average spot exchange rate for a given currency as determined by the National Bank of Poland as at the date preceding the date of transaction – in case of settlements of receivables and payables and other transactions,
- the actual spot rate applied as at this date resulting from the type of transaction - in case of foreign currency purchases and sales.

At the end of the reporting period monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate determined by the National Bank of Poland as at the end of the reporting period:

| **Currency** | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| EUR | 4.2615 | 4.2623 | 4.1472 |
| GBP | 5.7862 | 5.4648 | 4.9828 |
| USD | 3.9011 | 3.5072 | 3.0120 |
| XDR | 5.4092 | 5.0768 | 4.6337 |

Equity items are presented at historical rates, i.e. rates as at the date of equity contribution. Movements of equity are valued using the first-in first-out method.

The foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

Exchange differences arising from foreign currency borrowing directly attributable to the construction of property, plant and equipment and development of intangible assets are eligible for capitalization to the extent that they are regarded as an adjustment to interest costs.

## *2.5 Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost includes direct costs (materials, direct labor and work contracted out) and directly attributable own work costs. Fixed assets under construction represent the accumulation of costs associated with the construction of the telecommunications and data transmission networks and other tangible fixed assets; they are presented as Assets under construction. The Play Group includes in the construction cost of its assets all eligible borrowing costs (including interest expense and exchange differences arising from foreign currency borrowings relating to purchases of qualifying assets regarded as an adjustment to interest costs) and expenditures that are directly attributable to the acquisition or to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Costs relating to fixed assets under construction are transferred to the related property, plant and equipment account and depreciation begins when they become available for use.

Significant components of property, plant and equipment that require replacement at regular intervals are recognized as separate items. All other repairs and maintenance costs are charged to general and administrative expenses during the financial period in which they are incurred.

Subsequent costs are recognized as a separate asset only when the recognition criteria are met.

Depreciation is calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives, as follows:

| Description | Term in years |
|---|---|
| Buildings | 10-25 |
| Telecommunications equipment | 1-10 |
| Computers | 3-5 |
| Machinery and equipment | 3-10 |
| Motor vehicles | 2-5 |
| Office machinery and equipment | 1-7 |

Fixed assets under construction are not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

## 2.6 Right-of-use assets and lease liabilities

The Group is a party to lease contracts for, among others:
a) land for telecommunication constructions,
b) buildings:
- office space, warehouses and points of sale space,
- collocation centers,
- other space for other telecommunications equipment,
c) telecommunications network and equipment- dark fiber-optic cables,
d) computers,
e) motor vehicles.

Leases are recognized, measured and presented in line with IFRS 16 'Leases' adopted early.

*Lessee – accounting*
The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected not to apply exemptions for short term leases (excluding short term leases of billboards) or leases for which the underlying asset is of low value.

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.
The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

| Description | Term in years |
|---|---|
| Land | 15-25 |
| Buildings | 1-20 |
| Telecommunications equipment | 1-10 |
| Computers | 3-5 |
| Motor vehicles | 2-5 |

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunication constructions and other space for other telecommunications equipment ("sites") which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost of right-of-

use assets and depreciated over the asset's estimated useful life. The Group estimates the fair value of asset retirement obligations using number of sites available for use, average site reinstatement cost and the discount rate which equals the interest rate of long-term treasury bonds.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.
The lease term determined by the Group comprises:

- non-cancellable period of lease contracts,
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

*Lessor – accounting*
In case of lease contracts based on which the Group is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the Group are as follows:

– the lease transfers ownership of the asset to the lessee by the end of the lease term,
– the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
– the lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
– at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset; or
– the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Currently, the Group is a party of sublease transaction for which underlying right-of-use assets (comprising in particular office and point-of-sale space) are re-leased by the Group. These transactions are classified as operating lease and payments made are recognized on a straight-line basis over the period of the lease. Any variable elements resulting from the change of indexes or other factors being the basis for the rental fee are recognized directly in the profit and loss.

## 2.7 Intangible assets

### 2.7.1 Licenses

Licenses are stated at cost less accumulated amortization and accumulated impairment losses. Amortization of the license commences once the related network is capable of operating in the manner intended by the Group and is calculated on a straight-line basis until the end of the grant period.

### 2.7.2 Computer software costs

Costs that are directly associated with the production of identifiable and unique software products controlled by the Play Group, and that will probably generate economic benefits exceeding costs, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

### 2.7.3 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.
For the purpose of impairment testing goodwill is allocated to cash-generating units, not larger than an operating segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, but not larger than operating segment and not larger than units for which goodwill is monitored by the Group. The Group allocates goodwill to the entire Play Group as a single cash-generating unit.

### 2.7.4 Intangible assets under construction

Intangible assets under construction represent mainly software under development and are presented in Assets under construction.

## 2.8 Contract costs

Contract costs eligible for capitalization as incremental costs of obtaining a contract comprise commission on sale relating to postpaid contracts and “mix” contracts (contracts for a specified number and value of top-ups) with acquired or retained subscribers. Contract costs are capitalized in the month of service activation if the Group expects to recover those costs. Contract costs comprise sales commissions to dealers and to own salesforce which can be directly attributed to an acquired or retained contract. Contract costs constitute non-current assets as the economic benefits from these assets are expected to be received in the period longer than twelve months.

In all other cases, including acquisition of prepaid telecommunications customers, subscriber acquisition and retention costs are expensed when incurred.

Capitalized commission fees relating to postpaid contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. Contract costs relating to contracts signed with acquired or retained subscribers are amortized:

- for postpaid contracts - over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses,
- for “mix” contracts – over an average “mix” contract term based on historical data.

When the customer enters into a retention contract before the term of the previous one expires (which means that the original contracts costs have not been fully amortized), the new asset is recognized in a month the new contract is signed. The new asset is amortized over the term representing the sum of the period remaining to the end of the previous contract and for the retention contract term. Amortization period of the contract cost relating to previous contract is shortened to be in line with the actual contract term.

Contract costs capitalized are impaired if the customer is disconnected or if the asset's carrying amount exceeds projected discounted cash flows relating to the contract. An impairment loss is recognized in profit or loss to the extent of the carrying amount of an contract costs asset over the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

## *2.9 Impairment of non-financial assets*

Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. According to IAS 36 an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

Impairment losses are reversed if the carrying amount of the previously impaired asset is lower than its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

## *2.10 Inventories*

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the applicable variable selling expenses. For inventories intended to be sold in promotional offers calculation of net realizable value takes into account future margin expected from telecommunications services, with which the item of inventories is offered.

Inventories include handsets and other equipment transferred to dealers who act as agents. They are expensed to costs of goods sold on the date of activation of telecommunications services in relation to which the equipment was sold to end customer or on the date when the equipment was sold to end customer without telecommunications services contract. The Group estimates the prevalent period between the date of transfer of the equipment to dealer and the date of service activation based on historical data. If no service agreement relating to the mobile device is activated during the period estimated as described above, it is assumed, that the mobile device was sold to end customer without relating service agreement and revenue from sale of goods and corresponding cost of sale are recognized in statement of comprehensive income.

## *2.11 Trade and other receivables*

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If there is objective evidence that the Play Group will not be able to collect amounts due according to the original terms of receivables, a provision for impairment is recognized in the statement of comprehensive income within "other operating costs".

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods. For other trade receivables it is calculated on the basis of individual case analysis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Trade receivables are derecognized when:

- the rights to receive cash flows from the asset have expired,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2.12 Contract assets

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time (for example, delivery of other elements of the contracts). The Group recognizes contract assets mainly from the contracts in which goods delivered at a point in time are bundled with services delivered over time. The Group considers contract assets as current assets as they are expected to be realized in the normal operating cycle.

## 2.13 Prepaid expenses

Prepaid expenses comprise among others prepayments made in relation to ordered but not yet delivered services. Prepaid expenses are recognized at fair value of cash or cash equivalents received.

## 2.14 Cash and cash equivalents in statement of financial position

Cash and cash equivalents include cash in hand, cash at bank, short-term deposits with original maturities of three months or less and restricted cash.

Cash and cash equivalents are carried at nominal value in the statement of financial position.

## 2.15 Cash and cash equivalents in statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts because bank overdrafts constitute integral component of cash management. For the purpose of the consolidated statement of cash flows, restricted cash is excluded from cash and cash equivalents because it is not regarded as an element of cash management but is used to secure the repayment of financial liabilities.

## 2.16 Retirement benefits

The Play Group makes contributions to the Polish Government's retirement benefit scheme at the applicable rate during the period, based on gross salary payments (the "State Plan").

The State Plan is funded on a pay-as-you-go basis, i.e. the Play Group is only obliged to pay the contributions as they fall due based upon a percentage of salary, and if the Play Group ceases to employ members of the State Plan, it will have no obligation to pay any additional benefits. The State Plan is a defined contribution plan. The expense for the contributions is charged to the profit or loss in the same period as the related salary expense.

The Play Group has no other employee retirement plans.

## 2.17 Retention programs

The Play Group operates cash-settled share-based retention programs. Membership in programs is granted to board members and key employees of the Group.

Under the terms of the programs, Members of the Management Board of P4 and Key Personnel of the Group are entitled to remuneration paid in cash which value is dependent on the fair value of P4 as at the disposal of the shares by the shareholder or shareholders (liquidity event).

Liabilities relating to share-based retention programs are measured at the fair value of the liability at each end of the reporting period. Changes in the fair value of the liability are recognized in the statement of comprehensive income.

## 2.18 Financial liabilities

Financial liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities and debt securities liabilities are subsequently stated at amortized cost; any difference between proceeds (net transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Corresponding borrowing costs are recognized in profit or loss in the period in which they are incurred unless they are capitalized.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

## 2.19 Embedded derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

In case of an early redemption option embedded in a host debt instrument, the close relation to the host instrument exists if:

- on each exercise date, the option's exercise price is approximately equal to the debt instrument's amortized cost or
- the exercise price of an early redemption option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract (lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the early redemption date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract).

Otherwise the early redemption option is not regarded as closely related and as such is subject to separate recognition and measurement.
The assessment of whether an embedded derivative meets the conditions for its separation from the host contract is made on initial recognition of the contract.

Early redemption options recognized as separate instruments are measured at fair value with changes in the valuation recognized in profit or loss.

## 2.20 Trade liabilities

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 2.21 Provisions

Provisions are recognized when the Group has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's actions.

The estimate of the amount of the provision corresponds to the expenditure likely to be incurred by the Group to settle its obligation. If a reliable estimate of the amount of the obligation cannot be made, no provision is recognized and the obligation is disclosed as a contingent liability.

## 2.22 Deferred income

Deferred income on sales of services comprises amounts relating to services that will be delivered in the future, which are billed to a customer in advance but not yet due.

## 2.23 Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer or the amount is due.

## 2.24 Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intragroup sales.

The Group's revenues are recognized mainly from the following telecommunications services and goods:

- voice and SMS telecommunications;
- data transfer;
- value added services;
- interconnection;
- international roaming;
- sales of handsets and other equipment.

Revenues from voice, SMS telecommunications and data transfer include charges for telecommunications traffic originated in the P4's network, including revenues from prepaid products.

Goods and services may be sold separately or in bundled packages. For bundled packages, including e.g. mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct – i.e. if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the Adjusted Contract Term (see Note 2.8). The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. For mix contracts the stand-alone selling prices for telecommunications services are set based on prices for pre-paid offers.

Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual airtime or data usage, or is made upon the expiration of the Group's obligation to provide the services.

Mobile services are billed on a monthly basis and payments are due shortly after the bill date.

Telecommunications revenue from the sale of prepaid products in single–element contracts (i.e. with one performance obligation for airtime services) is recognized at the face value of a prepaid top-up sold, net of VAT. The difference between the face value of a prepaid offerings and the value for which the offerings are sold by P4 to its distributors, constitutes commission earned by the distributors, who act as agents. P4 acts as a principal in such agreements. The costs of prepaid commissions are treated as other service costs (see also Note 2.30.7). The revenue from the sale of prepaid products is deferred until an end-user commences using the product, and recognized in the profit or loss as telecommunication services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the service. Revenues from the value added services are recognized in the amount of full consideration if P4 acts as principal in the relation with the customer or in the amount of the commission earned if P4 acts as agent.

Interconnection revenues are derived from calls and other traffic that originate in other operators' networks but use P4's network. P4 receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

International roaming revenues are derived from calls and other traffic generated by foreign operators' customers in P4's network. P4 receives international roaming fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

Revenue from sale of handsets, other equipment and other goods is recognized when a promised good is transferred to the customer (typically upon delivery). The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data. For mobile devices sold separately (i.e. without the telecommunication contract), a customer usually pays full price at the point of sale.

For mobile devices sold in bundled contracts, customers are offered two schemes of payments – full payment at the commencement of the contract (in such contracts the handset price is significantly reduced and the cost of device is recovered through monthly fees for airtime services) or monthly instalments over the period of the contract plus initial fee paid upon delivery of a handset.

Revenues from content services (e.g. music and video streaming, applications and other value added services) rendered to our subscribers are recognized after netting off costs paid by us to third party content providers (when we act as an agent in the transaction) or in the gross amount billed to a subscriber (when we act as a principal).

## *2.25 Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

## *2.26 Current income tax*

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in countries where the Company and its subsidiaries operate and generate taxable income.
Income tax payable represents the amounts payable at the balance sheet date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognized in the balance sheet as an income tax receivables.

## *2.27 Deferred income tax*

Deferred income tax is calculated using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for tax losses. Deferred tax is not recognized when relating deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from different valuations of depreciable assets and accruals, provisions and deferred income for tax and accounting purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are also recognized for unused tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

Deferred tax assets and deferred tax liabilities are offset if, and only if, the Company or its subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable base.

## *2.28 Financial risk management*

The Play Group’s overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements.

### *2.28.1 Currency risk*

A significant proportion of the Group's borrowings is denominated in EUR. Also part of the operating costs is born in foreign currencies. Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (in respect of PLN) arising from fluctuations in the exchange rate of the PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (in respect of PLN).

Currency risk of the Group is regularly monitored by the Group. The following instruments may be used to minimize the currency risk relating to the Group’s foreign exchange transactions:

- forward foreign exchange contracts (also Non Delivery Forwards);
- foreign currency swaps (also Non Delivery Forwards);
- foreign currency options with an approved currency option hedging plan.

None of the derivatives were used during the year ended December 31, 2015, year ended December 31, 2014 and year ended December 31, 2013.

The table below presents split of assets and liabilities balances into currencies in which they are denominated:

| **Year ended December 31, 2015** | EUR | GBP | USD | XDR | PLN | **Total** |
|---|---|---|---|---|---|---|
| Long term receivables - debt securities | 153,441 | - | - | - | - | 153,441 |
| Other long term receivables before the impairment provision | 1,230 | - | - | - | 10,876 | 12,106 |
| Trade and other receivables before the impairment provision | 8,852 | 349 | 239 | 9,247 | 951,177 | 969,864 |
| Cash and cash equivalents | 48,232 | - | 855 | - | 1,507,714 | 1,556,801 |
| **Assets** | **211,755** | **349** | **1,094** | **9,247** | **2,469,767** | **2,692,212** |
| | | | | | | |
| Long-term finance liabilities | 4,272,911 | - | - | - | 723,707 | 4,996,618 |
| Long-term retention programs liabilities | 150,744 | - | - | - | 12,296 | 163,040 |
| Other non-current liabilities | - | - | - | - | 11,379 | 11,379 |
| Short-term finance liabilities | 125,148 | - | - | - | 152,097 | 277,245 |
| Trade and other payables | 189,154 | 34 | 7,867 | 21,386 | 758,508 | 976,949 |
| Short-term retention programs liabilities | 22,294 | - | - | - | - | 22,294 |
| **Liabilities** | **4,760,251** | **34** | **7,867** | **21,386** | **1,657,987** | **6,447,525** |

**Year ended December 31, 2014**

| | EUR | GBP | USD | XDR | PLN | **Total** |
|---|---|---|---|---|---|---|
| Other long term receivables before the impairment provision | 1,040 | - | - | - | 14,462 | 15,502 |
| Trade and other receivables before the impairment provision | 4,914 | 830 | 86 | 6,255 | 788,875 | 800,960 |
| Cash and cash equivalents | 11,851 | - | 1,344 | - | 484,786 | 497,981 |
| **Assets** | **17,805** | **830** | **1,430** | **6,255** | **1,288,123** | **1,314,443** |
| | | | | | | |
| Long-term finance liabilities | 3,704,223 | - | - | - | 678,970 | 4,383,193 |
| Long-term retention programs liabilities | 95,702 | - | - | - | - | 95,702 |
| Other non-current liabilities | - | - | - | - | 12,730 | 12,730 |
| Short-term finance liabilities | 117,717 | - | - | - | 160,758 | 278,475 |
| Trade and other payables | 115,218 | - | 99 | 11,720 | 709,078 | 836,115 |
| Short-term retention programs liabilities | - | - | - | - | 14,129 | 14,129 |
| **Liabilities** | **4,032,860** | **-** | **99** | **11,720** | **1,575,665** | **5,620,344** |

**Year ended December 31, 2013**

| | EUR | GBP | USD | XDR | PLN | **Total** |
|---|---|---|---|---|---|---|
| Other long term receivables before the impairment provision | 572 | - | - | - | 13,700 | 14,272 |
| Trade and other receivables before the impairment provision | 7,221 | 170 | 51 | 3,537 | 759,233 | 770,212 |
| Cash and cash equivalents | 200,465 | - | 2,472 | - | 104,573 | 307,510 |
| **Assets** | **208,258** | **170** | **2,523** | **3,537** | **877,506** | **1,091,994** |
| | | | | | | |
| Long-term finance liabilities | 1,661,055 | - | 2,335 | - | 949,842 | 2,613,232 |
| Long-term retention programs liabilities | 69,380 | - | 2,229 | - | - | 71,609 |
| Other non-current liabilities | - | - | - | - | 11,455 | 11,455 |
| Short-term finance liabilities | 474,745 | - | 460 | - | 152,844 | 628,049 |
| Trade and other payables | 37,430 | - | 503 | 9,643 | 624,221 | 671,797 |
| Short-term retention programs liabilities | - | - | - | - | - | - |
| **Liabilities** | **2,242,610** | **-** | **5,527** | **9,643** | **1,738,362** | **3,996,142** |

Other assets and liabilities are denominated in PLN.

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate, with all other variables held constant:

| | **Change in EUR rate** | **Effect on result before tax** |
|---|---|---|
| December 31, 2015 | +5% | (225,395) |
| | -5% | 225,395 |
| December 31, 2014 | +5% | (199,285) |
| | -5% | 199,285 |
| December 31, 2013 | +5% | (101,718) |
| | -5% | 101,718 |

The sensitivity analysis assumes that a 5% change in the EUR/PLN exchange rate had occurred at the end of the reporting period and had been applied to the financial assets and liabilities denominated in EUR at the end of the reporting period. Effect on equity comprises effect on profit before tax resulting from assets and liabilities valuation, as well as corresponding deferred tax effect.

The result is more sensitive to movement in EUR/PLN exchange rates in 2015 and 2014 than in 2013 mainly because of the increased amount of euro-denominated debt and retention programs liabilities, partially off-set by the increase in euro-denominated receivables due to purchase of debt securities. Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

### *2.28.2 Interest rate risk*

In the year ended December 31, 2015 and in the year ended December 31, 2014, due to refinancing of the floating rate bank loans mostly with fixed rate bonds in January 2014, the exposure on interest rate risk relates primarily to bonds and bank loans with floating interest rates.

In the year ended December 31, 2013, the Group was primarily exposed to cash flow interest rate risk related to short- and long-term bank loans and finance leases with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant.

| | **Increase / decrease in basis points (EURIBOR 3M / WIBOR 1M, 3M)** | **Effect on result before tax** |
|---|---|---|
| Year ended December 31, 2015 | +50 | (659) |
| | -50 | 659 |
| Year ended December 31, 2014 | +50 | (1,753) |
| | -50 | 1,753 |
| Year ended December 31, 2013 | +50 | (12,606) |
| | -50 | 12,606 |

The result is less sensitive to changes in interest rates in 2015 and in 2014 than in 2013 because of lower amount of floating rate debt. Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

The sensitivity analysis assumes that a 50 basis points change in the 3M EURIBOR, a 50 basis points change in the 3M WIBOR PLN and a 50 basis points change in the 1M WIBOR PLN interest rates had occurred during the whole period and had been applied to the appropriate floating rate liabilities during the year ended December 31, 2015, year ended December 31, 2014 and year ended December 31, 2013.

Interest risk of the Group is regularly monitored by the Group. The following instruments may be used to minimize the interest rate risk relating to the Group:
- Forward rate agreements (FRAs);
- Interest rate swaps;
- Interest rate options.

None of the derivatives were used during the year ended December 31, 2015, year ended December 31, 2014 and year ended December 31, 2013.

### *2.28.3 Credit risk*

Except for balances listed below, the Play Group has no significant concentrations of credit risk because the Group has an extensive portfolio of receivables of low individual amounts.

The table below shows the balance of three major counterparties at the end of the reporting period and the percentage that the balance represents in total Group's trade and other receivables:

| | December 31, 2015 | |
|---|---|---|
| | % | Balance |
| Counterparty A | 4.1% | 43,217 |
| Counterparty B | 2.5% | 26,294 |
| Counterparty C | 2.2% | 23,220 |
| | **8.8%** | **92,731** |

| | December 31, 2014 | |
|---|---|---|
| | % | Balance |
| Counterparty A | 5.0% | 39,049 |
| Counterparty D | 2.5% | 19,152 |
| Counterparty E | 2.0% | 15,545 |
| | **9.5%** | **73,746** |

| | December 31, 2013 | |
|---|---|---|
| | % | Balance |
| Counterparty D | 2.5% | 17,695 |
| Counterparty E | 2.1% | 14,792 |
| Counterparty B | 2.0% | 13,999 |
| | **6.6%** | **46,486** |

A substantial part of the Group's receivables consists of billing receivables. According to Group's principles the risk connected with billing receivables is limited by a number of procedures. These procedures include: verification of potential subscribers before signing the contract, imposing credit limits, payment monitoring, sending payment reminders and receivables collection.

Cash is deposited only in high credit quality financial institutions.

Management and control of credit risk regarding receivables from counterparties A, B, C, D, E is based on:
- investigation of financial standing in relation to the Group's business partners (current and potential);
- investigation of individual credit limit needs of business partners;
- security of credit limits by using hard security instruments (deposit, bank guarantee) and soft security instruments (submission for execution based on clause 777 of code of civil procedure, bill of exchange);
- insurance of trade receivables in external institutions;
- periodical monitoring of different caution signals: lack of payment, lack of new orders for mobile devices;
- immediate response in case of appearance of any caution signals.

### *2.28.4 Liquidity risk*

Liquidity risk management implies maintaining sufficient cash and marketable securities as well as availability of funding through an adequate amount of committed debt facilities.

All trade payables are due within one year from the end of the reporting period.

Other non-current liabilities, which comprise deposits received from business partners (mainly dealers) as a collateral for their liabilities towards the Group, were classified as due within over 5 years from the end of the reporting period as the Group expects that they will be settled only after termination of cooperation with its partners. The table below presents the maturity of bank loans, notes and finance lease liabilities in contractual values (i.e. excluding the impact of nominal expenses incurred in relation to the liability), increased by projected value of interest payments. Values are not discounted.

**December 31, 2015**

| | Liabilities payable within: | | | |
|---|---|---|---|---|
| | **1 year** | **2 to 5 years** | **over 5 years** | **Total** |
| Bank loans | - | - | - | - |
| Notes | 243,905 | 5,015,574 | - | 5,259,479 |
| Lease | 183,130 | 538,218 | 433,931 | 1,155,279 |
| | **427,035** | **5,553,792** | **433,931** | **6,414,758** |

**December 31, 2014**

| | Liabilities payable within: | | | |
|---|---|---|---|---|
| | **1 year** | **2 to 5 years** | **over 5 years** | **Total** |
| Notes | 217,417 | 4,629,618 | - | 4,847,035 |
| Lease | 195,855 | 510,511 | 360,277 | 1,066,643 |
| | **413,272** | **5,140,129** | **360,277** | **5,913,678** |

**December 31, 2013**

| | Liabilities payable within: | | | |
|---|---|---|---|---|
| | **1 year** | **2 to 5 years** | **over 5 years** | **Total** |
| Bank loans | 533,366 | 2,137,924 | - | 2,671,290 |
| Lease | 182,338 | 508,727 | 402,317 | 1,093,382 |
| | **715,704** | **2,646,651** | **402,317** | **3,764,672** |

#### *2.28.5 Capital management*

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## *2.29 Fair value estimation*

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 2.30.1 and 2.30.3 respectively.

The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate their fair values.

## 2.30 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial year are discussed below.

### 2.30.1 Valuation of the liabilities relating to retention programs

The main input used for the valuation of retention programs liabilities is the fair value of the Group. The fair value of the Group as at December 31, 2015, December 31, 2014 and December 31, 2013 was established using the multiply method on the basis of business projections for years 2016–2018, 2015-2017 and 2014-2016 respectively.

The estimated fair value of the Group as at December 31, 2015 has changed in comparison to December 31, 2014 and December 31, 2013.

The following table lists other major inputs to the models used for the plans:

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Liquidity event date | December 31, 2018 | December 31, 2017 | December 31, 2017 |
| Volatility | 34% | 27% | 30% |
| Probability that liquidity event will not occur till liquidity event date mentioned above | 50% | 50% | 40% |

Had the major inputs remained the same as at December 31, 2014, the value of retention programs liabilities as at December 31, 2015 and relating costs for the year ended December 31, 2015 would be lower by PLN 34,747 thousand.

### 2.30.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date

The Group has assessed, that for Fixed Rate Senior Secured Notes and Senior Notes issued in January 2014 the respective early redemption options require separate recognition due to differences between option's exercise price and Notes' value at amortized cost and due to the fact that implied fee for early redemption to be paid to the lender reimburses the lender for an amount higher than the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015 it was concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of Notes. Thus close relation between embedded derivative and host contract was confirmed. Therefore this early redemption option was not separated from host debt contract of Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015 for accounting and valuation purposes.

### 2.30.3 Valuation of early redemption options

For purposes of valuation of early redemption options to fair value the Group applies valuation model which is designed based on Black-Derman-Toy model (BDT) framework. BDT model is a one-factor model and is one of the most used yield-based models to valuate bonds and interest rate (American-style) options.

Critical assumptions behind designed model and implemented valuation techniques are as follows:

- model is arbitrage-free and consistent with the term structure of interest rates observed as at valuation date,
- value of an option is determined as payoff from its exercise in the future discounted to valuation date,
- binomial tree technique is used as primary tool for estimation of future path of interest rates and Notes prices. Length of period for binomial tree is assumed as 1 month. An equal probability (of 50%) is

assigned for increase or decrease of interest rates within next period of time,
- short risk free rates are lognormally distributed at all times,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark). No volatility of credit spread through maturity / exercise date is assumed,
- volatility of risk free rate is determined as constant through maturity / exercise date.

Thus critical valuation inputs of the option are as follows:

- credit spread,
- risk free rate term structure,
- volatility of risk free rate.

The above inputs are unobservable inputs.

Due to the nature of embedded derivative (American-style call option on debt instrument which is not quoted on active markets) and due to designed valuation model that uses unobservable inputs subject to significant assumptions the analyzed early redemption options are categorized within Level 3 of fair value hierarchy. The tables below present results of sensitivity analysis of early redemption options' valuations (separately for each Notes' category) to changes of key unobservable valuation inputs (key risk factors).

Early redemption option embedded in Senior Notes:

| **Risk factor** | **decrease** | | **Actual (base)** | **increase** | |
|---|---|---|---|---|---|
| **Credit spread** | **-0.50%** | **-0.25%** | **5.39%** | **+0.25%** | **+0.50%** |
| Option fair value | 15,706 | 13,152 | 10,639 | 8,166 | 5,734 |
| Impact on profit before tax | 5,067 | 2,513 | - | (2,473) | (4,905) |
| | | | | | |
| **Risk free rate** | **-0.00%** | **-0.00%** | **0.00%** | **+1.00%** | **+2.00%** |
| Option fair value | 10,639 | 10,639 | 10,639 | 10,262 | 9,931 |
| Impact on profit before tax | 0 | 0 | - | (378) | (708) |

Early redemption option embedded in Senior Secured Notes:

| **Risk factor** | **decrease** | | **Actual (base)** | **increase** | |
|---|---|---|---|---|---|
| **Credit spread** | **-0.50%** | **-0.25%** | **4.87%** | **+0.25%** | **+0.50%** |
| Option fair value | 20,005 | 14,253 | 8,580 | 2,986 | - |
| Impact on profit before tax | 11,425 | 5,673 | - | (5,594) | (8,580) |
| | | | | | |
| **Risk free rate** | **-0.00%** | **-0.00%** | **0.00%** | **+0.50%** | **+1.00%** |
| Option fair value | 8,580 | 8,580 | 8,580 | 8,430 | 8,311 |
| Impact on profit before tax | 0 | 0 | - | (150) | (269) |

Actual (base) values of risk factors are presented as at December 31, 2015. Actual value for risk free rate is presented as average rate of quoted yields (only those above zero) for full yearly periods from December 31, 2015 to given Notes maturity.

Decrease / increase of each risk factor is presented in nominal values, e.g. 0.50% decrease of credit spread from credit spread base value of 5% means that credit spread would fall from 5.00% to 4.50%.

Decrease / increase of risk free rate means parallel shift of zero coupon risk free curve down / up. It is assumed, that risk free rate could not fall below zero. So the maximum decrease is assumed up to the amount of 1Y risk free rate or zero.

Magnitude of decrease / increase of risk factors was determined as reasonable and possible to occur.

Change of option value is positively correlated to changes of volatility (i.e. the greater the volatility of risk free rate, the greater the option value) and negatively correlated to changes of credit spread and risk free rate levels. However, by risk free rate close or equal nil, the impact of the changes of volatility is insignificant. Option value is mostly sensitive to change of credit spread. Potential change of the Group's rating in the future will trigger change of benchmark for credit spread calculation and therefore such event will also have an impact on option value calculated from applied valuation model.

### *2.30.4 Valuation of the assets retirement obligation provision*

As at December 31, 2015 the assets retirement obligation provision was calculated using discount rate of 3.00% (2.95% as at December 31, 2014 and 4.36% as at December 31, 2013), representing interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the right-of-use assets that will be subject to retirement obligation. The discount period has changed in comparison to the period applied for the calculation in the year ended December 31, 2014 and December 31, 2013.

### *2.30.5 Deferred tax*

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Play Group's income taxes. This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

The deferred income tax calculation is based on the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The calculation is based upon long term financial projections, which contain a considerable amount of uncertainty and the actual outcome may differ. These projections may be altered to reflect changes in the economic, technological and competitive environment in which the Play Group operates.

The Group is required to assess the likelihood of deferred income tax assets being recovered from future taxable income, and deferred tax assets are recognized to the extent to which such recovery is probable. Significant Group's estimates are required in the valuation of the Play Group's deferred income tax assets. These estimates take into consideration future taxable income projections, the potential volatility of those projections, historical results and ongoing tax planning strategies. Factors as: the nature of the business and industry, the economic environment in which the Play Group operates and the stability of local legislation are also considered.

### *2.30.6 Impairment of Play Group's long-lived assets*

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at December 31, 2015, December 31, 2014 and December 31, 2013, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2015, December 31, 2014 and December 31, 2013. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

As at December 31, 2015, the recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2016-2020.
The key assumptions for the calculations are presented below:

- The EUR/PLN exchange rate is on the level of 4.15 PLN for 1 EUR;
- Play Market Share in Customer Base is expected to increase during the forecast period;

- Play new subscribers added ("gross adds") are expected to decrease slightly during the forecast period as the Polish mobile market becomes more saturated over time;
- The costs of national roaming/network sharing and interconnection costs assumed by the Group in the financial projections are the best estimate of rates taking into account actual rates as per the agreements with national roaming/network sharing providers, roll-out speed and coverage targets with traffic growth assumption as well as market opportunities to lower national roaming/network sharing rates;
- Unit subscriber acquisition cost is expected to decrease slightly;
- Unit subscriber retention cost is expected to remain largely constant;
- ARPU Outbound (monthly revenue from retail usage per average subscriber) is expected to remain stable which reflects planned customer mix;
- The discount rate used (of 10.09%) reflects the risks specific to the Play Group's operations;
- The growth rate used to extrapolate cash flow projections beyond the forecast period (2021 onwards) is conservatively determined at 0%.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2015. As a result no impairment loss has been recognized.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. Play Group's business model is based on a combination of operating an extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network of its own and providing nation-wide coverage to its customers via national roaming/network sharing agreements with other mobile telecommunications operators. The future success of this business model is dependent on many factors. The macroeconomic conditions of Poland and the European Union, the overall level of competition in the market, including market prices for voice and data services, the future take-up of new mobile data services, including demand for 4G LTE technology, access to sufficient distribution channels and the impact of possible new entrants in the form of mobile network operators (MNOs) and mobile virtual network operators (MVNOs), as well as over–the–top (OTT) service providers, may all impact the Group's ability to generate revenues. Risks associated with rapidly growing demand for radio network capacity, and uncertainties over the market regulator's approach to new entrants relative to market incumbents, the rate of decrease in unit costs of mobile devices and market levels of mobile devices subsidies, all generate uncertainties over achievable profit margins.

The mobile telecommunications industry is subject to significant governmental regulation and supervision and future changes in such regulations or telecommunication law may have an adverse impact on Play Group's revenues, require the Group to make additional expenditures and otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.

However, if the key drivers change as follows:

- If the total number of new subscribers added by P4 ("gross adds") in the projection period was 20% lower than the Group's assumptions, the Group would not recognize any impairment against the cash-generating unit.
- If the Blended ARPU Outbound (monthly revenue from retail usage per average subscriber) in the projection period was 10% lower than the Group's assumptions, the Group would not recognize any impairment against the cash-generating unit.
- If the subscriber acquisition costs per activation and subscriber retention costs per retained customer in the projection period were 30% higher than the Group's assumptions, the Group would not recognize any impairment against the cash-generating unit.
- If the revised estimated discount rate applied to the discounted cash flows was increased by 2 p.p., compared with the Group's estimates, the Group would not recognize any impairment against the cash-generating unit.

#### *2.30.7 Deferred charges - distribution costs of prepaid products*

Costs of distribution of prepaid products are deferred until the service is provided, i.e. a pre-paid product is delivered to an end-user, and expensed at that time. However, as P4 has no means of knowing the exact moment at which the prepaid products are delivered to end-users, due to the vast majority of sales being through independent third party channels, it is estimated that the distribution services are rendered when pre-paid products are first activated in P4's billing system. The distribution costs of prepaid products that were not activated after a pre-determined period from the date of delivering the products to the distributors are treated as incurred and expensed at that time.

#### *2.30.8 Impairment of billing receivables*

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. The collectability ratio used for calculation as at December 31, 2015 is higher than in comparative periods.

#### *2.30.9 Significant judgments and estimates relating to application of IFRS 15*

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers. These include:

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,
- determining the standalone selling prices.

The significant judgments in the relation to the above are described in Note 2.24. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, described in Note 2.8.

The significant judgments in relation to recognition and measurement of contract costs are described in Note 2.8.

Significant financing component

The Group used the practical expedient described in paragraph 63 of IFRS 15 and did not adjust the promised amount of consideration for the effects of a significant financing component because it has assessed that for most of the contracts the period between when the Group transfers the equipment to the customer and when the customer pays for the equipment is one year or less.

Material right considerations

The Group has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations. In particular, the Group does not consider an activation fee to provide a material right to a customer to extend the contract without paying an additional activation fee. Also, the Group has assessed that for additional services offered to existing customers at a discounted price, the value of the revenue which would need to be deferred until satisfaction of the performance obligation associated with the potential material right, would be insignificant and therefore such potential material rights are not treated as separate performance obligations.

Agent vs. principal considerations in relation to cooperation with dealers

The Company cooperates with a network of dealers who sell post-paid services (including these bundled with handsets) and prepaid services. The Group has assessed that it acts as a principal in this process, for the following reasons:

a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service – the Group is responsible for delivering airtime services to the end-customer and organizes the process of repairs of the equipment within the guarantee period,
b) prices of services and prices of equipment to customers are determined by the Group and not by the dealer;
c) dealers are remunerated in the form of commissions;
d) credit risk related to consideration for service and in case of instalment sales model also credit risk related to consideration for equipment is borne by the Group.

#### ***2.30.10 Significant judgments and estimates relating to application of IFRS 16***

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining contracts in scope of IFRS 16, the contract term and determining the interest rate used for discounting of future cash flows.

For lease contracts with indefinite term or with option to extend the lease on the same commercial terms the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it (e.g. economic useful life of foundations of telecommunication towers in case of lease of land on which the tower is located) or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the interest rate swap rate applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences.

## 2.31 Segment reporting

The Group's business activity embraces the provision of mobile telecommunications services and managing a distribution network of mobile telecommunications products.

An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and operating results of which are regularly reviewed to make decisions about resources to be allocated and to assess its performance. The whole Play Group was determined as one operating segment, as its performance is assessed based on revenue and adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA – see table below), only from the perspective of the Group as a whole.

Data in the table below are presented in zloty rounded to the nearest million. Therefore, discrepancies between totals and the sums of the amounts listed may occur due to such rounding.

Reconciliation of operating profit to adjusted EBITDA (in PLN millions):

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Operating profit** | **1,066** | **773** | **493** |
| Add depreciation and amortization | 597 | 540 | 503 |
| Add advisory services provided by shareholders | 28 | 21 | 18 |
| Add valuation of retention programs and special bonuses | 93 | 84 | (18) |
| Add one-off taxes and fees | - | 14 | - |
| Add one-off finance and legal services | 3 | 4 | 2 |
| Add one-off cost/(reversal) of provisions | (11) | (5) | 8 |
| Add one-off impairment of overdue receivables | - | 4 | - |
| Add one-off other operating costs | 9 | 0 | 4 |
| **Adjusted EBITDA** | **1,786** | **1,436** | **1,011** |

One-off costs or income are material items of unusual or non-recurring nature which are excluded from calculation of Adjusted EBITDA on the basis of the Group's decision.

Adjusted EBITDA is a non-IFRS financial measure. Other companies may calculate Adjusted EBITDA differently.

## 3. Property, plant and equipment

| | Land | Buildings | Computers | Telecommunications network and equipment | Other fixed assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2015 | 46 | 691,837 | 111,593 | 926,038 | 49,616 | 1,779,130 |
| Transfers and reclassifications | - | 111,530 | 4,967 | 187,824 | 23,332 | 327,653 |
| Disposals | - | (6,963) | (15,014) | (208,781) | (12,850) | (243,608) |
| **As at December 31, 2015** | **46** | **796,404** | **101,546** | **905,081** | **60,098** | **1,863,175** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2015 | 4 | 274,028 | 90,719 | 516,700 | 37,328 | 918,779 |
| Charge | - | 90,831 | 13,745 | 163,268 | 9,479 | 277,323 |
| Transfers and reclassifications | - | 95 | (454) | - | - | (359) |
| Disposals | - | (4,592) | (15,011) | (207,987) | (12,725) | (240,315) |
| **As at December 31, 2015** | **4** | **360,362** | **88,999** | **471,981** | **34,082** | **955,428** |
| **Net book value as at December 31, 2015** | **42** | **436,042** | **12,547** | **433,100** | **26,016** | **907,747** |

Buildings represent mainly own telecommunication towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.

During the year ended December 31, 2015 the Group has not capitalized any interest expense or exchange rate differences.

As at December 31, 2015 contractual commitments for purchase of property, plant and equipment and intangible assets amount to PLN 75,585 thousand.

| | Land | Buildings | Computers | Telecommunications network and equipment | Other fixed assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2014 | 46 | 538,300 | 94,599 | 824,453 | 45,640 | 1,503,038 |
| Additions | - | 101 | - | - | - | 101 |
| Transfers and reclassifications | - | 163,228 | 19,136 | 219,932 | 6,114 | 408,410 |
| Disposals | - | (9,792) | (2,142) | (118,347) | (2,138) | (132,419) |
| **As at December 31, 2014** | **46** | **691,837** | **111,593** | **926,038** | **49,616** | **1,779,130** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2014 | 3 | 196,798 | 68,578 | 518,551 | 30,406 | 814,336 |
| Charge | 1 | 83,947 | 10,678 | 114,922 | 8,575 | 218,123 |
| Transfers and reclassifications | - | - | 13,366 | - | - | 13,366 |
| Disposals | - | (6,717) | (1,903) | (116,773) | (1,653) | (127,046) |
| **As at December 31, 2014** | **4** | **274,028** | **90,719** | **516,700** | **37,328** | **918,779** |
| **Accumulated impairment** | | | | | | |
| As at January 1, 2014 | - | - | 245 | 4,132 | - | 4,377 |
| Reversal of impairment charge | - | - | (28) | (2,640) | - | (2,668) |
| Utilization of impairment charge | - | - | (217) | (1,492) | - | (1,709) |
| **As at December 31, 2014** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net book value as at December 31, 2014** | **42** | **417,809** | **20,874** | **409,338** | **12,288** | **860,351** |

During the year ended December 31, 2014 the Group capitalized PLN 546 thousand of interest expense and PLN 224 thousand of exchange rate differences arising from foreign currency borrowings relating to construction of property, plant and equipment and intangible assets regarded as an adjustment to interest costs.
The rate used to determine the amount of borrowing costs eligible for capitalization was 4.20%, which was the effective interest rate of the CDB borrowing.

As at December 31, 2014 contractual commitments for purchase of property, plant and equipment and intangible assets amount to PLN 130,808 thousand.

| | Land | Buildings | Computers | Telecommunications network and equipment | Other fixed assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2013 | 46 | 444,612 | 90,765 | 756,290 | 46,278 | 1,337,991 |
| Additions | - | - | - | - | 143 | 143 |
| Asset retirement obligation | - | 333 | - | - | - | 333 |
| Transfers and reclassifications | - | 93,911 | 17,170 | 107,081 | 6,353 | 224,515 |
| Disposals | - | (556) | (13,336) | (38,918) | (7,134) | (59,944) |
| **As at December 31, 2013** | **46** | **538,300** | **94,599** | **824,453** | **45,640** | **1,503,038** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2013 | 3 | 140,008 | 63,797 | 429,483 | 26,102 | 659,393 |
| Charge | - | 57,341 | 18,044 | 127,687 | 10,322 | 213,394 |
| Disposals | - | (551) | (13,263) | (38,619) | (6,018) | (58,451) |
| **As at December 31, 2013** | **3** | **196,798** | **68,578** | **518,551** | **30,406** | **814,336** |
| **Accumulated impairment** | | | | | | |
| As at January 1, 2013 | - | - | 260 | - | 961 | 1,221 |
| Impairment charge | - | - | 245 | 4,132 | (213) | 4,164 |
| Utilization of impairment charge | - | - | (260) | - | (748) | (1,008) |
| **As at December 31, 2013** | **-** | **-** | **245** | **4,132** | **-** | **4,377** |
| **Net book value as at December 31, 2013** | **43** | **341,502** | **25,776** | **301,770** | **15,234** | **684,325** |

During the year ended December 31, 2013 the Group capitalized PLN 4,859 thousand of interest expense and PLN 1,557 thousand of exchange rate differences arising from foreign currency borrowings relating to construction of property, plant and equipment and intangible assets regarded as an adjustment to interest costs.
The rate used to determine the amount of borrowing costs eligible for capitalization was 4.14%, which was the effective interest rate of the CDB borrowing.

As at December 31, 2013 contractual commitments for purchase of property, plant and equipment and intangible assets amount to PLN 64,071 thousand.

## 4. Right-of-use assets

| | Right-of-Use: Land | Right-of-Use: Buildings | Right-of-Use: Computers | Right-of-Use: Telecommunications network and equipment | Right-of-Use: Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2015 | 98,159 | 973,753 | 63,478 | 106,064 | 27,121 | 1,268,575 |
| Additions | 15,432 | 143,641 | - | 6,976 | - | 166,049 |
| Asset retirement obligation | - | 6,224 | - | - | - | 6,224 |
| Transfers and reclassifications | - | (364) | 25,668 | 31 | 7,770 | 33,105 |
| Disposals | (217) | (18,729) | (30) | (20,852) | (8,794) | (48,622) |
| **As at December 31, 2015** | **113,374** | **1,104,525** | **89,116** | **92,219** | **26,097** | **1,425,331** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2015 | 27,382 | 418,451 | 25,359 | 62,839 | 15,231 | 549,262 |
| Charge | 8,493 | 94,870 | 19,038 | 19,545 | 6,899 | 148,845 |
| Charge from asset retirement obligation | - | 1,923 | - | - | - | 1,923 |
| Transfers and reclassifications | - | (95) | 454 | - | - | 359 |
| Disposals | - | (13,503) | (30) | (20,703) | (8,746) | (42,982) |
| **As at December 31, 2015** | **35,875** | **501,646** | **44,821** | **61,681** | **13,384** | **657,407** |
| **Net book value as at December 31, 2015** | **77,499** | **602,879** | **44,295** | **30,538** | **12,713** | **767,924** |

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,175 thousand in current period.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 11,888 thousand in current period.

| | Right-of-Use: Land | Right-of-Use: Buildings | Right-of-Use: Computers | Right-of-Use: Telecommunications network and equipment | Right-of-Use: Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2014 | 82,676 | 903,203 | 44,216 | 95,591 | 23,870 | 1,149,556 |
| Additions | 15,483 | 82,846 | - | 6,758 | - | 105,087 |
| Asset retirement obligation | - | 8,397 | - | - | - | 8,397 |
| Transfers and reclassifications | - | (334) | 19,439 | 4,429 | 7,224 | 30,758 |
| Disposals | - | (20,359) | (177) | (714) | (3,973) | (25,223) |
| **As at December 31, 2014** | **98,159** | **973,753** | **63,478** | **106,064** | **27,121** | **1,268,575** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2014 | 20,262 | 344,921 | 20,057 | 42,851 | 12,307 | 440,398 |
| Charge | 7,120 | 89,609 | 18,846 | 20,660 | 6,895 | 143,130 |
| Charge from asset retirement obligation | - | 1,198 | - | - | - | 1,198 |
| Transfers and reclassifications | - | (106) | (13,366) | - | - | (13,472) |
| Disposals | - | (17,171) | (178) | (672) | (3,971) | (21,992) |
| **As at December 31, 2014** | **27,382** | **418,451** | **25,359** | **62,839** | **15,231** | **549,262** |
| **Net book value as at December 31, 2014** | **70,777** | **555,302** | **38,119** | **43,225** | **11,890** | **719,313** |

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,464 thousand in year ended December 31, 2014.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 12,353 thousand in current period.

| | Right-of-Use: Land | Right-of-Use: Buildings | Right-of-Use: Computers | Right-of-Use: Telecommunications network and equipment | Right-of-Use: Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2013 | 72,249 | 818,898 | 41,295 | 65,275 | 20,941 | 1,018,658 |
| Additions | 10,483 | 102,968 | - | 21,616 | - | 135,067 |
| Asset retirement obligation | - | (4,856) | - | - | - | (4,856) |
| Transfers and reclassifications | - | - | 3,063 | 9,962 | 8,213 | 21,238 |
| Disposals | (56) | (13,807) | (142) | (1,262) | (5,284) | (20,551) |
| **As at December 31, 2013** | **82,676** | **903,203** | **44,216** | **95,591** | **23,870** | **1,149,556** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2013 | 14,126 | 269,084 | 9,432 | 19,132 | 10,692 | 322,466 |
| Charge | 6,136 | 82,899 | 10,743 | 24,741 | 6,892 | 131,411 |
| Charge from asset retirement obligation | - | 1,192 | - | - | - | 1,192 |
| Transfers and reclassifications | - | - | - | - | - | - |
| Disposals | - | (8,254) | (118) | (1,022) | (5,277) | (14,671) |
| **As at December 31, 2013** | **20,262** | **344,921** | **20,057** | **42,851** | **12,307** | **440,398** |
| **Net book value as at December 31, 2013** | **62,414** | **558,282** | **24,159** | **52,740** | **11,563** | **709,158** |

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,014 thousand in year ended December 31, 2013.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 15,291 thousand in current period.

# 5. Intangible assets

| | Telecommunications licenses | Computer and network software | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at January 1, 2015 | 1,061,522 | 764,901 | 238,301 | 17,934 | 2,082,658 |
| Additions | - | - | - | - | - |
| Transfers and reclassifications | - | 27,368 | - | 6,937 | 34,305 |
| Disposals | - | (10,661) | - | (3,245) | (13,906) |
| **As at December 31, 2015** | **1,061,522** | **781,608** | **238,301** | **21,626** | **2,103,057** |
| **Accumulated amortization** | | | | | |
| As at January 1, 2015 | 309,688 | 497,586 | - | 13,748 | 821,022 |
| Charge | 70,700 | 95,931 | - | 2,538 | 169,169 |
| Disposals | - | (10,661) | - | (3,245) | (13,906) |
| **As at December 31, 2015** | **380,388** | **582,856** | **-** | **13,041** | **976,285** |
| **Accumulated impairment** | | | | | |
| As at January 1, 2015 | - | - | - | - | - |
| Impairment charge | - | - | - | - | - |
| **As at December 31, 2015** | **-** | **-** | **-** | **-** | **-** |
| **Net book value as at December 31, 2015** | **681,134** | **198,752** | **238,301** | **8,585** | **1,126,772** |

The transfers recorded during year ended December 31, 2015 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software and other intangible assets.

On August 23, 2005 P4 was granted by Urząd Komunikacji Elektronicznej (“UKE”) a reservation of the 2100 MHz frequency for the period from July 1, 2006 to December 31, 2022. On March 16, 2007 P4 started providing mobile telecommunications services and started to amortize the 2100 MHz license from March 1, 2007. The license is amortized over the period for which it was granted. As at December 31, 2015 the carrying value of the 2100 MHz license was PLN 152,890 thousand.
On December 9, 2008 P4 was granted a reservation of the 900 MHz frequency for the period from December 9, 2008 to December 31, 2023. P4 started to amortize the 900 MHz license from January 2009. The license is amortized over the period for which it was granted. As at December 31, 2015 the carrying value of the 900 MHz license was PLN 116,106 thousand.

On February 13, 2013, P4 was granted a reservation of the 1800 MHz frequency for the period from February 13, 2013 to December 31, 2027. The license is amortized over the period for which it was granted. As at December 31, 2015 the carrying value of the 1800 MHz license was PLN 412,138 thousand.

The Internet domain play.pl has been classified as an asset with indefinite useful life. The useful life of this asset had been determined as indefinite, because based on the analysis of all of the relevant factors, there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the entity.

| | Telecommunications licenses | Computer and network software | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at January 1, 2014 | 1,061,522 | 647,287 | 238,604 | 17,438 | 1,964,851 |
| Additions | - | - | - | - | - |
| Transfers and reclassifications | - | 125,767 | - | 1,953 | 127,720 |
| Disposals | - | (8,153) | (303) | (1,457) | (9,913) |
| **As at December 31, 2014** | **1,061,522** | **764,901** | **238,301** | **17,934** | **2,082,658** |
| **Accumulated amortization** | | | | | |
| As at January 1, 2014 | 238,989 | 401,291 | - | 12,356 | 652,636 |
| Charge | 70,699 | 104,278 | - | 2,868 | 177,845 |
| Disposals | - | (7,983) | - | (1,476) | (9,459) |
| **As at December 31, 2014** | **309,688** | **497,586** | **-** | **13,748** | **821,022** |
| **Accumulated impairment** | | | | | |
| As at January 1, 2014 | - | - | - | - | - |
| Impairment charge | - | - | - | - | - |
| **As at December 31, 2014** | **-** | **-** | **-** | **-** | **-** |
| **Net book value as at December 31, 2014** | **751,834** | **267,315** | **238,301** | **4,186** | **1,261,636** |

The movements in goodwill recorded during the year ended December 31, 2014 result from the disposal of part of business acquired in 2013.

| | Telecommunications licenses | Computer and network software | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at January 1, 2013 | 563,522 | 593,289 | 238,074 | 15,029 | 1,409,914 |
| Additions | 498,000 | - | 3,537 | 1,141 | 502,678 |
| Transfers and reclassifications | - | 65,809 | - | 2,409 | 68,218 |
| Disposals | - | (11,811) | (3,007) | (1,141) | (15,959) |
| **As at December 31, 2013** | **1,061,522** | **647,287** | **238,604** | **17,438** | **1,964,851** |
| **Accumulated amortization** | | | | | |
| As at January 1, 2013 | 185,462 | 311,605 | - | 7,622 | 504,689 |
| Charge | 53,527 | 98,907 | - | 4,734 | 157,168 |
| Disposals | - | (9,221) | - | - | (9,221) |
| **As at December 31, 2013** | **238,989** | **401,291** | **-** | **12,356** | **652,636** |
| **Accumulated impairment** | | | | | |
| As at January 1, 2013 | - | 2,583 | - | | 2,583 |
| Utilization of impairment charge | - | (2,583) | - | | (2,583) |
| **As at December 31, 2013** | **-** | **-** | **-** | **-** | **-** |
| **Net book value as at December 31, 2013** | **822,533** | **245,996** | **238,604** | **5,082** | **1,312,215** |

The movements in goodwill recorded during the year ended December 31, 2013 result from the acquisition of part of business.

## 6. Assets under construction

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Cost** | | | |
| As at January 1 | 286,447 | 346,155 | 244,496 |
| Additions | 504,908 | 509,217 | 415,634 |
| Radio network | 259,467 | 328,845 | 233,045 |
| Core network and network operations center | 73,096 | 63,801 | 63,542 |
| IT | 111,418 | 96,989 | 96,977 |
| Other capital expenditures | 60,927 | 19,582 | 22,070 |
| Transfers and reclassifications | (395,063) | (566,888) | (313,971) |
| Disposals | (907) | (2,037) | (4) |
| **As at December 31** | **395,385** | **286,447** | **346,155** |
| **Accumulated impairment** | | | |
| As at January 1 | 981 | 1,579 | 1,664 |
| Impairment charge | 1,686 | 977 | (85) |
| Utilization of impairment provision | (818) | (1,575) | - |
| **As at December 31** | **1,849** | **981** | **1,579** |
| **Net book value as at December 31** | **393,536** | **285,466** | **344,576** |

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction. Assets under construction include also right-of-use under construction amounting to PLN nil as at December 31, 2015, PLN 10,744 as at December 31, 2014 and PLN 33,616 as at December 31, 2013.

Transfers and reclassifications represent mainly transfers from assets under construction to property, plant and equipment and to intangible assets.

## 7. Contract costs

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Cost** | | | |
| As at January 1 | 484,039 | 384,688 | 336,638 |
| Additions | 395,403 | 342,704 | 278,188 |
| Disposals | (273,774) | (243,353) | (230,138) |
| **As at December 31** | **605,668** | **484,039** | **384,688** |
| **Accumulated amortization** | | | |
| As at January 1 | 226,925 | 185,974 | 169,955 |
| Charge (including impairment) | 342,573 | 284,304 | 246,157 |
| Disposals (including impairment) | (273,774) | (243,353) | (230,138) |
| **As at December 31** | **295,724** | **226,925** | **185,974** |
| **Net book value as at December 31** | **309,944** | **257,114** | **198,714** |

## 8. Long term receivables – debt securities

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Long term receivables - debt securities** | | | |
| EUR 8.22% Bonds due in 2020 | 153,441 | - | - |
| | **153,441** | **-** | **-** |

On February 26, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Bonds issued by Play Topco S.A. On August 26, 2015, the Group purchased EUR 16,260 thousand in aggregate principal amount of B Series Bonds issued by Play Topco S.A. The purpose of the bonds was to facilitate the interest payments on the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Play Topco S.A. The notes mature on February 28, 2020 (Repurchase Date). Interest on the A and B Series Bonds is calculated at the rate of 8.22% per annum and is payable on the Bonds Repurchase Date.

The bonds receivables are measured at amortized cost using the effective interest rate. The effective interest rate was 8.23% as at December 31, 2015.

The carrying amount of the bonds receivables approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.
Critical assumptions and implemented valuation techniques for measuring the fair value are as follows:

- fair value of bonds is determined as future cash flows from repayment of notes and interest discounted to valuation date,
- interest is calculated using risk free rate increased by credit spread,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of Play Topco S.A. and adjusted by the actual change in broad market credit index for corporations with rating as of Play Topco S.A. (actually CDS index for entities rated “CCC” is assumed as a benchmark),
- the discount rate is an effective interest rate of cash flows with recalculated interest value.

## 9. Other long-term receivables

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Long-term receivables | 12,106 | 15,502 | 14,272 |
| Impairment of long-term receivables | (972) | (1,166) | (1,214) |
| | **11,134** | **14,336** | **13,058** |

Long-term receivables comprise amounts paid as collateral for lease agreements.

## 10. Finance assets at fair value through profit or loss

Finance assets at fair value through profit or loss comprise early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 2.30.2 and Note 2.30.3).

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Senior Secured Notes | 8,580 | 38,948 | - |
| Senior Notes | 10,639 | 18,663 | - |
| | **19,219** | **57,611** | **-** |

Critical terms with respect to redemption price and portion of principal amount available for early redemption at particular price are as follows:

a) for Senior Secured Notes:
   (i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem:
      - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 105.25% of the principal amount, or
      - during each twelve-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount at a redemption price equal to 103% of the principal amount, or
      - all or a portion of principal amount at a redemption price equal to 100% of the principal amount plus the applicable premium as of redemption date. The premium is determined as maximum of 1% of the principal amount or excess of the present value of sum of 102.625% and interests payments due through February 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Fixed Rate Senior Secured Notes.
   (ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
      - 102.625% - in period from February 1, 2016 to February 1, 2017,
      - 101.313% - in period from February 1, 2017 to February 1, 2018,
      - 100.000% - in period from February 1, 2018 to February 1, 2019.

b) for Senior Notes:
   (i) at any time prior to August 1, 2016 the Senior Notes Issuer is entitled to redeem:
      - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 106.50% of the principal amount, or
      - all or a portion of principal amount at a redemption price equal to 100.00% of the principal amount plus the applicable premium as of redemption date. The premium is determined as maximum of 1% of the principle amount or excess of the present value of sum of 103.25% and interests payments due through August 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Senior Notes.

(ii) at any time on or after August 1, 2016 the Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
- 103.250% - in period from August 1, 2016 to August 1, 2017,
- 101.625% - in period from August 1, 2017 to August 1, 2018,
- 100.000% - in period from August 1, 2018 to August 1, 2019.

In each of the above cases the redemption price is additionally increased by the amount of accrued and unpaid interests as to redemption date.

Change in fair value of early redemption options impacts profit or loss. The table below presents reconciliation of change in fair value in the reporting periods.

| | **Senior Secured Notes** | **Senior Notes** | **Total** |
|---|---|---|---|
| Valuation as at January 1, 2015 | 38,948 | 18,663 | 57,611 |
| Valuation as at December 31, 2015 | 8,580 | 10,639 | 19,219 |
| **Impact of change in fair value on profit or loss for the year ended December 31, 2015** | **(30,368)** | **(8,024)** | **(38,392)** |
| | | | |
| Valuation as at initial recognition date (January 31, 2014) | 4,768 | 2,124 | 6,892 |
| Valuation as at December 31, 2014 | 38,948 | 18,663 | 57,611 |
| **Impact of change in fair value on profit or loss for the year ended December 31, 2014** | **34,180** | **16,539** | **50,719** |

## 11. Inventories

| | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| Goods for resale | 166,643 | 153,716 | 130,263 |
| Goods in dealers' premises | 34,611 | 31,149 | 27,884 |
| Prepaid deliveries | 18,158 | 16,573 | 3,413 |
| Impairment of goods for resale | (7,203) | (6,503) | (4,494) |
| | **212,209** | **194,935** | **157,066** |

The write down of the Play Group’s inventories relates mainly to handsets and other mobile devices. The Group assessed that the net realizable value of the handsets and other devices would be lower than the purchase price. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories sold in promotional offers are stated at the lower of cost or probable net realizable value, taking into account future margin expected from related services.

Movements of the provision for impairment of inventories are as follows:

| | **Year ended December 31, 2015** | **Year ended December 31, 2014** | **Year ended December 31, 2013** |
|---|---|---|---|
| **Beginning of period** | **6,503** | **4,494** | **4,506** |
| - charged to income statement | 1,421 | 2,457 | 740 |
| - utilized | (721) | (448) | (752) |
| **End of period** | **7,203** | **6,503** | **4,494** |

The net increase/decrease of the provision for inventory is charged/credited to costs of goods sold.

## 12. Trade and other receivables

| | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| Trade receivables | 967,401 | 797,439 | 766,868 |
| Impairment of trade receivables | (92,970) | (84,945) | (80,433) |
| **Trade receivables (net)** | **874,431** | **712,494** | **686,435** |
| | | | |
| VAT and other government receivables | 2,161 | 3,061 | 2,284 |
| Loans given | - | 80 | - |
| Other receivables | 302 | 380 | 1,060 |
| **Other receivables (net)** | **2,463** | **3,521** | **3,344** |
| | **876,894** | **716,015** | **689,779** |

Total amount of trade receivables are receivables from contracts with customers.

Trade receivables include installment receivables relating to sales of handsets and mobile computing devices.

As of December 31, 2015 trade receivables of PLN 92,970 thousand (December 31, 2014: PLN 84,945 thousand and December 31, 2013: PLN 80,433 thousand) were impaired. The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

As of December 31, 2015 trade receivables of PLN 161,408 thousand (December 31, 2014: PLN 140,277 thousand and December 31, 2013: PLN 146,016 thousand) were past due but not impaired. These relate to a number of dealers or individual customers for whom there is no history of default.

The ageing analysis of trade receivables that were not impaired is as follows:

| | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| Current | 713,023 | 572,217 | 540,419 |
| Overdue 0 to 3 months | 91,819 | 80,452 | 96,713 |
| Overdue 3 to 6 months | 18,436 | 12,169 | 10,974 |
| Overdue over 6 months | 51,153 | 47,656 | 38,329 |
| | **874,431** | **712,494** | **686,435** |

The ageing analysis of other receivables that were not impaired is as follows:

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Current | 300 | 380 | 692 |
| Overdue 0 to 3 months | - | - | 249 |
| Overdue 3 to 6 months | - | - | - |
| Overdue over 6 months | 2 | - | 119 |
| | **302** | **380** | **1,060** |

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

Movements of the provision for impairment of trade receivables are as follows:

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Beginning of period** | **84,945** | **80,433** | **82,064** |
| - charged to income statement | 8,165 | 5,785 | (1,600) |
| - write-downs applied | (140) | (1,273) | (31) |
| **End of period** | **92,970** | **84,945** | **80,433** |

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 13. Contract assets

In current and in comparative periods there were no significant changes in the time frame for a right to consideration to become unconditional or in the time frame for a performance obligation to be satisfied.

Impairment of contract assets results from disconnecting the customer due to breach of the contract.

In current and in comparative periods there were no cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in an estimate of the transaction price or a contract modification.

## 14. Prepaid expenses

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Loan origination fees | - | - | 11,063 |
| Distribution and selling costs | 9,612 | 8,745 | 8,032 |
| Security deposits paid to UKE | 20,000 | 20,000 | 600 |
| Other | 12,159 | 5,925 | 4,402 |
| | **41,771** | **34,670** | **24,097** |

As of December 31, 2015, other prepaid expenses include mainly advance payments for services.

The security deposits in the amount of PLN 20,000 thousand were paid to UKE during the year ended December 31, 2014 in relation with Group’s participation in auction for frequencies in the 800 MHz and in the 2600 MHz band.

## 15. Cash and cash equivalents

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Petty cash | 493 | 809 | 957 |
| Balances deposited with banks: | | | |
| Current accounts | 1,555,745 | 496,749 | 32,907 |
| Term deposits with original maturity of less than 90 days | 10 | 12 | 138,224 |
| Restricted cash | - | 200 | 134,922 |
| Other cash assets | 553 | 211 | 500 |
| | **1,556,801** | **497,981** | **307,510** |

## 16. Shareholders' equity and net assets attributable to shareholders of P4 Sp. z o.o.

The Company was incorporated on January 10, 2014 ("Date of Incorporation"). The initial share capital of PLN 52 thousand consisted of 12,500 shares with a par value of EUR 1 per share.

On January 23, 2014, the share capital was increased by 1 share with a par value of EUR 1. It was paid up in full by a way of a contribution in kind consisting of 100% shares in P4 Sp. z o.o. The value of the contribution in excess of the par value of the share was allocated to the share premium of the Company.

During the year ended December 31, 2014, the Company distributed share premium in the amount of PLN 1,407,896 thousand, using the proceeds from Senior Notes issued on January 31, 2014. See Note 17.1.3. In the year ended December 31, 2015 the Group changed the exchange rate applied to currency translation of the EUR amount of distributed share premium from the exchange rate as at the date of distribution to the historical rate as at the date of the equity contribution, which resulted in a correction of PLN 8,195 thousand disclosed in the Consolidated statement of changes in equity.

As at December 31, 2015, the Play Group's share capital consisted of 12,501 shares issued, paid and authorized with a par value of EUR 1 per share. Play Holdings 1 S. à r. l. was the owner of 12,501 shares, constituting 100% of the Play Group's share capital.

The net assets attributable to shareholders of P4 Sp. z o.o. presented in these consolidated financial statements as at January 1, 2014 were the net assets generated by P4 and its subsidiaries in the period before the Date of Contribution of P4 and its subsidiaries to Play Group and were wholly attributable to the then shareholders of P4 Sp. z o.o. (Tollerton Investments Limited and NTP S.à r.l. - superseded by Telco Holdings S.à r.l.).

# 17. Finance liabilities

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Long-term finance liabilities** | | | |
| Long-term bank loans | - | - | 1,991,337 |
| Long-term notes liabilities | 4,333,232 | 3,775,543 | - |
| Long-term leases | 663,386 | 607,650 | 621,895 |
| | **4,996,618** | **4,383,193** | **2,613,232** |
| **Short-term finance liabilities** | | | |
| Short-term bank loans | - | - | 447,922 |
| Short-term notes liabilities | 99,234 | 89,087 | - |
| Short-term leases | 178,011 | 189,388 | 180,127 |
| | **277,245** | **278,475** | **628,049** |
| | **5,273,863** | **4,661,668** | **3,241,281** |

## *17.1 Notes*

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Long-term notes liabilities** | | | |
| EUR 5.25% Senior Secured Notes due 2019 | 2,525,394 | 2,516,028 | - |
| PLN Floating Rate Senior Secured Notes due 2019 | 128,546 | 127,878 | - |
| EUR 6.5% Senior Notes due 2019 | 1,135,512 | 1,131,637 | - |
| 2015 EUR 5.25% Senior Secured Notes due 2019 | 543,780 | - | - |
| | **4,333,232** | **3,775,543** | **-** |
| **Short-term notes liabilities** | | | |
| Accrued interest related to notes | 99,234 | 89,087 | - |
| | **99,234** | **89,087** | **-** |

### *17.1.1 EUR 5.25% Senior Secured Notes due 2019*

On January 31, 2014, the Group issued EUR 600,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes is calculated at the rate of 5.25% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

Proceeds from Fixed Rate Senior Secured Notes were used for the repayment of CDB and Alior Bank loans – see also Note 17.2.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 31,506 thousand as at December 31, 2015 (PLN 41,352 thousand as at December 31, 2014). The effective interest rate was 5.77% as at December 31, 2015.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

Critical assumptions and implemented valuation techniques for measuring the fair value are as follows:

- fair value of notes is determined as future cash flows from repayment of notes and interest discounted to valuation date,
- interest is calculated using risk free rate increased by credit spread,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark),
- the discount rate is an effective interest rate of cash flows with recalculated interest value.

#### *17.1.2 PLN Floating Rate Senior Secured Notes due 2019*

On January 31, 2014, the Group issued PLN 130,000 thousand in aggregate principal amount of Floating Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Floating Rate Senior Secured Notes is calculated based on the 3M WIBOR rate plus margin and is payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2014.

Proceeds from Floating Rate Senior Secured Notes were used mainly for the repayment of CDB and Alior Bank loans – see also Note 17.2.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 1,454 thousand as at December 31, 2015 (PLN 2,122 thousand as at December 31, 2014). The effective interest rate was 5.82% as at December 31, 2015 (6.13% as at December 31, 2014).

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

#### *17.1.3 EUR 6.50% Senior Notes due 2019*

On January 31, 2014, the Group issued EUR 270,000 thousand in aggregate principal amount of Senior Notes. The notes mature on August 1, 2019. Interest on the Senior Notes is calculated at the rate of 6.50% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

Proceeds from Senior Notes of EUR 170,000 thousand were initially deposited into escrow account and on July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction. The proceeds were used for distribution of share premium. See also Note 16.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 15,092 thousand as at December 31, 2015 (PLN 19,184 thousand as at December 31, 2014). The effective interest rate was 7.04% as at December 31, 2015 and December 31, 2014.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate. Critical assumptions and implemented valuation techniques for measuring the fair value are the same as for EUR 5.25% Senior Secured Notes due 2019 described above.

#### *17.1.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015*

On March 19, 2015, the Group issued EUR 125,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes is calculated at the rate of 5.25% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2015.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes, adjusted by the value of premium, were included in the calculation of the effective interest rate. As a result of the purchase of notes at a premium the balance of unamortized expenses was negative and amounted to PLN 11,091 thousand as at December 31, 2015. The effective interest rate was 4.57% as at December 31, 2015 and December 31, 2014.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate. Critical assumptions and implemented valuation techniques for measuring the fair value are the same as for EUR 5.25% Senior Secured Notes due 2019 described above.

## 17.2 Bank loans

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Long-term bank loans** | | | |
| Bank loan - China Development Bank | - | - | 1,600,833 |
| Bank loan - Alior Bank | - | - | 390,504 |
| | **-** | **-** | **1,991,337** |
| **Short-term bank loans** | | | |
| Bank loan - China Development Bank | - | - | 431,869 |
| Bank loan - Bank Zachodni WBK | - | - | - |
| Bank loan - Bank Millennium | - | - | 13 |
| Accrued interest on bank loans | - | - | 16,040 |
| | **-** | **-** | **447,922** |

### 17.2.1 Revolving Credit Facility

The Play Group has a multi-currency revolving facility with Alior Bank S.A. as a lender, and Bank Zachodni WBK S.A. as a lender and facility agent for the amount of PLN 400,000 thousand. The funds can be used to finance general corporate and working capital purposes of the Group (including the acquisition of telecommunications licenses or capital expenditure relating thereto, as well as other capital expenditure). The bank loan should be repaid until January 31, 2018. Interest is calculated based on relevant LIBOR, EURIBOR or WIBOR rate (depending on the currency drawn and the interest period) plus margin.

As at December 31, 2015, the Group has not drawn down any funds under the Revolving Credit Facility agreement.

### 17.2.2 Bank Zachodni WBK loan

The Play Group has a revolving credit line agreement with Bank Zachodni WBK S.A. for the amount of PLN 150,000 thousand. The funds can be used to finance working capital needs.

The bank loan in the amount of PLN 150,000 thousand is available until May 10, 2016, and next reduced to PLN 75,000 thousand with availability until September 30, 2016. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2015, the revolving credit line in Bank Zachodni WBK S.A. was fully available.

### 17.2.3 Millennium Bank loan

The Play Group has a revolving credit line agreement with Bank Millennium S.A. for the amount of PLN 50,000 thousand. The funds are available to finance working capital needs.

The bank loan is available until November 12, 2016. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2015, the revolving credit line in Millennium Bank was fully available.

#### *17.2.4 CDB loan*

The Play Group had loan agreements with China Development Bank totaling EUR 890,000 thousand with the maximum outstanding amount capped at EUR 640,000 thousand which was the aggregate amount of all CDB Loan Facilities outstanding on any date.

The loan was used for the extension of Play Group's telecommunication network and for certain defined operating activities.

The loan was repayable in quarterly installments; the last installment was due in October, 2018. Interest was calculated based on 1M, 2M, 3M EURIBOR rate plus margin.

The loan was fully repaid on January 31, 2014, using proceeds from Senior Secured Notes issued on January 31, 2014.

#### *17.2.5 Alior Bank loan*

The Play Group had a credit agreement with Alior Bank S.A. for the amount of PLN 395,000 thousand. The purpose of the facility was to finance acquisition of the new telecommunications licenses and for general operational expenses relating to these licenses.

The amount of PLN 395,000 thousand was drawn down on June 24, 2013 and was used to finance the reservation of three blocks of 1800 MHz frequency.

The loan was repayable in quarterly installments; the first installment was due in September 2015, the last installment was due in June, 2018. Interest was calculated based on 3M WIBOR rate plus margin.

The loan was fully repaid on January 31, 2014, using proceeds from Senior Secured Notes issued on January 31, 2014.

#### *17.2.6 Bank Pekao loan*

The Play Group had a revolving credit line agreement with Bank Pekao S.A. for the amount of PLN 150,000 thousand. The funds were used to finance operating activities.

Interest was calculated based on 1M WIBOR rate plus margin.

The bank loan was fully repaid and closed on January 27, 2014.

#### *17.2.7 BZ WBK loan*

The Play Group had a revolving credit line agreement with Bank Zachodni WBK S.A. for the amount of PLN 120,000 thousand. The funds were used to finance operating activities.

Interest was calculated based on 1M WIBOR rate plus margin.

The bank loan was fully repaid and closed on January 24, 2014.

## 17.3 Leases

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Long-term lease liabilities** | | | |
| Telecommunication sites | 536,813 | 492,522 | 488,938 |
| Points of sale | 35,657 | 41,262 | 42,010 |
| Dark fiber optic cable | 16,475 | 18,887 | 24,584 |
| Collocation centers | 20,163 | 16,572 | 17,239 |
| Offices & Warehouse | 33,967 | 18,782 | 24,487 |
| Computers and telecommunication equipment | 15,300 | 15,690 | 21,478 |
| Motor vehicles | 5,011 | 3,935 | 3,159 |
| | **663,386** | **607,650** | **621,895** |
| **Short-term lease liabilities** | | | |
| Telecommunication sites | 108,415 | 103,317 | 95,878 |
| Points of sale | 24,914 | 27,641 | 22,789 |
| Dark fiber optic cable | 9,992 | 13,143 | 13,409 |
| Collocation centers | 5,690 | 4,702 | 4,276 |
| Offices & Warehouse | 7,617 | 10,132 | 9,513 |
| Computers and telecommunication equipment | 16,128 | 25,346 | 28,266 |
| Motor vehicles | 5,255 | 5,107 | 5,996 |
| | **178,011** | **189,388** | **180,127** |

## 17.4 Assets pledged as security for finance liabilities

The Senior Secured Notes, the 2015 Senior Secured Notes and the Revolving Credit Facility are secured by:

- a pledge over, or assignment by way of security of, all of the issued and outstanding capital stock in each of the Senior Secured Notes Issuer (Play Finance 2 S.A.) and the Senior Secured Note Guarantors (Collectively, Play Holdings 2 S. à r. l., Play Holdings 3 S. à r. l., P4 Sp. z o.o., the Senior Notes Issuer and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k.);
- an assignment by way of security or pledge of the Senior Secured Notes Proceeds Bonds (intergroup notes issued by P4 Sp. z o.o. and by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 2 S.A.);
- a pledge over substantially all of the assets (i.e., whole business) of each of P4 Sp. z o.o. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k. (including, without limitation, any bank accounts, material trademarks and other movable property and assets owned by such entities);
- a pledge over the bank accounts of the Senior Secured Notes Issuer and each of the Senior Secured Notes Guarantors; and
- a pledge over any receivables of the Senior Secured Notes Issuer and each of the Senior Secured Note Guarantors (including, without limitation, the Senior Secured Notes Proceeds Bonds).

The Senior Notes are secured by:

- junior-priority security interests over the following property and assets:
  - a pledge over the issued and outstanding capital stock of each of the Senior Notes Issuer (Play Finance 1 S.A.), P4 Sp. z o.o., Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k., Play Holdings 2 S. à r. l. and Play Holdings 3 S. à r. l.; and
  - a pledge or assignment of the Senior Notes Proceeds Bonds (intergroup notes issued by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 1 S.A.).

## 18. Provisions

| | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| Assets retirement provision | 38,255 | 31,640 | 22,741 |
| Other long-term provisions | 8,217 | 21,883 | 26,359 |
| Short-term provisions | 996 | 1,653 | 1,549 |
| | **47,468** | **55,176** | **50,649** |

Movements of the provisions are as follows:

| | Assets retirement provision | Other long-term provisions | Short-term provisions | Total |
|---|---|---|---|---|
| **As at January 1, 2015** | **31,640** | **21,883** | **1,653** | **55,176** |
| Increase | 7,129 | 602 | 47 | **7,778** |
| Decrease: | (514) | (14,268) | (704) | **(15,486)** |
| - reversal of provisions | (514) | (10,848) | - | **(11,362)** |
| - utilization | - | (3,420) | (704) | **(4,124)** |
| **As at December 31, 2015** | **38,255** | **8,217** | **996** | **47,468** |

| | Assets retirement provision | Other long-term provisions | Short-term provisions | Total |
|---|---|---|---|---|
| **As at January 1, 2014** | **22,741** | **26,359** | **1,549** | **50,649** |
| Increase | 9,345 | 1,334 | 118 | **10,797** |
| Decrease: | (446) | (5,810) | (14) | **(6,270)** |
| - reversal of provisions | (446) | (5,199) | (14) | **(5,659)** |
| - utilization | - | (611) | - | **(611)** |
| **As at December 31, 2014** | **31,640** | **21,883** | **1,653** | **55,176** |

| | Assets retirement provision | Other long-term provisions | Short-term provisions | Total |
|---|---|---|---|---|
| **As at January 1, 2013** | **26,714** | **14,620** | **4,420** | **45,754** |
| Increase | 3,742 | 9,125 | 644 | **13,511** |
| Transfers | - | 3,515 | (3,515) | **-** |
| Decrease: | (7,715) | (901) | - | **(8,616)** |
| - reversal of provisions | (7,715) | (776) | - | **(8,491)** |
| - utilization | - | (125) | - | **(125)** |
| **As at December 31, 2013** | **22,741** | **26,359** | **1,549** | **50,649** |

## 19. Retention programs liabilities

During the year ended December 31, 2015 and during the comparative periods, the Play Group operated following cash-settled share-based retention programs:

- EGA MB Plan
- PSA 1, PSA 2 and PSA 3 Plans
- SF 1 and SF 2 Plans
- EGA Employees Plan
- VDP 1 Plan
- VDP 2 Plan
- VDP 3 Plan

***EGA MB Plan***

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2006 and 2007. In the year ended December 31, 2014 the plan operated by P4 was replaced by the plan with the same conditions operated by the Company. The percentage granted under the plan was transformed into number of rights.

In accordance with the conditions of the EGA MB Plan upon disposal of shares by the current shareholders (a liquidity event), including the following transactions: sale of shares, initial public offering, cancellation or redemption of shares, at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions, if they have not resigned or been dismissed by the Group during the vesting period. In case of the distribution of equity to shareholders program members are entitled to receive additional payments. The number of rights granted under the plan was 2,181 as at December 31, 2015 and as at December 31, 2014. As at December 31, 2013 the percentage granted was 2.25% which was the equivalent of 2,181 rights.

As at December 31, 2015 share appreciation rights of the EGA MB Plan have already vested.

The Company has an option to settle the plan in equity, but intends to settle the plan in cash.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Monte Carlo model).

***PSA 1, PSA 2 and PSA 3 Plans***

Under the PSA 1 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2009. Under the PSA 2 and PSA 3 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. In the year ended December 31, 2014 the plans operated by P4 were replaced by one plan operated by the Company and modified; the percentage granted under the plans was transformed into number of rights.

In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on the excess of liquidity event price above base value defined in the agreement, if they have not resigned or been dismissed by the Group during the vesting period. The number of rights granted under the plan was 2,181 as at December 31, 2015 and as at December 31, 2014. As at December 31, 2013 the percentage granted was 2.25% which was the equivalent of 2,181 rights.
As at December 31, 2015 share appreciation rights of the PSA 1 Plan have already vested.

In accordance with the conditions of the PSA 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on the excess of liquidity event price above base value defined in the agreement less amount paid under PSA 3 Plan. The amount paid under PSA 2 Plan cannot be greater than the limit set in agreement. The number of rights granted under the plan was 727 as at December 31, 2015 and as at December 31, 2014. As at December 31, 2013 the percentage granted was 0.75% which was the equivalent of 727 rights.

In accordance with the conditions of the PSA 3 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts defined in the agreement.

In case of the distribution of equity to shareholders program members are entitled to receive interim payments.

The PSA 2 Plan and PSA 3 Plan vest: 20% on January 1, 2013, 20% on January 1, 2014, 20% on January 1, 2015, 20% on January 1, 2016, 20% on January 1, 2017 (or when liquidity event occurs) if the program member has not resigned or been dismissed by the Group until these dates.

The Company has an option to settle the plan in equity, but intends to settle the plan in cash.

The fair value of share appreciation rights of PSA 1, PSA 2 and PSA 3 Plans is estimated using a geometric Brownian motion process (a Black-Scholes model).

***SF 1 and SF 2 Plans***

Under the SF 1 and SF2 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. During year 2015 the plans operated by P4 were replaced by plans operated by the Company and modified.

In accordance with the conditions of the SF 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program member is entitled to receive amount defined in agreement.

In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member is entitled to receive amount calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under SF 1 Plan. The amount paid from SF 2 Plan cannot be greater than the limit set in agreement. Percentage granted under the plan was 0.20% as at December 31, 2015, as at December 31, 2014 and December 31, 2013.

The SF 1 Plan and SF 2 Plan vest: 20% on April 1, 2013, 20% on April 1, 2014, 20% on April 1, 2015, 20% on April 1, 2016, 20% on April 1, 2017 (or when liquidity event occurs) if the program member has not resigned or been dismissed by the Group until these dates.

The fair value of share appreciation rights of SF 1 and SF 2 Plans is estimated using a geometric Brownian motion process (a Black-Scholes model).

In case of the distribution of equity to shareholders program member is entitled to receive interim payments.

***EGA Employees Plan***

Under the EGA Employees Plan the members of the Group's Key Personnel were granted share appreciation rights by P4 during years 2007 and 2008. In April 2014 the program was modified: the percentage granted under the plan was transformed into rights to remuneration dependent on the Group's performance in 2014, rights to remuneration dependent on the Group's performance in 2016 and share appreciation rights. In accordance with the conditions of the EGA Employees Plan, upon the disposal of shares by the current shareholders (a liquidity event) before June 30, 2016, at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions. The number of rights granted to the Group's Key Personnel under the plan was 27 as at December 31, 2015 and as at December 31, 2014, which is the equivalent of a percentage of 0.27% before the program modification (as at December 31, 2013 the percentage granted was 0.58%). If there is no change of control over P4 until June 30, 2016, program members will be entitled to remuneration dependent on the Group's performance, decreased by earlier payouts resulting from previous liquidity events.

The rights to remuneration dependent on the Group's performance in 2014 have been exercised in the year ended December 31, 2014.

The EGA Employees Plan vests when a liquidity event occurs and on payout dates i.e. July 31, 2014 and July 31, 2016 provided that the program member has not resigned or been dismissed by the Group until these dates.

P4 has an option to settle the plan in equity, but intends to settle the plan in cash.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Monte Carlo model).

***VDP 1***

Under the VDP 1 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2010 and 2011. In accordance with the conditions of the VDP 1, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right, if they have not resigned or been dismissed by the Group before liquidity event date or by the end of the program. The value of one right was calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2012. Therefore value of one right was calculated taking into account the increase in fair value of P4's equity until December 31, 2012.

Amounts due under VDP 1 plan were paid out to program members in the year ended December 31, 2013 and in the year ended December 31, 2014.

***VDP 2***

Under the VDP 2 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2013 and 2014. In accordance with the conditions of the VDP 2, the program members are entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right is calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2014. Therefore value of one right was calculated taking into account the increase in fair value of P4's equity until December 31, 2014.

Amounts due under VDP 2 plan were paid out to program members in the year ended December 31, 2015.

***VDP 3***

Under the VDP 3 the members of the Group's key personnel were granted share appreciation rights by P4 in June and August 2015. In accordance with the conditions of the VDP 3, the program members are entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right is calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ends on December 31, 2017.
The VDP 3 vests gradually from grant date to the date when program ends if the program member has not resigned or been dismissed by the Group until this date.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

The following table illustrates the number of, and movements in VDP 2 and VDP 3 share appreciation rights (not in thousands) during the periods:

| | **Year ended December 31, 2015** | | **Year ended December 31, 2014** | | **Year ended December 31, 2013** | |
|---|---|---|---|---|---|---|
| | VDP Plan 2 | VDP Plan 3 | VDP Plan 1 | VDP Plan 2 | VDP Plan 1 | VDP Plan 2 |
| **As at January 1** | **12,085,617** | **-** | **-** | **11,935,517** | **9,674,000** | **-** |
| Granted during the period | - | 20,490,000 | - | 320,000 | - | 12,309,834 |
| Granted in prior periods (correction) | 70,601 | - | 184,320 | - | - | - |
| Forfeited during the period | - | (46,662) | - | (169,900) | (303,800) | (374,317) |
| Exercised during the period | (12,156,218) | - | (184,320) | - | (9,370,200) | - |
| **As at December 31** | **-** | **20,443,338** | **-** | **12,085,617** | **-** | **11,935,517** |
| Exercisable at December 31 | - | - | - | 12,085,617 | - | - |

***Fair value of the programs:***

The Group estimates fair value of the liabilities resulting from the plans at each end of the reporting period. Changes in the value of a liability are recognized in statement of comprehensive income. Changes in fair value of the plans are presented below.

| | Long-term retention programs liabilities | Short-term retention programs liabilities |
|---|---|---|
| **As at January 1, 2015** | **95,702** | **14,129** |
| Granted in prior periods (correction) | - | 84 |
| Exercised during the period | - | (18,009) |
| Changes in valuation during the period | 93,175 | 253 |
| Transferred during the period | (25,837) | 25,837 |
| **As at December 31, 2015** | **163,040** | **22,294** |
| Vested at December 31, 2015 | 145,390 | 10,670 |

| | Long-term retention programs liabilities | Short-term retention programs liabilities |
|---|---|---|
| **As at January 1, 2014** | **71,609** | **-** |
| Granted during the period | 230 | - |
| Granted in prior periods (correction) | - | 150 |
| Forfeited during the period | (801) | - |
| Exercised during the period | - | (45,465) |
| Changes in valuation during the period | 84,108 | - |
| Transferred during the period | (59,444) | 59,444 |
| **As at December 31, 2014** | **95,702** | **14,129** |
| Vested at December 31, 2014 | 80,410 | 14,129 |

| | Long-term retention programs liabilities | Short-term retention programs liabilities |
|---|---|---|

| | | |
|---|---|---|
| **As at January 1, 2013** | **112,237** | **7,873** |
| Granted during the period | 8,125 | - |
| Forfeited during the period | (38,871) | (248) |
| Exercised during the period | - | (7,625) |
| Changes in valuation during the period | (9,882) | - |
| **As at December 31, 2013** | **71,609** | **-** |
| Vested at December 31, 2013 | 60,266 | - |

## 20. Trade and other payables

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Trade payables | 670,060 | 628,889 | 502,923 |
| Investment payables | 194,600 | 145,288 | 105,184 |
| Government payables | 109,613 | 59,390 | 61,372 |
| Employee payables | 35 | 55 | 72 |
| Other | 2,641 | 2,493 | 2,246 |
| | **976,949** | **836,115** | **671,797** |

## 21. Accruals

Accruals include accruals for bonuses and unused holidays.

## 22. Deferred income

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Airtime from pre-paid products | 140,908 | 96,831 | 102,054 |
| Fees related to post-paid contracts | 143,700 | 132,090 | 115,924 |
| Other | - | 210 | 730 |
| | **284,608** | **229,131** | **218,708** |

## 23. Operating revenue

Total operating revenue corresponds to the revenue from contracts with customers.

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Service revenue** | **4,059,534** | **3,398,442** | **2,849,641** |
| Usage revenue | 3,180,086 | 2,761,257 | 2,309,668 |
| Interconnection revenue | 879,448 | 637,185 | 539,973 |
| **Sales of goods and other revenue** | **1,376,969** | **1,191,223** | **1,034,818** |
| | **5,436,503** | **4,589,665** | **3,884,459** |

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Usage revenue by category** | | | |
| Retail contract revenue | 2,459,003 | 2,128,590 | 1,763,711 |
| Retail prepaid revenue | 642,894 | 587,362 | 506,200 |
| Other revenue | 78,189 | 45,305 | 39,758 |
| | **3,180,086** | **2,761,257** | **2,309,668** |

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Retail usage revenue by type of customer** | | | |
| **Residential** | **2,373,634** | **2,085,305** | **1,789,880** |
| *- Postpaid* | *1,335,407* | *1,140,316* | *934,027* |
| *- Prepaid* | *591,999* | *540,614* | *452,851* |
| *- Mix* | *163,083* | *139,831* | *121,009* |
| *- Play Internet* | *274,319* | *259,242* | *276,848* |
| *- Fixed* | *8,826* | *5,302* | *5,144* |
| **Business** | **728,263** | **630,647** | **480,031** |
| *- Postpaid* | *728,263* | *630,647* | *480,031* |
| | **3,101,897** | **2,715,952** | **2,269,911** |

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Timing of transfer of goods or services** | | | |
| Goods transferred at a point in time | 1,376,969 | 1,191,223 | 1,034,818 |
| Services transferred over time | 4,059,534 | 3,398,442 | 2,849,641 |
| | **5,436,503** | **4,589,665** | **3,884,459** |

| | **Year ended December 31, 2015** | **Year ended December 31, 2014** | **Year ended December 31, 2013** |
|---|---|---|---|
| Revenue recognized in the reporting periods that was included in the contract liability balance at the beginning of the period | 17,852 | 16,445 | 4,039 |

In the reporting periods there was no revenue recognized from performance obligations satisfied or partially satisfied in previous periods.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

| | **December 31, 2015** |
|---|---|
| Transaction price allocated to the remaining performance obligation | |
| 2016 | 1,536,445 |
| 2017 | 321,201 |
| 2018 | 8,154 |
| 2019 | - |
| | **1,865,800** |

The Group applied IFRS 15 retrospectively using the practical expedient in paragraph C5c of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognize that amount as revenue for all reporting periods presented before the date of initial application.

## 24. Interconnection, roaming and other service costs

| | **Year ended December 31, 2015** | **Year ended December 31, 2014** | **Year ended December 31, 2013** |
|---|---|---|---|
| Interconnection costs | (1,002,357) | (776,466) | (672,809) |
| National roaming/network sharing | (160,045) | (179,632) | (192,569) |
| Other service costs | (168,221) | (142,406) | (123,699) |
| | **(1,330,623)** | **(1,098,504)** | **(989,077)** |

## 25. Contract costs, net

| | **Year ended December 31, 2015** | **Year ended December 31, 2014** | **Year ended December 31, 2013** |
|---|---|---|---|
| Contract costs incurred | (429,099) | (376,665) | (311,421) |
| Contract costs capitalized | 395,403 | 342,704 | 278,188 |
| Amortization of contract costs | (342,573) | (284,304) | (246,157) |
| | **(376,269)** | **(318,265)** | **(279,390)** |

# 26. General and administrative expenses

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Employee benefits** | **(307,699)** | **(286,895)** | **(184,646)** |
| Salaries | (189,188) | (178,833) | (177,983) |
| Social security | (25,387) | (24,291) | (24,291) |
| Special bonuses | 388 | (84) | (23,249) |
| Retention programs | (93,512) | (83,687) | 40,877 |
| | | | |
| **External services** | **(525,524)** | **(498,589)** | **(477,426)** |
| Network maintenance, leased lines and energy | (111,642) | (109,486) | (115,700) |
| Advertising and promotion expenses | (181,011) | (170,062) | (144,624) |
| Customer relations costs | (66,573) | (66,781) | (73,971) |
| Office and points of sale maintenance | (15,940) | (14,286) | (14,719) |
| IT expenses | (30,088) | (28,871) | (27,593) |
| People related costs - cars, trainings and other | (19,169) | (18,857) | (20,501) |
| Finance and legal services | (18,532) | (19,469) | (16,085) |
| Advisory services provided by shareholders | (27,677) | (21,213) | (17,892) |
| Other external services | (54,892) | (49,564) | (46,341) |
| | | | |
| **Taxes and fees** | **(54,462)** | **(66,954)** | **(44,892)** |
| | **(887,685)** | **(852,438)** | **(706,964)** |

As the Play Group has employees in Poland as well as in Luxembourg, it is legally required to pay monthly social security contributions to the pension administration in both countries. During the year ended December 31, 2015, the year ended December 31, 2014 and the year ended December 31, 2013, the rate of social security contributions amounted to 9.76% of gross salaries for the employees in Poland and 8% of gross salaries for the employees in Luxembourg. The Group is not required to make any contributions in excess of this statutory rate.

# 27. Depreciation and amortization

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Depreciation and amortization** | | | |
| Depreciation of property, plant and equipment | (277,323) | (217,969) | (213,394) |
| Amortization of intangibles | (169,169) | (177,845) | (157,169) |
| Depreciation of right-of-use assets | (150,768) | (144,328) | (132,604) |
| | **(597,260)** | **(540,142)** | **(503,167)** |

## 28. Other operating income and other operating costs

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Other operating income** | | | |
| Income from early contract termination | 30,255 | 23,046 | 22,999 |
| Gain on disposal of non-current assets | 3,900 | 3,531 | 3,892 |
| Reversal of impairment of other non-current assets | - | 2,668 | 565 |
| Reversal of provisions | 10,706 | 5,199 | - |
| Income from subleasing of right-of-use assets | 7,305 | 7,236 | 6,733 |
| Interest income on trade receivables and cash | 14,918 | 12,939 | 7,603 |
| Other miscellaneous operating income | 11,404 | 9,589 | 12,517 |
| | **78,488** | **64,208** | **54,309** |
| **Other operating costs** | | | |
| Impairment of other non-current assets | (1,664) | (1,004) | (4,377) |
| Impairment of contract assets | (51,394) | (50,161) | (41,531) |
| Bad debt | (14,171) | (30,609) | (16,592) |
| Other miscellaneous operating costs | (6,483) | (4,149) | (12,336) |
| Exchange rate losses | (2,368) | (336) | (502) |
| | **(76,080)** | **(86,259)** | **(75,338)** |

## 29. Finance income and finance costs

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Finance income** | | | |
| Interest income | 7,576 | 1,520 | 3,318 |
| Net gain on finance assets at fair value through profit or loss | - | 50,719 | - |
| Other | - | 22,488 | - |
| | **7,576** | **74,727** | **3,318** |
| **Finance costs** | | | |
| Interest expense, including: | (310,319) | (328,935) | (180,389) |
| *- on lease liabilities* | (59,437) | (61,450) | (62,076) |
| Net loss on finance assets at fair value through profit or loss | (38,392) | - | - |
| Exchange rate losses | (19,267) | (81,239) | (25,323) |
| Other | - | (22,435) | (5) |
| | **(367,978)** | **(432,609)** | **(205,717)** |

# 30. Taxation

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| Current tax charge | (57,808) | (18,790) | (146) |
| Deferred tax benefit/(charge) | (97,365) | 102,049 | (61,723) |
| **Income tax benefit/(charge)** | **(155,173)** | **83,259** | **(61,869)** |

Reconciliation between tax base resulting from accounting profit and income tax charge:

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Profit before income tax** | **705,451** | **415,602** | **290,347** |
| Tax calculated at tax rates applicable to profit (19%) | (134,036) | (78,964) | (55,166) |
| Effect of difference between tax rates in Cyprus and Luxembourg and in Poland | 2,101 | 7,495 | 3,506 |
| Income/(Expenses) not subject to tax, net | (13,694) | 13,190 | (2,336) |
| Previous years tax income included in current year accounting profit | 315 | 78 | 563 |
| Adjustments relating to previous years tax | (13,764) | (3,642) | (1,540) |
| Change in unrecognized deferred tax asset arising from tax losses | 4,896 | (32,586) | (6,896) |
| Effect of tax revaluation of the trademark | - | 188,020 | - |
| Taxable income not included in accounting profit, net | (926) | (10,305) | - |
| Minimum Luxembourg income tax | (27) | (27) | - |
| Adjustment linked to closing exchange rate | (38) | - | - |
| **Income tax benefit/(charge)** | **(155,173)** | **83,259** | **(61,869)** |

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg is 29.22%. The corporate income tax rate applied to the subsidiary incorporated in Cyprus for the year ended December 31, 2014 was 2.5% (the subsidiary based in Cyprus, Play Brand Management Ltd, merged with another subsidiary, P4 Sp. z o.o., in December 2014).

The line "Effect of difference between tax rates in Cyprus and Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland (and Cyprus in 2014 and 2013).

The line "Adjustment linked to closing exchange rate" refers to adaptation the exchange rates used for Luxembourg tax purposes to be in line with the exchange rates published by the European Central Bank.

**Deferred income tax**

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized.

As at December 31, 2015 deferred income tax was recognized according to the Group's estimation which assumes that the Group will achieve taxable profits in the future. The estimation is based upon long term financial projections and the budget for the year 2016.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Therefore Play Group offset deferred income tax assets and liabilities on the level of the standalone financial statements of consolidated entities.

Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

| | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| **Temporary differences:** | | | |
| net deductible timing differences | 906,564 | 1,229,628 | 858,196 |
| unutilized tax loss carry-forwards | 69,305 | 285,689 | 719,122 |
| | **975,869** | **1,515,317** | **1,577,318** |
| **Potential deferred income tax net asset arising from:** | | | |
| net deductible timing differences | 172,235 | 233,629 | 42,793 |
| unutilized tax loss carry-forwards | 13,863 | 54,726 | 136,633 |
| | **186,098** | **288,355** | **179,426** |
| Recognized deferred income tax assets | **184,146** | **281,475** | **180,998** |
| Recognized deferred income tax liability | **(36)** | **-** | **(1,572)** |
| Not recognized deferred income tax assets | **1,988** | **6,880** | **-** |

As at December 31, 2015 and December 31, 2014 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

The deferred tax assets and liabilities consist of the following:

**Deferred tax assets**

| | Tax loss carry forward | Provisions and deferred income | Contract liabilities | Fixed and intangible assets | Inventories | Liabilities | Other items | **Total** |
|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2013** | **180,105** | **59,667** | **1,065** | **64,031** | **7,236** | **200,474** | **5,174** | **517,752** |
| credited / (charged) to the income statement | (43,472) | (822) | 2,516 | 29,938 | (907) | 10,224 | 1,579 | (944) |
| **As at December 31, 2013** | **136,633** | **58,845** | **3,581** | **93,969** | **6,329** | **210,698** | **6,753** | **516,808** |
| credited / (charged) to the income statement | (88,787) | 12,594 | 475 | 207,444 | 4,452 | 24,484 | (5,035) | 155,627 |
| **As at December 31, 2014** | **47,846** | **71,439** | **4,056** | **301,413** | **10,781** | **235,182** | **1,718** | **672,435** |
| credited / (charged) to the income statement | (35,971) | (24,709) | 185 | 34,034 | (2,257) | 38,419 | (1,538) | 8,163 |
| **As at December 31, 2015** | **11,875** | **46,730** | **4,241** | **335,447** | **8,524** | **273,601** | **180** | **680,598** |

**Deferred tax liabilities**

| | Fixed and intangible assets | Right-of-use assets | Contract costs | Prepaid expenses | Contract assets | Receivables | Inventories | Liabilities | Other items | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2013** | **7,116** | **(116,944)** | **(31,670)** | **(8,449)** | **(116,433)** | **(9,019)** | **(498)** | **(609)** | **(97)** | **(276,603)** |
| credited / (charged) to the income statement | (17,156) | (5,758) | (6,086) | 618 | (20,133) | 764 | 55 | (13,153) | 70 | (60,779) |
| **As at December 31, 2013** | **(10,040)** | **(122,702)** | **(37,756)** | **(7,831)** | **(136,566)** | **(8,255)** | **(443)** | **(13,762)** | **(27)** | **(337,382)** |
| credited / (charged) to the income statement | (19,686) | 1,469 | (11,096) | (1,376) | (31,772) | 3,644 | 4,401 | 1,951 | (1,113) | (53,578) |
| **As at December 31, 2014** | **(29,726)** | **(121,233)** | **(48,852)** | **(9,207)** | **(168,338)** | **(4,611)** | **3,958** | **(11,811)** | **(1,140)** | **(390,960)** |
| credited / (charged) to the income statement | (42,551) | (8,459) | (10,037) | (5) | (21,829) | (27,830) | (3,958) | 9,812 | (671) | (105,528) |
| **As at December 31, 2015** | **(72,277)** | **(129,692)** | **(58,889)** | **(9,212)** | **(190,167)** | **(32,441)** | **-** | **(1,999)** | **(1,811)** | **(496,488)** |

The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Luxembourg tax losses can be carried forward indefinitely. In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum.

## 31. Cash and cash equivalents presented in statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts. Restricted cash is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

| | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Cash and cash equivalents in statement of financial position | 1,556,801 | 497,981 | 307,510 |
| Restricted cash | - | (200) | (134,922) |
| Bank overdrafts | - | - | (13) |
| **Cash and cash equivalents in statement of cash flows** | **1,556,801** | **497,781** | **172,575** |

Transfers to/from other finance assets were presented as investing activity in the consolidated statement of cash flows in the year ended December 31, 2014.

On January 31, 2014, proceeds from Senior Notes of EUR 170,000 thousand were deposited into escrow account and recognized as other finance assets. See also Note 17.1.3.

The release of the escrowed proceeds to the Group was subject to the satisfaction of certain conditions, including a deleveraging event or certain M&A transaction. On July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction.

## 32. Changes in working capital and other

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| (Increase)/decrease of inventories | (17,274) | (37,869) | 13,034 |
| (Increase)/decrease of receivables | (160,693) | (26,698) | 44,611 |
| Increase of prepaid expenses | (7,130) | (21,636) | (11,544) |
| Increase/(decrease) of payables excluding investment payables | 94,173 | 145,641 | (82,266) |
| Increase/(decrease) of accruals | 7,313 | (4,369) | 23,471 |
| Increase of deferred income | 55,474 | 10,422 | 44,227 |
| (Increase)/decrease of long term receivables | 3,202 | (1,278) | 2,450 |
| Increase/(decrease) of other non-current liabilities | (1,351) | 1,275 | 5,311 |
| | **(26,286)** | **65,488** | **39,294** |

## 33. Foreign exchange gains and losses presented as adjustment of operating cash flows in statement of cash flows

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Foreign exchange losses in statement of comprehensive income** | **19,267** | **81,239** | **25,323** |
| on purchase of currency for repayment of finance liabilities | - | (3,911) | (16,951) |
| on restricted cash management | - | (2,833) | (2,376) |
| Foreign exchange (gains)/losses on valuation of cash and cash equivalents | (62) | 59 | 1 |
| **Foreign exchange losses presented as adjustment of operating cash flows in statement of cash flows** | **19,329** | **87,924** | **44,649** |

## 34. Cash flows relating to finance liabilities

| | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|
| **Proceeds from finance liabilities** | | | |
| loans | - | - | 783,535 |
| notes | 543,772 | 3,816,016 | - |
| | **543,772** | **3,816,016** | **783,535** |
| **Repayment of finance liabilities and relating finance costs** | | | |
| loans | (3,706) | (2,544,361) | (575,435) |
| *- principal* | - | *(2,499,536)* | *(476,308)* |
| *- interests* | - | *(24,801)* | *(86,847)* |
| *- other* | *(3,706)* | *(20,024)* | *(12,280)* |
| notes | (234,857) | (185,643) | - |
| *- interests* | *(226,065)* | *(108,562)* | - |
| *- other* | *(8,792)* | *(77,081)* | - |
| leases | (198,402) | (197,903) | (186,764) |
| other debt | - | - | (308) |
| *- principal* | - | - | *(88)* |
| *- interests* | - | - | *(200)* |
| *- other* | - | - | *(20)* |
| | **(436,965)** | **(2,927,907)** | **(762,507)** |

# 35. Commitments

## *35.1 2100 MHz and 900 MHz license requirements*

As of the date of issuance of these consolidated financial statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums. The Group is not aware of any circumstances which may currently give rise to a potential claim in this respect.

## *35.2 1800 MHz license requirements*

The 1800 MHz frequency reservation decision granted to P4 on June 14, 2013 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment must be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, P4 must commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of these consolidated financial statements, the Group has fulfilled all these obligations.

## *35.3 800 MHz license requirements*

The 800 MHz frequency reservation decision granted to P4 on January 25, 2016 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network covering 84% of communes (“gmina”) defined as “white spots” in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunication network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, P4 must commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation.

## *35.4 2600 MHz license requirements*

4 reservation decisions in the 2600 MHz spectrum granted to P4 on January 25, 2016 require that P4 must commence provision of services which utilize 2600 MHz frequencies no later than in 36 months from the date of the frequency reservation.

# 36. Contingencies and legal proceedings

## *36.1 Tax contingent liability*

Play Group conducts its operations mainly in the area of Polish tax jurisdiction. Regulations relating to value-added tax, corporate income tax, and payroll (social) taxes change often. The lack of reference to well-established regulations results in a lack of clarity and consistency in the regulations. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems. The tax authorities may at any time inspect the books and records and may impose additional tax assessments with penalty interest and penalties within 5 years from the end of the year in which a tax is due.

The Play Group is not aware of any circumstances, which may currently give rise to a potential material liability in this respect.

## *36.2 Universal service liability to Orange Polska S.A.*

The Telecommunications Law states that the obligation to provide universal services shall rest with the operator selected pursuant to a decision of the President of Polish regulator Urząd Komunikacji Elektronicznej ("UKE") issued after a tender procedure. The President of UKE issued a decision assigning Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) as the operator required to provide universal services until May 8, 2011. Telecommunications providers whose revenues from telecom activities exceed PLN 4,000 thousand have to co-finance the fulfillment of this obligation. The share in the funding that a telecommunications provider will be required to provide shall also be established by a decision of the President of UKE; however, it may not exceed 1% of the telecommunications provider's revenues in the given calendar year, and must be proportionate to its market share vis a vis other entities obliged to co-fund the universal service. The amount of the share in the funding of the universal service shall constitute a deductible cost, as defined by the Act on Corporate Income Tax.

On May 9, 2011, the decision of the President of UKE imposing a universal service obligation on Orange Polska S.A. expired, and since then Orange Polska S.A. is not required to provide this service. The President of UKE for the moment has not initiated a procedure for the designation of the entrepreneur or entrepreneurs required to provide universal service.

Orange Polska S.A. applied to the President of UKE for a subsidy towards the incurred costs of the universal service provision. The application pertains to the subsidy towards the costs for the period from May 8, 2006 to December 31, 2006 and for the years 2007-2009, 2010, 2011 (from January 1, 2011 to May 8, 2011).

On May 24, 2011 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 66,994 thousand (the total amount requested by Orange Polska S.A. was PLN 803,653 thousand). On January 10, 2012 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of PLN 55,102 thousand (the amount requested by Orange Polska S.A. was PLN 269,436 thousand). On September 17, 2013 the President of UKE issued a decision that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period from January to May 2011 in the amount of PLN 14,903 thousand (the amount requested by Orange Polska S.A. was PLN 33,839 thousand).

Based on those decisions the Group has prepared the estimation of P4's share in the universal service contributions for the years 2006-2009, 2010 and 2011. Accordingly the provision has been recognized in these consolidated financial statements.

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008 - on November 30, 2011, for the year 2009 - on December 9, 2011, for the year 2010 – on May 22, 2012, for the year 2011 – on October 14, 2013. Decision relating to P4's contribution to universal service for the year 2007 is expected by the end of November 2016, whereas decisions relating to P4's contribution to universal service for the years 2008, 2009, 2010 are expected no sooner than by the end of 2016 and for the year 2011 no sooner than in the first quarter of 2017.

## *36.3 Legal and regulatory proceedings*

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodyfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Plus and Polska Izba Radiodyfuzji Cyfrowej and requested that the UKE President dismiss the applications for annulment. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender

is finalized. UKE President in its decisions of 30 of October 2015 upheld the 3 decisions on reservation for P4 of the frequencies in the 1800 MHz spectrum. UKE President's decisions were appealed against at the lower administrative court by Polkomtel. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel's motion to withhold the enforceability of the decisions and requested the court to dismiss the motion. In three of the proceeding the court refused to withhold the enforceability of the three P4's decisions. In July 2016, we filed our answers to the Polkomtel's appeals against the reservation decisions and requested the court to dismiss the appeals in the whole. The court hearings in the three cases will be held on 25 of August 2016 and 30 of August 2016. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

President of the Office of Competition and Consumer Protection (UOKiK) in its decision of November 23, 2011 imposed a fine of PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info-TV-FM's wholesale offer and agreeing public questioning the said offer. District Court in Warsaw in its judgment of June 19, 2015 repealed UOKiK's decision. The Group believes that the Appeal Court in Warsaw should uphold the said judgment. Therefore the provision for potential penalty resulting from the proceeding has been released in the year ended December 31, 2015.

In November 2015, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for the annulment of the auction for the 800/2600 MHz frequency in its entirety, claiming the violation of procedures applicable to the allocation of frequencies. The motions to invalidate the tender initiated administrative proceeding before the UKE President. The UKE President has not reviewed the case yet. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In February 2016, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for reconsideration of the decision on reservation of 800 MHz frequencies for P4. Polkomtel, T-Mobile and Net Net sp. z o.o. demand inter alia the cancelation of the decision and relocation of the 800 MHz block of frequency. The motions initiate administrative procedures before the President of UKE. In June 2016, The UKE President issued new decisions on reservation of 800 MHz frequencies and in case of P4 decided about the relocation of the 800 MHz block of frequency. (P4 received the Block C instead of the Block D). The new decisions on reservation of 800 MHz frequencies may be appealed against at the lower administrative court. It is difficult to assess the legal risk at this stage.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at December 31, 2015, the Group recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of the pending cases.

# 37. Related party transactions

## *37.1 Transactions with Shareholders and with entities related via Shareholders*

| | **December 31, 2015** | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| Loans given | - | 80 | - |
| Long term receivables - debt securities | 153,441 | - | - |
| Trade receivables | 286 | - | - |
| Trade and other payables | 1,678 | - | - |
| | **Year ended December 31, 2015** | **Year ended December 31, 2014** | **Year ended December 31, 2013** |
| Advisory services provided by shareholders | (27,677) | (21,213) | (17,892) |
| Other operating income | 239 | | |
| Recharge of operating costs | 100 | - | - |
| Interest income | 7,242 | - | - |
| Other finance income | - | 22,488 | - |
| Other finance cost | - | (22,435) | - |

## *37.2 Remuneration of Management and Supervisory Board*

Cost of remuneration (including accrued bonuses) of members of Management Boards of Group entities incurred for the year ended December 31, 2015 amounted to PLN 9,950 thousand (PLN 9,184 thousand for the year ended December 31, 2014 and PLN 34,812 thousand for the year ended December 31, 2013).

Cost of remuneration of members of Supervisory Board of P4 incurred during the year ended December 31, 2015 amounted to PLN 2,349 thousand (for the year ended December 31, 2014 PLN 2,141 thousand and for the year ended December 31, 2013 PLN 2,355 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 19). The valuation of the programs resulted in cost of PLN 74,939 thousand for the year ended December 31, 2015, cost of PLN 55,532 thousand for the year ended December 31, 2014, whereas for the year ended December 31, 2013 the valuation resulted in income of PLN 41,562 thousand. Relating costs and income are included in general and administrative expenses in the consolidated statement of comprehensive income.

Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Supervisory Board or the Management Board of P4, Play Holdings 2 S. à r. l. or supervisory or management bodies of any other entities within the Group.

# 38. Events after the reporting period

On January 25, 2016 the President of UKE issued a decision in respect of the reservation for P4 of 1 frequency block of 2x5 MHz bandwidth in the 800 MHz frequency band and 4 frequency blocks, each of 2x5 MHz bandwidth in the 2600 MHz frequency band. On February 5, 2016 P4 settled the liability towards UKE in the amount of PLN 1,718,433 thousand for all frequency blocks of both spectrums using currently available cash and credit facilities. See also Note 35.

Due to recent legislation change dated June 24, 2016 all prepaid SIM cards available in the market, both in point of sales and already purchased by the customers, should be registered by providing the personal data of the owner till the beginning of February 2017, otherwise they will be deactivated. Also, starting from July 25, 2016, all new prepaid SIM cards have to be registered before first use.

The Group has not identified any events after the reporting period other than those described above that should be disclosed in the consolidated financial statements.

Play Holdings 2 S. à r. l. and its subsidiaries
Interim condensed
consolidated financial statements

Prepared in accordance with IFRS
with early adoption of IFRS 15 and IFRS 16

As at and for the three-month period
ended March 31, 2016

PLAY

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# Interim condensed consolidated statement of financial position

| | Notes | March 31, 2016 Unaudited See Note 2.2 | December 31, 2015 See Note 2.2 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 925,158 | 907,747 |
| Right-of-use assets | 4 | 750,224 | 767,924 |
| Intangible assets | 5 | 2,792,228 | 1,126,772 |
| Assets under construction | 6 | 397,474 | 393,536 |
| Contract costs | 7 | 308,542 | 309,944 |
| Long term receivables - debt securities | 8 | 225,349 | 153,441 |
| Other long term receivables | 9 | 11,155 | 11,134 |
| Finance assets at fair value through profit or loss | 10 | 7,780 | 19,219 |
| Deferred tax asset | 30 | 104,456 | 184,146 |
| **Total non-current assets** | | **5,522,366** | **3,873,863** |
| **Current assets** | | | |
| Inventories | 11 | 263,284 | 212,209 |
| Trade and other receivables | 12 | 974,199 | 876,894 |
| Contract assets | 13 | 1,002,396 | 1,000,880 |
| Current income tax receivables | | 439 | - |
| Prepaid expenses | 14 | 30,208 | 41,771 |
| Cash and cash equivalents | 15 | 46,636 | 1,556,801 |
| **Total current assets** | | **2,317,162** | **3,688,555** |
| **TOTAL ASSETS** | | **7,839,528** | **7,562,418** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves attributable to shareholders of the Company** | | | |
| Share capital | 16 | 52 | 52 |
| Share premium | 16 | 5,644,191 | 5,644,191 |
| Retained losses | | (4,876,744) | (5,013,619) |
| **Total equity** | | **767,499** | **630,624** |
| **Non-current liabilities** | | | |
| Long-term finance liabilities | 17 | 4,990,166 | 4,996,618 |
| Long-term provisions | 18 | 49,023 | 46,472 |
| Long-term retention programs liabilities | 19 | 137,272 | 163,040 |
| Deferred tax liability | 30 | 93 | 36 |
| Other non-current liabilities | | 10,395 | 11,379 |
| **Total non-current liabilities** | | **5,186,949** | **5,217,545** |
| **Current liabilities** | | | |
| Short-term finance liabilities | 17 | 580,072 | 277,245 |
| Trade and other payables | 20 | 952,141 | 976,949 |
| Contract liabilities | | 29,711 | 22,322 |
| Current income tax payable | | 14,778 | 61,296 |
| Accruals | 21 | 25,221 | 68,539 |
| Short-term provisions | 18 | 962 | 996 |
| Short-term retention programs liabilities | 19 | 23,052 | 22,294 |
| Deferred income | 22 | 259,143 | 284,608 |
| **Total current liabilities** | | **1,885,080** | **1,714,249** |
| **TOTAL LIABILITIES AND EQUITY** | | **7,839,528** | **7,562,418** |

# Interim condensed consolidated statement of comprehensive income

| | Notes | Three-month period ended March 31, 2016<br>See Note 2.2<br>Unaudited | Three-month period ended March 31, 2015<br>See Note 2.2<br>Unaudited |
|---|---|---|---|
| **Operating revenue** | 23 | **1,442,616** | **1,253,562** |
| Service revenue | | 1,067,091 | 936,548 |
| Sales of goods | | 375,525 | 317,014 |
| **Operating expenses** | | **(1,117,231)** | **(1,032,121)** |
| Interconnection, roaming and other service costs | 24 | (348,986) | (306,417) |
| Contract costs, net | 25 | (99,454) | (87,881) |
| Cost of goods sold | | (333,484) | (268,051) |
| General and administrative expenses | 26 | (177,021) | (210,809) |
| Depreciation and amortization | 27 | (141,038) | (146,486) |
| Other operating income | 28 | 18,801 | 14,940 |
| Other operating costs | 28 | (36,049) | (27,417) |
| **Operating profit** | | **325,385** | **221,441** |
| Finance income | 29 | 3,637 | 178,149 |
| Finance costs | 29 | (108,114) | (72,052) |
| **Profit before income tax** | | **220,908** | **327,538** |
| Income tax charge | 30 | (84,033) | (70,143) |
| **Net profit for the period** | | **136,875** | **257,395** |
| **Other comprehensive income for the period** | | **-** | **-** |
| **Total comprehensive income for the period** | | **136,875** | **257,395** |

No profit for the current and comparative period was attributable to non-controlling interest.

No comprehensive income for the current and comparative period was attributable to non-controlling interest.

# Interim condensed consolidated statement of changes in equity

| See also Note 2.2 | Attributable to the Company's shareholders | | | | |
|---|---|---|---|---|---|
| | Share capital | Share premium | Retained losses | Total equity | Notes |
| **As at January 1, 2016** | **52** | **5,644,191** | **(5,013,619)** | **630,624** | |
| Net profit for the period | - | - | 136,875 | 136,875 | |
| **As at March 31, 2016, unaudited** | **52** | **5,644,191** | **(4,876,744)** | **767,499** | 16 |

| See also Note 2.2 | Attributable to the Company's shareholders | | | | |
|---|---|---|---|---|---|
| | Share capital | Share premium | Retained losses | Total equity | Notes |
| **As at January 1, 2015** | **52** | **5,635,996** | **(5,563,897)** | **72,151** | |
| Net profit for the period | - | - | 257,395 | 257,395 | |
| **As at March 31, 2015, unaudited** | **52** | **5,635,996** | **(5,306,502)** | **329,546** | 16 |

# Interim condensed consolidated statement of cash flows

| | Notes | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|---|
| | | See Note 2.2 | See Note 2.2 |
| | | Unaudited | Unaudited |
| **Profit before income tax** | | **220,908** | **327,538** |
| Depreciation and amortization | | 141,038 | 146,486 |
| Changes in contract costs (net) | | 1,402 | (24,731) |
| Interest expense (net) | | 83,221 | 71,400 |
| (Gain)/Loss on valuation of finance assets | | 11,439 | (17,112) |
| Foreign exchange (gains)/losses | | 9,843 | (153,160) |
| Gain on disposal of non-current assets | | (957) | (681) |
| Impairment of non-current assets | | 1,815 | 76 |
| Change in provisions and retention programs liabilities | | (24,856) | 21,018 |
| Changes in working capital and other | 32 | (199,379) | (236,653) |
| Changes in contract assets | | (1,516) | (42,569) |
| Changes in contract liabilities | | 7,389 | (137) |
| **Cash provided by operating activities** | | **250,347** | **91,475** |
| Interest received | | (354) | 241 |
| Income tax paid | | (51,280) | (75) |
| **Net cash provided by operating activities** | | **198,713** | **91,641** |
| Proceeds from sale of non-current assets | | 2,572 | 772 |
| Proceeds from loans given | | - | 27 |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | | (1,828,652) | (113,512) |
| Purchase of debt securities (Notes issued by Play Topco S.A.) | | (69,733) | (75,198) |
| **Net cash used in investing activities** | | **(1,895,813)** | **(187,911)** |
| Proceeds from finance liabilities | 33 | 190,000 | 543,773 |
| Repayment of finance liabilities and relating finance costs | 33 | (176,123) | (163,393) |
| **Net cash provided by financing activities** | | **13,877** | **380,380** |
| **Net change in cash and cash equivalents** | | **(1,683,223)** | **284,110** |
| Effect of exchange rate change on cash and cash equivalents | | (26) | (7,225) |
| **Cash and cash equivalents at the beginning of the period** | | **1,556,801** | **497,781** |
| **Cash and cash equivalents at the end of the period** | 31 | **(126,448)** | **774,666** |

# Notes

## 1. The Company and the Play Group

Play Holdings 2 S. à r. l. (the "Company") was incorporated under Luxembourg law on January 10, 2014 ("Date of Incorporation"). The Company's registered office is in Luxembourg. The Company and its subsidiaries (together, the "Play Group" or the "Group") operate in the mobile telecommunications sector in Poland.

The Group's business activity embraces the provision of mobile telecommunications services and managing a distribution network of mobile telecommunications products under the brand "PLAY".

The Company's immediate parent is Play Holdings 1 S. à r. l., wholly owned by Play Topco S.A., which is controlled by Tollerton Investments Limited, owning 50.3% of Play Topco S.A. shares.
Play Holdings 2 S. à r. l. is ultimately controlled by Mr. Panos Germanos.

49.7% of Play Topco S.A.'s shares are owned by Telco Holdings S.à r.l.

These consolidated financial statements comprise:
- interim condensed consolidated statement of financial position;
- interim condensed consolidated statement of comprehensive income;
- interim condensed consolidated statement of changes in equity;
- interim condensed consolidated statement of cash flows;
- summary of significant accounting policies and other notes

as at and for the three-month period ended March 31, 2016, further "consolidated financial statements".

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

| Entity | Location | Principal activity | Ownership and percentage of voting rights | |
|---|---|---|---|---|
| | | | As at March 31, 2016 | As at December 31, 2015 |
| **Subsidiaries held directly and indirectly:** | | | | |
| Play Holdings 3 S. à r. l. | Luxembourg | Holding | 100% | 100% |
| Play Finance 1 S.A. | Luxembourg | Financing | 100% | 100% |
| Play Finance 2 S.A. | Luxembourg | Financing | 100% | 100% |
| P4 Sp. z o.o. | Poland | Operating | 100% | 100% |
| 3GNS Sp. z o.o. | Poland | Holding | 100% | 100% |
| Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k. | Poland | Brand management | 100% | 100% |

P4 Sp. z o.o. ("P4") is a mobile network operator in Poland. Since March 16, 2007 P4 has been providing mobile telecommunications services using the brand "PLAY".

# 2. Summary of significant accounting policies

## *2.1 Basis of preparation*

These interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective as at December 31, 2015. For the purpose of these consolidated financial statements the Group has adopted the following standards, amendments to standards and interpretations:

| New regulation | Issued on | Effective for annual periods beginning on or after | In EU effective for annual periods beginning on or after | Early adoption | Group's assessment of the regulation |
|---|---|---|---|---|---|
| Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions' | November 21, 2013 | July 1, 2014 | February 1, 2015 | Permitted | Fully implemented |
| Improvements to IFRS 2010-2012 Cycle | December 12, 2013 | July 1, 2014 | February 1, 2015 | Permitted | Fully implemented |
| Amendments to IFRS 11: 'Accounting for Acquisitions of Interests in Joint Operations' | May 6, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented |
| Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | May 12, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented |
| Amendments to IAS 16 and IAS 41: Bearer Plants | June 30, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented |
| Amendments to IAS 27: Equity Method in Separate Financial Statements | August 12, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented |
| Improvements to IFRS 2012-2014 Cycle | September 25, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented |
| Amendments to IAS 1: Disclosure Initiative | December 18, 2014 | January 1, 2016 | January 1, 2016 | Permitted | Fully implemented |
| IFRS 15: 'Revenue from Contracts with Customers', including amendments and clarifications | May 28, 2014; September 11, 2015; 12 April 2016 | January 1, 2018 | Not endorsed yet | Permitted | Fully implemented; early adopted |
| IFRS 16: 'Leases' | January 13, 2016 | January 1, 2019 | Not endorsed yet | Permitted | Fully implemented; early adopted |

The following new standards, amendments to standards and interpretations have been issued but are not effective for the three-month period ended March 31, 2016 and have not been adopted early:

| New regulation | Issued on | Effective for annual periods beginning on or after | In EU effective for annual periods beginning on or after | Early adoption | Group's assessment of the regulation |
|---|---|---|---|---|---|
| IFRS 14 'Regulatory Deferral Accounts' | January 30, 2014 | January 1, 2016 | Not endorsed yet | - | Assessment in progress |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | September 11, 2014 | Deferred indefinitely | Deferred indefinitely | - | Assessment in progress |
| Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception | December 18, 2014 | January 1, 2016 | Not endorsed yet | - | Assessment in progress |
| IFRS 9: 'Financial Instruments' | July 24, 2014 | January 1, 2018 | Not endorsed yet | - | Assessment in progress |
| Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions | June 20, 2016 | January 1, 2018 | Not endorsed yet | - | Assessment in progress |
| Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses | January 19, 2016 | January 1, 2017 | Not endorsed yet | - | Assessment in progress |
| Amendments to IAS 7 Disclosure Initiative | January 29, 2016 | January 1, 2017 | Not endorsed yet | - | Assessment in progress |

The Group has issued consolidated financial statements for the same period, i.e. three-month period ended March 31, 2016 that were authorized for issuance on April 29, 2016 ("Historical 1Q16 FS"). The main differences between these sets of consolidated financial statements comprise of early adoption of IFRS 15 and IFRS 16 as further described in Note 2.2.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2015 prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16.

These consolidated financial statements were approved for issuance by the Management Board of the Company on June 30, 2016.

The Play Group's activities are not subject to significant seasonal or cyclical trends.

The consolidated financial statements are prepared under the historical cost convention except for liabilities relating to retention programs and derivatives which are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below and in Note 2.30.

**Going concern**

The consolidated financial statements disclose all matters of which the Group is aware and which are relevant to the Group's ability to continue as a going concern, including all significant events, mitigating factors and the Group's plans. The Group has paid for the new frequencies reservation, generates positive operating cash flows and has secured financing of further development of telecommunications infrastructure. Accordingly, the consolidated financial statements have been prepared on a basis which assumes that the Group will continue as a going concern

and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

## *2.2 Changes in accounting policies*

As indicated in Note 2.1 the Group has early adopted IFRS 15 and IFRS 16 which resulted in changes in accounting policies and consequently in differences to the financial data as presented in the Historical 1Q16 FS. The main differences between these sets of financial statements are explained below.

**IFRS 15 Adjustments**
For mobile devices sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunications services. That was typically the amount received from the customer on signing a contract. Under IFRS 15, the total consideration in the contract (e.g. for mobile devices, telecommunication services and activation fees) is allocated to all products and services – e.g. mobile devices and mobile telecommunications services – based on their relative stand-alone selling prices. This resulted in a shift from service revenue to revenue from sales of goods (IFRS 15 [8]) and creation of contract assets (IFRS 15 [5]), which includes also some items previously presented as trade and other receivables (IFRS 15 [4]).

IFRS 15 requires also reclassification of some items previously presented in deferred income (IFRS 15 [7]) to contract liabilities (IFRS 15 [6]). Contract liabilities are then netted off against contract assets on a contract-by-contract basis.

Additionally the Group also moved the inventories in dealers' premises from prepaid expenses to inventories (IFRS 15 [3]).

In the previous years the Group capitalized so called subscriber acquisition and retention costs ("SAC") relating to postpaid contracts and "mix" contracts in the month of service activation. Components of SAC included:

- subsidy granted to end customer to price of handset or other device, i.e. cost of sales of handset or other device less price charged to end customer (IFRS 15 [11]),
- commission on sale,
- dispatch cost directly attributable to a contract.

The subscriber acquisition and retention costs were capitalized (IFRS 15 [9]) and recognized as intangible assets, - IFRS 15 [1] and amortized in depreciation and amortization (IFRS 15 [12]).

Under IFRS 15 the Group capitalizes solely costs of commissions paid to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized costs of commissions constitute "contract cost" asset (IFRS 15 [2]) and are depreciated on a straight-line basis in the operating expenses in the "contract costs, net" line (IFRS 15 [10]).

**IFRS 16 Adjustments**
Under previous accounting standard IAS 17 'Lease' the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (both as a lessor or a lessee). Leases classified as a finance lease were recognized as Property, plant and equipment. Assets leased under the finance lease agreements comprised mostly vehicles or computers.

Under the new standard IFRS 16 'Leases', the Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. Based on the accounting policy applied the Group recognizes a right-of-use asset (IFRS 16 [B]) and a lease liability (IFRS 16 [C]) at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. Accordingly, the recurring expenses relating to use of leased assets, previously presented in general and administrative expenses (IFRS 16 [D]) are now capitalized and depreciated in depreciation and amortization (IFRS 16 [E]). The discount on lease liability is periodically unwound into finance costs (IFRS 16 [F]).

Assets previously classified as finance lease agreements as well as asset retirement obligation relating to leased property were reclassified from property, plant and equipment to right-of-use assets (IFRS 16 [A]).

The following tables present the impact of changes resulting from the early adoption of IFRS 15 and IFRS 16 on Historical 1Q 16 Financial Statements as at and for the three-month period ended March 31, 2016.

| | **March 31, 2016 Unaudited Historical 1Q16 FS** | **Change** | **Ref.** | **March 31, 2016 Unaudited** | **December 31, 2015 Historical 1Q16 FS** | **Change** | **Ref.** | **December 31, 2015** |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Property, plant and equipment | 1,006,791 | (81,633) | IFRS 16 [A] | 925,158 | 993,083 | (85,336) | IFRS 16 [A] | 907,747 |
| Right-of-use assets | - | 750,224 | IFRS 16 [B] | 750,224 | - | 767,924 | IFRS 16 [B] | 767,924 |
| Intangible assets | 3,908,394 | (1,116,166) | IFRS 15 [1] | 2,792,228 | 2,241,951 | (1,115,179) | IFRS 15 [1] | 1,126,772 |
| Assets under construction | 397,474 | - | | 397,474 | 393,536 | - | | 393,536 |
| Contract costs | - | 308,542 | IFRS 15 [2] | 308,542 | - | 309,944 | IFRS 15 [2] | 309,944 |
| Long term receivables - debt securities | 225,349 | - | | 225,349 | 153,441 | - | | 153,441 |
| Other long term receivables | 11,155 | - | | 11,155 | 11,134 | - | | 11,134 |
| Finance assets at fair value through profit or loss | 7,780 | - | | 7,780 | 19,219 | - | | 19,219 |
| Deferred tax asset | 98,492 | 5,964 | | 104,456 | 181,935 | 2,211 | | 184,146 |
| **Total non-current assets** | **5,655,435** | **(133,069)** | | **5,522,366** | **3,994,299** | **(120,436)** | | **3,873,863** |
| | | | | | | | | |
| Inventories | 222,032 | 41,252 | IFRS 15 [3] | 263,284 | 177,598 | 34,611 | IFRS 15 [3] | 212,209 |
| Trade and other receivables | 1,171,773 | (197,574) | IFRS 15 [4] | 974,199 | 1,055,011 | (178,117) | IFRS 15 [4] | 876,894 |
| Contract assets | - | 1,002,396 | IFRS 15 [5] | 1,002,396 | - | 1,000,880 | IFRS 15 [5] | 1,000,880 |
| Current income tax receivables | 439 | - | | 439 | - | - | | - |
| Prepaid expenses | 73,805 | (43,597) | IFRS 15 [3] | 30,208 | 78,915 | (37,144) | IFRS 15 [3] | 41,771 |
| Cash and cash equivalents | 46,636 | - | | 46,636 | 1,556,801 | - | | 1,556,801 |
| **Total current assets** | **1,514,685** | **802,477** | | **2,317,162** | **2,868,325** | **820,230** | | **3,688,555** |
| **TOTAL ASSETS** | **7,170,120** | **669,408** | | **7,839,528** | **6,862,624** | **699,794** | | **7,562,418** |

| | March 31, 2016 Unaudited Historical 1Q16 FS | Change | Ref. | March 31, 2016 Unaudited | December 31, 2015 Historical 1Q16 FS | Change | Ref. | December 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | | | |
| Share capital | 52 | - | | 52 | 52 | - | | 52 |
| Share premium | 5,644,191 | - | | 5,644,191 | 5,644,191 | - | | 5,644,191 |
| Retained losses | (4,851,318) | (25,426) | | (4,876,744) | (5,004,186) | (9,433) | | (5,013,619) |
| **Total equity** | **792,925** | **(25,426)** | | **767,499** | **640,057** | **(9,433)** | | **630,624** |
| | | | | | | | | |
| Long-term finance liabilities | 4,357,890 | 632,276 | IFRS 16 [C] | 4,990,166 | 4,353,543 | 643,075 | IFRS 16 [C] | 4,996,618 |
| Long-term provisions | 49,023 | - | | 49,023 | 46,472 | - | | 46,472 |
| Long-term retention programs liabilities | 137,272 | - | | 137,272 | 163,040 | - | | 163,040 |
| Deferred tax liability | 93 | - | | 93 | 36 | - | | 36 |
| Other non-current liabilities | 10,395 | - | | 10,395 | 11,379 | - | | 11,379 |
| **Total non-current liabilities** | **4,554,673** | **632,276** | | **5,186,949** | **4,574,470** | **643,075** | | **5,217,545** |
| | | | | | | | | |
| Short-term finance liabilities | 424,058 | 156,014 | IFRS 16 [C] | 580,072 | 120,617 | 156,628 | IFRS 16 [C] | 277,245 |
| Trade and other payables | 954,848 | (2,707) | | 952,141 | 982,729 | (5,780) | | 976,949 |
| Contract liabilities | - | 29,711 | IFRS 15 [6] | 29,711 | - | 22,322 | IFRS 15 [6] | 22,322 |
| Current income tax payable | 14,778 | - | | 14,778 | 61,296 | - | | 61,296 |
| Accruals | 25,221 | - | | 25,221 | 68,539 | - | | 68,539 |
| Short-term provisions | 962 | - | | 962 | 996 | - | | 996 |
| Short-term retention programs liabilities | 23,052 | - | | 23,052 | 22,294 | - | | 22,294 |
| Deferred income | 379,603 | (120,460) | IFRS 15 [7] | 259,143 | 391,626 | (107,018) | IFRS 15 [7] | 284,608 |
| **Total current liabilities** | **1,822,522** | **62,558** | | **1,885,080** | **1,648,097** | **66,152** | | **1,714,249** |
| **TOTAL LIABILITIES AND EQUITY** | **7,170,120** | **669,408** | | **7,839,528** | **6,862,624** | **699,794** | | **7,562,418** |

| | Three-month period ended March 31, 2016 Unaudited | | | Three-month period ended March 31, 2016 Unaudited | Three-month period ended March 31, 2015 Unaudited | | | Three-month period ended March 31, 2015 Unaudited |
|---|---|---|---|---|---|---|---|---|
| | **Historical 1Q16 FS** | **Change** | **Ref.** | | **Historical 1Q16 FS** | **Change** | **Ref.** | |
| **Operating revenue** | **1,440,806** | **1,810** | | **1,442,616** | **1,227,655** | **25,907** | | **1,253,562** |
| Service revenue | 1,307,524 | (240,433) | IFRS 15 [8] | 1,067,091 | 1,156,225 | (219,677) | IFRS 15 [8] | 936,548 |
| Sales of goods | 133,282 | 242,243 | IFRS 15 [8] | 375,525 | 71,430 | 245,584 | IFRS 15 [8] | 317,014 |
| **Operating expenses** | **(1,114,812)** | **(2,419)** | | **(1,117,231)** | **(1,016,797)** | **(15,324)** | | **(1,032,121)** |
| Interconnection, roaming and other service costs | (348,986) | - | | (348,986) | (306,417) | - | | (306,417) |
| Other subscriber acquisition and retention costs not eligible for capitalization | (23,063) | 23,063 | IFRS 15 [9] | - | (18,202) | 18,202 | IFRS 15 [9] | - |
| Contract costs, net | - | (99,454) | IFRS 15 [10] | (99,454) | - | (87,881) | IFRS 15 [10] | (87,881) |
| Cost of goods sold | (132,283) | (201,201) | IFRS 15 [11] | (333,484) | (73,152) | (194,899) | IFRS 15 [11] | (268,051) |
| General and administrative expenses | (217,358) | 40,337 | IFRS 16 [D] | (177,021) | (250,152) | 39,343 | IFRS 16 [D] | (210,809) |
| Depreciation and amortization, including: | (375,612) | 234,574 | | (141,038) | (355,521) | 209,035 | | (146,486) |
| Amortization of subscriber acquisition and retention costs assets | (263,629) | 263,629 | IFRS 15 [12] | - | (237,415) | 237,415 | IFRS 15 [12] | - |
| Depreciation of Right-of-use assets | - | (36,054) | IFRS 16 [E] | (36,054) | - | (38,564) | IFRS 16 [E] | (38,564) |
| Other operating income | 16,882 | 1,919 | | 18,801 | 12,909 | 2,031 | | 14,940 |
| Other operating costs | (34,392) | (1,657) | | (36,049) | (26,262) | (1,155) | | (27,417) |
| **Operating profit** | **325,994** | **(609)** | | **325,385** | **210,858** | **10,583** | | **221,441** |
| Finance income | 7,627 | (3,990) | | 3,637 | 177,266 | 883 | | 178,149 |
| Finance costs | (92,967) | (15,147) | IFRS 16 [F] | (108,114) | (57,014) | (15,038) | IFRS 16 [F] | (72,052) |
| **Profit before income tax** | **240,654** | **(19,746)** | | **220,908** | **331,110** | **(3,572)** | | **327,538** |
| Income tax charge | (87,786) | 3,753 | | (84,033) | (70,821) | 678 | | (70,143) |
| **Net profit for the period** | **152,868** | **(15,993)** | | **136,875** | **260,289** | **(2,894)** | | **257,395** |
| **Other comprehensive income for the period** | **-** | **-** | | **-** | **-** | **-** | | **-** |
| **Total comprehensive income for the period** | **152,868** | **(15,993)** | | **136,875** | **260,289** | **(2,894)** | | **257,395** |

| | **Three-month period ended March 31, 2016 Unaudited** | | | **Three-month period ended March 31, 2016 Unaudited** | **Three-month period ended March 31, 2015 Unaudited** | | | **Three-month period ended March 31, 2015 Unaudited** |
|---|---|---|---|---|---|---|---|---|
| | **Historical 1Q16 FS** | **Change** | **Ref.** | | **Historical 1Q16 FS** | **Change** | **Ref.** | |
| **Profit before income tax** | **240,654** | **(19,746)** | | **220,908** | **331,110** | **(3,572)** | | **327,538** |
| Depreciation and amortization | 375,612 | (234,574) | IFRS 15 [12], IFRS 16 [E] | 141,038 | 355,521 | (209,035) | IFRS 15 [12], IFRS 16 [E] | 146,486 |
| Changes in contract costs | - | 1,402 | IFRS 15 [2] | 1,402 | - | (24,731) | IFRS 15 [2] | (24,731) |
| Interest expense (net) | 64,093 | 19,128 | IFRS 16 [F] | 83,221 | 53,733 | 17,667 | IFRS 16 [F] | 71,400 |
| (Gain)/Loss on valuation of finance assets | 11,439 | - | | 11,439 | (17,112) | - | | (17,112) |
| Foreign exchange (gains)/losses | 9,834 | 9 | | 9,843 | (149,648) | (3,512) | | (153,160) |
| Gain on disposal of non-current assets | (920) | (37) | | (957) | (436) | (245) | | (681) |
| Impairment of non-current assets | 13,383 | (11,568) | IFRS 15 [1] | 1,815 | 11,270 | (11,194) | IFRS 15 [1] | 76 |
| Change in provisions and retention programs liabilities | (24,856) | - | | (24,856) | 21,018 | - | | 21,018 |
| Changes in working capital and other | (208,281) | 8,902 | | (199,379) | (270,474) | 33,821 | | (236,653) |
| Changes in contract assets | - | (1,516) | IFRS 15 [5] | (1,516) | - | (42,569) | IFRS 15 [5] | (42,569) |
| Changes in contract liabilities | - | 7,389 | IFRS 15 [6] | 7,389 | - | (137) | IFRS 15 [6] | (137) |
| **Cash provided by operating activities** | **480,958** | **(230,611)** | | **250,347** | **334,982** | **(243,507)** | | **91,475** |
| Interest received | 3,636 | (3,990) | | (354) | 2,870 | (2,629) | | 241 |
| Income tax paid | (51,280) | - | | (51,280) | (75) | - | | (75) |
| **Net cash provided by operating activities** | **433,314** | **(234,601)** | | **198,713** | **337,777** | **(246,136)** | | **91,641** |
| Proceeds from sale of non-current assets | 2,572 | - | | 2,572 | 772 | - | | 772 |
| Proceeds from loans given | - | - | | - | 27 | - | | 27 |
| Purchase of fixed assets and intangibles and prepayments for assets under construction | (2,104,839) | 276,187 | IFRS 15 [1] | (1,828,652) | (402,821) | 289,309 | IFRS 15 [1] | (113,512) |
| Purchase of debt securities (Notes issued by Play Topco S.A.) | (69,733) | - | | (69,733) | (75,198) | - | | (75,198) |
| **Net cash used in investing activities** | **(2,172,000)** | **276,187** | | **(1,895,813)** | **(477,220)** | **289,309** | | **(187,911)** |
| Proceeds from finance liabilities | 190,000 | - | | 190,000 | 543,773 | - | | 543,773 |
| Repayment of finance liabilities and relating finance costs | (134,537) | (41,586) | IFRS 16 [C] | (176,123) | (120,220) | (43,173) | IFRS 16 [C] | (163,393) |
| **Net cash provided by financing activities** | **55,463** | **(41,586)** | | **13,877** | **423,553** | **(43,173)** | | **380,380** |
| **Net change in cash and cash equivalents** | **(1,683,223)** | **-** | | **(1,683,223)** | **284,110** | **-** | | **284,110** |
| Effect of exchange rate change on cash and cash equivalents | (26) | - | | (26) | (7,225) | - | | (7,225) |
| **Cash and cash equivalents at the beginning of the period** | **1,556,801** | **-** | | **1,556,801** | **497,781** | **-** | | **497,781** |
| **Cash and cash equivalents at the end of the period** | **(126,448)** | **-** | | **(126,448)** | **774,666** | **-** | | **774,666** |

| | Attributable to the Company's shareholders | | | |
|---|---|---|---|---|
| **Historical 1Q16 FS** | **Share capital** | **Share premium** | **Retained losses** | **Total equity** |
| **As at January 1, 2016** | **52** | **5,644,191** | **(5,004,186)** | **640,057** |
| Net profit for the period | - | - | 152,868 | 152,868 |
| **As at March 31, 2016, unaudited** | **52** | **5,644,191** | **(4,851,318)** | **792,925** |

| | **Share capital** | **Share premium** | **Retained losses** | **Total equity** |
|---|---|---|---|---|
| **As at January 1, 2016** | **52** | **5,644,191** | **(5,013,619)** | **630,624** |
| Net profit for the period | - | - | 136,875 | 136,875 |
| **As at March 31, 2016, unaudited** | **52** | **5,644,191** | **(4,876,744)** | **767,499** |

| | Attributable to the Company's shareholders | | | |
|---|---|---|---|---|
| **Historical 1Q16 FS** | **Share capital** | **Share premium** | **Retained losses** | **Total equity** |
| **As at January 1, 2015** | **52** | **5,635,996** | **(5,604,550)** | **31,498** |
| Net profit for the period from the date of Incorporation to December 31, 2014 | - | - | 260,289 | 260,289 |
| **As at March 31, 2015, unaudited** | **52** | **5,635,996** | **(5,344,261)** | **291,787** |

| | **Share capital** | **Share premium** | **Retained losses** | **Total equity** |
|---|---|---|---|---|
| **As at January 1, 2015** | **52** | **5,635,996** | **(5,563,897)** | **72,151** |
| Net profit for the period from the date of Incorporation to December 31, 2014 | - | - | 257,395 | 257,395 |
| **As at March 31, 2015, unaudited** | **52** | **5,635,996** | **(5,306,502)** | **329,546** |

Changes to Equity relate to net impact on net profit and retained losses of the adjustments described above.

## 2.3 Consolidation

Subsidiaries, i.e. those entities which the Play Group has a control over, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee,
- rights arising from other contractual arrangements,
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group's investment in associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated, unrealized losses are also eliminated unless cost cannot be recovered. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Play Group.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interest in the acquiree. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

## 2.4 Foreign currency translation

### 2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Play Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Złoty ("PLN"), which is the Company's presentation and functional currency, due to the fact that the operating activities of the Group are conducted in Poland.

### 2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transactions which might comprise:

- the average spot exchange rate for a given currency as determined by the National Bank of Poland as at the date preceding the date of transaction – in case of settlements of receivables and payables and other transactions,
- the actual spot rate applied as at this date resulting from the type of transaction - in case of foreign currency purchases and sales.

At the end of the reporting period monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate determined by the National Bank of Poland as at the end of the reporting period:

| **Currency** | **March 31, 2016** | **December 31, 2015** |
|---|---|---|
| EUR | 4.2684 | 4.2615 |
| GBP | 5.4078 | 5.7862 |
| USD | 3.7590 | 3.9011 |
| XDR | 5.3019 | 5.4092 |

Equity items are presented at historical rates, i.e. rates as at the date of equity contribution. Movements of equity are valued using the first-in first-out method.

The foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

Exchange differences arising from foreign currency borrowing directly attributable to the construction of property, plant and equipment and development of intangible assets are eligible for capitalization to the extent that they are regarded as an adjustment to interest costs.

## *2.5 Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost includes direct costs (materials, direct labor and work contracted out) and directly attributable own work costs. Fixed assets under construction represent the accumulation of costs associated with the construction of the telecommunications and data transmission networks and other tangible fixed assets; they are presented as Assets under construction. The Play Group includes in the construction cost of its assets all eligible borrowing costs (including interest expense and exchange differences arising from foreign currency borrowings relating to purchases of qualifying assets regarded as an adjustment to interest costs) and expenditures that are directly attributable to the acquisition or to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Costs relating to fixed assets under construction are transferred to the related property, plant and equipment account and depreciation begins when they become available for use.

Significant components of property, plant and equipment that require replacement at regular intervals are recognized as separate items. All other repairs and maintenance costs are charged to general and administrative expenses during the financial period in which they are incurred.

Subsequent costs are recognized as a separate asset only when the recognition criteria are met.

Depreciation is calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives, as follows:

| Description | Term in years |
|---|---|
| Buildings | 10-25 |
| Telecommunications equipment | 1-10 |
| Computers | 3-5 |
| Machinery and equipment | 3-10 |
| Motor vehicles | 2-5 |
| Office machinery and equipment | 1-7 |

Fixed assets under construction are not depreciated.

The assets’ residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

## 2.6 Right-of-use assets and lease liabilities

The Group is a party to lease contracts for, among others:
a) land for telecommunication constructions,
b) buildings:
- office space, warehouses and points of sale space,
- collocation centers,
- other space for other telecommunications equipment,
c) telecommunications network and equipment- dark fiber-optic cables,
d) computers,
e) motor vehicles.

Leases are recognized, measured and presented in line with IFRS 16 'Leases' adopted early.

*Lessee – accounting*
The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected not to apply exemptions for short term leases (excluding short term leases of billboards) or leases for which the underlying asset is of low value.

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.
The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

| Description | Term in years |
|---|---|
| Land | 15-25 |
| Buildings | 1-20 |
| Telecommunications equipment | 1-10 |
| Computers | 3-5 |
| Motor vehicles | 2-5 |

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunication constructions and other space for other telecommunications equipment ("sites") which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost of right-of-use

assets and depreciated over the asset's estimated useful life. The Group estimates the fair value of asset retirement obligations using number of sites available for use, average site reinstatement cost and the discount rate which equals the interest rate of long-term treasury bonds.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.
The lease term determined by the Group comprises:

- non-cancellable period of lease contracts,
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

*Lessor – accounting*
In case of lease contracts based on which the Group is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the Group are as follows:

– the lease transfers ownership of the asset to the lessee by the end of the lease term,
– the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
– the lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
– at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset; or
– the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Currently, the Group is a party of sublease transaction for which underlying right-of-use assets (comprising in particular office and point-of-sale space) are re-leased by the Group. These transactions are classified as operating lease and payments made are recognized on a straight-line basis over the period of the lease. Any variable elements resulting from the change of indexes or other factors being the basis for the rental fee are recognized directly in the profit and loss.

## 2.7 Intangible assets

### 2.7.1 Licenses

Licenses are stated at cost less accumulated amortization and accumulated impairment losses. Amortization of the license commences once the related network is capable of operating in the manner intended by the Group and is calculated on a straight-line basis until the end of the grant period.

### 2.7.2 Computer software costs

Costs that are directly associated with the production of identifiable and unique software products controlled by the Play Group, and that will probably generate economic benefits exceeding costs, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

### 2.7.3 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.
For the purpose of impairment testing goodwill is allocated to cash-generating units, not larger than an operating segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, but not larger than operating segment and not larger than units for which goodwill is monitored by the Group. The Group allocates goodwill to the entire Play Group as a single cash-generating unit.

### 2.7.4 Intangible assets under construction

Intangible assets under construction represent mainly software under development and are presented in Assets under construction.

## 2.8 Contract costs

Contract costs eligible for capitalization as incremental costs of obtaining a contract comprise commission on sale relating to postpaid contracts and “mix” contracts (contracts for a specified number and value of top-ups) with acquired or retained subscribers. Contract costs are capitalized in the month of service activation if the Group expects to recover those costs. Contract costs comprise sales commissions to dealers and to own salesforce which can be directly attributed to an acquired or retained contract. Contract costs constitute non-current assets as the economic benefits from these assets are expected to be received in the period longer than twelve months.

In all other cases, including acquisition of prepaid telecommunications customers, subscriber acquisition and retention costs are expensed when incurred.

Capitalized commission fees relating to postpaid contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. Contract costs relating to contracts signed with acquired or retained subscribers are amortized:

- for postpaid contracts - over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses,
- for “mix” contracts – over an average “mix” contract term based on historical data.

When the customer enters into a retention contract before the term of the previous one expires (which means that the original contracts costs have not been fully amortized), the new asset is recognized in a month the new contract is signed. The new asset is amortized over the term representing the sum of the period remaining to the end of the previous contract and for the retention contract term. Amortization period of the contract cost relating to previous contract is shortened to be in line with the actual contract term.

Contract costs capitalized are impaired if the customer is disconnected or if the asset's carrying amount exceeds projected discounted cash flows relating to the contract. An impairment loss is recognized in profit or loss to the extent of the carrying amount of an contract costs asset over the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

## *2.9 Impairment of non-financial assets*

Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. According to IAS 36 an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

Impairment losses are reversed if the carrying amount of the previously impaired asset is lower than its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

## *2.10 Inventories*

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the applicable variable selling expenses. For inventories intended to be sold in promotional offers calculation of net realizable value takes into account future margin expected from telecommunications services, with which the item of inventories is offered.

Inventories include handsets and other equipment transferred to dealers who act as agents. They are expensed to costs of goods sold on the date of activation of telecommunications services in relation to which the equipment was sold to end customer or on the date when the equipment was sold to end customer without telecommunications services contract. The Group estimates the prevalent period between the date of transfer of the equipment to dealer and the date of service activation based on historical data. If no service agreement relating to the mobile device is activated during the period estimated as described above, it is assumed, that the mobile device was sold to end customer without relating service agreement and revenue from sale of goods and corresponding cost of sale are recognized in statement of comprehensive income.

## *2.11 Trade and other receivables*

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If there is objective evidence that the Play Group will not be able to collect amounts due according to the original terms of receivables, a provision for impairment is recognized in the statement of comprehensive income within "other operating costs".

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods. For other trade receivables it is calculated on the basis of individual case analysis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Trade receivables are derecognized when:
- the rights to receive cash flows from the asset have expired,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## *2.12 Contract assets*

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time (for example, delivery of other elements of the contracts). The Group recognizes contract assets mainly from the contracts in which goods delivered at a point in time are bundled with services delivered over time. The Group considers contract assets as current assets as they are expected to be realized in the normal operating cycle.

## *2.13 Prepaid expenses*

Prepaid expenses comprise among others prepayments made in relation to ordered but not yet delivered services. Prepaid expenses are recognized at fair value of cash or cash equivalents received.

## *2.14 Cash and cash equivalents in statement of financial position*

Cash and cash equivalents include cash in hand, cash at bank, short-term deposits with original maturities of three months or less and restricted cash.

Cash and cash equivalents are carried at nominal value in the statement of financial position.

## *2.15 Cash and cash equivalents in statement of cash flows*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts because bank overdrafts constitute integral component of cash management. For the purpose of the consolidated statement of cash flows, restricted cash is excluded from cash and cash equivalents because it is not regarded as an element of cash management but is used to secure the repayment of financial liabilities.

## *2.16 Retirement benefits*

The Play Group makes contributions to the Polish Government's retirement benefit scheme at the applicable rate during the period, based on gross salary payments (the "State Plan").

The State Plan is funded on a pay-as-you-go basis, i.e. the Play Group is only obliged to pay the contributions as they fall due based upon a percentage of salary, and if the Play Group ceases to employ members of the State Plan, it will have no obligation to pay any additional benefits. The State Plan is a defined contribution plan. The expense for the contributions is charged to the profit or loss in the same period as the related salary expense.

The Play Group has no other employee retirement plans.

## *2.17 Retention programs*

The Play Group operates cash-settled share-based retention programs. Membership in programs is granted to board members and key employees of the Group.

Under the terms of the programs, Members of the Management Board of P4 and Key Personnel of the Group are entitled to remuneration paid in cash which value is dependent on the fair value of P4 as at the disposal of the shares by the shareholder or shareholders (liquidity event).

Liabilities relating to share-based retention programs are measured at the fair value of the liability at each end of the reporting period. Changes in the fair value of the liability are recognized in the statement of comprehensive income.

## 2.18 Financial liabilities

Financial liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities and debt securities liabilities are subsequently stated at amortized cost; any difference between proceeds (net transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Corresponding borrowing costs are recognized in profit or loss in the period in which they are incurred unless they are capitalized.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

## 2.19 Embedded derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives if:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

In case of an early redemption option embedded in a host debt instrument, the close relation to the host instrument exists if:
- on each exercise date, the option's exercise price is approximately equal to the debt instrument's amortized cost or
- the exercise price of an early redemption option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract (lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the early redemption date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract).

Otherwise the early redemption option is not regarded as closely related and as such is subject to separate recognition and measurement.
The assessment of whether an embedded derivative meets the conditions for its separation from the host contract is made on initial recognition of the contract.

Early redemption options recognized as separate instruments are measured at fair value with changes in the valuation recognized in profit or loss.

## 2.20 Trade liabilities

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 2.21 Provisions

Provisions are recognized when the Group has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's actions.

The estimate of the amount of the provision corresponds to the expenditure likely to be incurred by the Group to settle its obligation. If a reliable estimate of the amount of the obligation cannot be made, no provision is recognized and the obligation is disclosed as a contingent liability.

## 2.22 Deferred income

Deferred income on sales of services comprises amounts relating to services that will be delivered in the future, which are billed to a customer in advance but not yet due.

## 2.23 Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer or the amount is due.

## 2.24 Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intragroup sales.

The Group's revenues are recognized mainly from the following telecommunications services and goods:

- voice and SMS telecommunications;
- data transfer;
- value added services;
- interconnection;
- international roaming;
- sales of handsets and other equipment.

Revenues from voice, SMS telecommunications and data transfer include charges for telecommunications traffic originated in the P4's network, including revenues from prepaid products.

Goods and services may be sold separately or in bundled packages. For bundled packages, including e.g. mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct – i.e. if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the Adjusted Contract Term (see Note 2.8). The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. For mix contracts the stand-alone selling prices for telecommunications services are set based on prices for pre-paid offers.

Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual airtime or data usage, or is made upon the expiration of the Group's obligation to provide the services.

Mobile services are billed on a monthly basis and payments are due shortly after the bill date.

Telecommunications revenue from the sale of prepaid products in single–elements contracts (i.e. with one performance obligation for airtime services) is recognized at the face value of a prepaid top-up sold, net of VAT. The difference between the face value of a prepaid offerings and the value for which the offerings are sold by P4 to its distributors, constitutes commission earned by the distributors, who act as agents. P4 acts as a principal in such agreements. The costs of prepaid commissions are treated as other service costs (see also Note 2.30.7). The revenue from the sale of prepaid products is deferred until an end-user commences using the product, and recognized in the profit or loss as telecommunication services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the service. Revenues from the value added services are recognized in the amount of full consideration if P4 acts as principal in the relation with the customer or in the amount of the commission earned if P4 acts as agent.

Interconnection revenues are derived from calls and other traffic that originate in other operators' networks but use P4's network. P4 receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

International roaming revenues are derived from calls and other traffic generated by foreign operators' customers in P4's network. P4 receives international roaming fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

Revenue from sale of handsets, other equipment and other goods is recognized when a promised good is transferred to the customer (typically upon delivery). The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data. For mobile devices sold separately (i.e. without the telecommunication contract), a customer usually pays full price at the point of sale.

For mobile devices sold in bundled contracts, customers are offered two schemes of payments – full payment at the commencement of the contract (in such contracts the handset price is significantly reduced and the cost of device is recovered through monthly fees for airtime services) or monthly instalments over the period of the contract plus initial fee paid upon delivery of a handset.

Revenues from content services (e.g. music and video streaming, applications and other value added services) rendered to our subscribers are recognized after netting off costs paid by us to third party content providers (when we act as an agent in the transaction) or in the gross amount billed to a subscriber (when we act as a principal).

## *2.25 Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

## *2.26 Current income tax*

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in countries where the Company and its subsidiaries operate and generate taxable income.
Income tax payable represents the amounts payable at the balance sheet date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognized in the balance sheet as an income tax receivables.

## *2.27 Deferred income tax*

Deferred income tax is calculated using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for tax losses. Deferred tax is not recognized when relating deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from different valuations of depreciable assets and accruals, provisions and deferred income for tax and accounting purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are also recognized for unused tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

Deferred tax assets and deferred tax liabilities are offset if, and only if, the Company or its subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable base.

## 2.28 Financial risk management

The Play Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements.

### 2.28.1 Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities as well as availability of funding through an adequate amount of committed debt facilities.

All trade payables are due within one year from the end of the reporting period.

Other non-current liabilities, which comprise deposits received from business partners (mainly dealers) as a collateral for their liabilities towards the Group, were classified as due within over 5 years from the end of the reporting period as the Group expects that they will be settled only after termination of cooperation with its partners. The table below presents the maturity of bank loans, notes and finance lease liabilities in contractual values (i.e. excluding the impact of nominal expenses incurred in relation to the liability), increased by projected value of interest payments. Values are not discounted.

| **March 31, 2016, unaudited** | **Liabilities payable within:** | | | |
|---|---|---|---|---|
| | **1 year** | **2 to 5 years** | **over 5 years** | **Total** |
| Notes | 243,905 | 5,015,574 | - | 5,259,479 |
| Lease | 183,130 | 538,218 | 433,931 | 1,155,279 |
| | **427,035** | **5,553,792** | **433,931** | **6,414,758** |

| **December 31, 2015** | **Liabilities payable within:** | | | |
|---|---|---|---|---|
| | **1 year** | **2 to 5 years** | **over 5 years** | **Total** |
| Notes | 217,417 | 4,629,618 | - | 4,847,035 |
| Lease | 195,855 | 510,511 | 360,277 | 1,066,643 |
| | **413,272** | **5,140,129** | **360,277** | **5,913,678** |

## 2.29 Fair value estimation

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 2.30.1 and 2.30.3 respectively.

The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate their fair values.

## *2.30 Critical accounting estimates and judgments*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial year are discussed below.

### *2.30.1 Valuation of the liabilities relating to retention programs*

The main input used for the valuation of retention programs liabilities is the fair value of the Group. The fair value of the Group as at March 31, 2016 and December 31, 2015 was established using the multiply method on the basis of business projections for years 2016–2019 and 2016-2018 respectively.

The estimated fair value of the Group as at March 31, 2016 has changed in comparison to December 31, 2015.

The following table lists other major inputs to the models used for the plans:

| | **March 31, 2016** | **December 31, 2015** |
|---|---|---|
| Liquidity event date | December 31, 2018 | December 31, 2018 |
| Volatility | 31% | 34% |
| Probability that liquidity event will not occur till liquidity event date mentioned above | 50% | 50% |

Had the major inputs remained the same as at December 31, 2015, the value of retention programs liabilities as at March 31, 2016 and relating costs for the three-month period ended March 31, 2016 would be higher by PLN 25,231 thousand.

### *2.30.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date*

The Group has assessed, that for Fixed Rate Senior Secured Notes and Senior Notes issued in January 2014 the respective early redemption options require separate recognition due to differences between option's exercise price and Notes' value at amortized cost and due to the fact that implied fee for early redemption to be paid to the lender reimburses the lender for an amount higher than the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015 it was concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of Notes. Thus close relation between embedded derivative and host contract was confirmed. Therefore this early redemption option was not separated from host debt contract of Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015 for accounting and valuation purposes.

### *2.30.3 Valuation of early redemption options*

For purposes of valuation of early redemption options to fair value the Group applies valuation model which is designed based on Black-Derman-Toy model (BDT) framework. BDT model is a one-factor model and is one of the most used yield-based models to valuate bonds and interest rate (American-style) options.

Critical assumptions behind designed model and implemented valuation techniques are as follows:

- model is arbitrage-free and consistent with the term structure of interest rates observed as at valuation date,
- value of an option is determined as payoff from its exercise in the future discounted to valuation date,
- binomial tree technique is used as primary tool for estimation of future path of interest rates and Notes prices. Length of period for binomial tree is assumed as 1 month. An equal probability (of 50%) is assigned

for increase or decrease of interest rates within next period of time,
- short risk free rates are lognormally distributed at all times,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark). No volatility of credit spread through maturity / exercise date is assumed,
- volatility of risk free rate is determined as constant through maturity / exercise date.

Thus critical valuation inputs of the option are as follows:

- credit spread,
- risk free rate term structure,
- volatility of risk free rate.

The above inputs are unobservable inputs.

Due to the nature of embedded derivative (American-style call option on debt instrument which is not quoted on active markets) and due to designed valuation model that uses unobservable inputs subject to significant assumptions the analyzed early redemption options are categorized within Level 3 of fair value hierarchy. The tables below present results of sensitivity analysis of early redemption options' valuations (separately for each Notes' category) to changes of key unobservable valuation inputs (key risk factors).

Early redemption option embedded in Senior Notes:

| **Risk factor** | **decrease** | | **Actual (base)** | **increase** | |
|---|---|---|---|---|---|
| **Credit spread** | **-0.50%** | **-0.25%** | **5.78%** | **+0.25%** | **+0.50%** |
| Option fair value | 11,997 | 9,474 | 6,988 | 4,541 | 2,129 |
| Impact on profit before tax | 5,008 | 2,485 | - | (2,448) | (4,859) |
| | | | | | |
| **Risk free rate** | **-0.00%** | **-0.00%** | **0.00%** | **+1.00%** | **+2.00%** |
| Option fair value | 6,989 | 6,989 | 6,988 | 6,762 | 6,557 |
| Impact on profit before tax | 0 | 0 | - | (227) | (432) |

Early redemption option embedded in Senior Secured Notes:

| **Risk factor** | **decrease** | | **Actual (base)** | **increase** | |
|---|---|---|---|---|---|
| **Credit spread** | **-0.50%** | **-0.25%** | **5.21%** | **+0.25%** | **+0.50%** |
| Option fair value | 12,146 | 6,433 | 792 | - | - |
| Impact on profit before tax | 11,354 | 5,641 | - | (792) | (792) |
| | | | | | |
| **Risk free rate** | **-0.00%** | **-0.00%** | **0.00%** | **+0.50%** | **+1.00%** |
| Option fair value | 792 | 792 | 792 | 773 | 754 |
| Impact on profit before tax | 0 | 0 | - | (19) | (38) |

Actual (base) values of risk factors are presented as at March 31, 2016. Actual value for risk free rate is presented as average rate of quoted yields (only those above zero) for full yearly periods from March 31, 2016 to given Notes maturity.

Decrease / increase of each risk factor is presented in nominal values, e.g. 0.50% decrease of credit spread from credit spread base value of 5% means that credit spread would fall from 5.00% to 4.50%.

Decrease / increase of risk free rate means parallel shift of zero coupon risk free curve down / up. It is assumed, that risk free rate could not fall below zero. So the maximum decrease is assumed up to the amount of 1Y risk free rate or zero.

Magnitude of decrease / increase of risk factors was determined as reasonable and possible to occur.

Change of option value is positively correlated to changes of volatility (i.e. the greater the volatility of risk free rate, the greater the option value) and negatively correlated to changes of credit spread and risk free rate levels. However, by risk free rate close or equal nil, the impact of the changes of volatility is insignificant. Option value is mostly sensitive to change of credit spread. Potential change of the Group's rating in the future will trigger change of benchmark for credit spread calculation and therefore such event will also have an impact on option value calculated from applied valuation model.

### *2.30.4 Valuation of the assets retirement obligation provision*

As at March 31, 2016 the assets retirement obligation provision was calculated using discount rate of 2.73% (3.00% as at December 31, 2015), representing interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the right-of-use assets that will be subject to retirement obligation. The discount period has changed in comparison to the period applied for the calculation in the year ended December 31, 2015.

### *2.30.5 Deferred tax*

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Play Group's income taxes. This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

The deferred income tax calculation is based on the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The calculation is based upon long term financial projections, which contain a considerable amount of uncertainty and the actual outcome may differ. These projections may be altered to reflect changes in the economic, technological and competitive environment in which the Play Group operates.

The Group is required to assess the likelihood of deferred income tax assets being recovered from future taxable income, and deferred tax assets are recognized to the extent to which such recovery is probable. Significant Group's estimates are required in the valuation of the Play Group's deferred income tax assets. These estimates take into consideration future taxable income projections, the potential volatility of those projections, historical results and ongoing tax planning strategies. Factors as: the nature of the business and industry, the economic environment in which the Play Group operates and the stability of local legislation are also considered.

### *2.30.6 Impairment of Play Group's long-lived assets*

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at March 31, 2016, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2015. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2016-2020.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2015. As a result no impairment loss has been recognized.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. Play Group's business model is based on a combination of operating an extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network of its own and providing nation-wide coverage to its customers via national roaming/network sharing agreements with other mobile telecommunications operators. The future success of this business model is dependent on many factors. The macroeconomic conditions of Poland and the European Union, the overall level of competition in the market, including market prices for voice and data services, the future take-up of new mobile data services, including demand for 4G LTE technology, access to sufficient distribution channels and the impact of possible new entrants in the form of mobile network operators (MNOs) and mobile virtual network operators (MVNOs), as well as over–the–top (OTT) service providers, may all impact the Group's ability to generate revenues. Risks associated with rapidly growing demand for radio network capacity, and uncertainties over the market regulator's approach to new entrants relative to market incumbents, the rate of decrease in unit costs of mobile devices and market levels of mobile devices subsidies, all generate uncertainties over achievable profit margins.
The mobile telecommunications industry is subject to significant governmental regulation and supervision and future changes in such regulations or telecommunication law may have an adverse impact on Play Group's revenues, require the Group to make additional expenditures and otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.

As no impairment indicators were identified as at March 31, 2016, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were not tested for impairment as at this date.

#### *2.30.7 Deferred charges - distribution costs of prepaid products*

Costs of distribution of prepaid products are deferred until the service is provided, i.e. a pre-paid product is delivered to an end-user, and expensed at that time. However, as P4 has no means of knowing the exact moment at which the prepaid products are delivered to end-users, due to the vast majority of sales being through independent third party channels, it is estimated that the distribution services are rendered when pre-paid products are first activated in P4's billing system. The distribution costs of prepaid products that were not activated after a pre-determined period from the date of delivering the products to the distributors are treated as incurred and expensed at that time.

#### *2.30.8 Impairment of billing receivables*

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. The collectability ratio used for calculation as at March 31, 2016 remained on a level comparable to the level used in comparative period.

#### *2.30.9 Significant judgments and estimates relating to application of IFRS 15*

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers. These include:

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,
- determining the standalone selling prices.

The significant judgments in the relation to the above are described in Note 2.24. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, described in Note 2.8.

The significant judgments in relation to recognition and measurement of contract costs are described in Note 2.8.

Significant financing component

The Group used the practical expedient described in paragraph 63 of IFRS 15 and did not adjust the promised amount of consideration for the effects of a significant financing component because it has assessed that for most of the contracts the period between when the Group transfers the equipment to the customer and when the customer pays for the equipment is one year or less.

Material right considerations

The Group has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations. In particular, the Group does not consider an activation fee to provide a material right to a customer to extend the contract without paying an additional activation fee. Also, the Group has assessed that for additional services offered to existing customers at a discounted price, the value of the revenue which would need to be deferred until satisfaction of the performance obligation associated with the potential material right, would be insignificant and therefore such potential material rights are not treated as separate performance obligations.

Agent vs. principal considerations in relation to cooperation with dealers

The Company cooperates with a network of dealers who sell post-paid services (including these bundled with handsets) and prepaid services. The Group has assessed that it acts as principal in this process, for the following reasons:

a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service – the Group is responsible for delivering airtime services to the end-customer and organizes the process of repairs of the equipment within the guarantee period,

c) prices of services and prices of equipment to customers are determined by the Group and not by the dealer;

d) dealers are remunerated in the form of commissions;

e) credit risk related to consideration for service and in case of instalment sales model also credit risk related to consideration for equipment is borne by the Group.

#### *2.30.10 Significant judgments and estimates relating to application of IFRS 16*

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of IFRS 16, the contract term and determining the interest rate used for discounting of future cash flows.

For lease contracts with indefinite term or with option to extend the lease on the same commercial terms the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it (e.g. economic useful life of foundations of telecommunication towers in case of lease of land on which the tower is located) or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the interest rate swap rate applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences.

## *2.31 Segment reporting*

The Group's business activity embraces the provision of mobile telecommunications services and managing a distribution network of mobile telecommunications products.

An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and operating results of which are regularly reviewed to make decisions about resources to be allocated and to assess its performance. The whole Play Group was determined as one operating segment, as its performance is assessed based on revenue and adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA – see table below), only from the perspective of the Group as a whole.

Data in the table below are presented in zloty rounded to the nearest million. Therefore, discrepancies between totals and the sums of the amounts listed may occur due to such rounding.

Reconciliation of operating profit to adjusted EBITDA (in PLN millions):

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Operating profit** | **325** | **221** |
| Add depreciation and amortization | 141 | 146 |
| Reverse amortization and impairment of contract costs | 93 | 81 |
| Add advisory services provided by shareholders | 8 | 7 |
| Add valuation of retention programs and special bonuses | (23) | 21 |
| Add one-off finance and legal services | 2 | 0 |
| Add cost on valuation of cash denominated in EUR | - | 7 |
| Add one-off impairment of overdue receivables | 13 | - |
| Add one-off other operating costs | 2 | 0 |
| **Adjusted EBITDA** | **560** | **484** |

One-off costs or income are material items of unusual or non-recurring nature which are excluded from calculation of Adjusted EBITDA on the basis of the Group’s decision.

Adjusted EBITDA is a non-IFRS financial measure. Other companies may calculate Adjusted EBITDA differently.

## 3. Property, plant and equipment

| | Land | Buildings | Computers | Telecommunications network and equipment | Other fixed assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2016 | 46 | 796,404 | 101,546 | 905,081 | 60,098 | 1,863,175 |
| Transfers and reclassifications | - | 18,640 | 1,010 | 40,218 | 3,315 | 63,183 |
| Disposals | - | (1,902) | (907) | (22,426) | (688) | (25,923) |
| **As at March 31, 2016, unaudited** | **46** | **813,142** | **101,649** | **922,873** | **62,725** | **1,900,435** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2016 | 4 | 360,362 | 88,999 | 471,981 | 34,082 | 955,428 |
| Charge | - | 6,513 | 3,497 | 32,101 | 2,087 | 44,198 |
| Disposals | - | (595) | (892) | (22,217) | (645) | (24,349) |
| **As at March 31, 2016, unaudited** | **4** | **366,280** | **91,604** | **481,865** | **35,524** | **975,277** |
| **Net book value as at March 31, 2016, unaudited** | **42** | **446,862** | **10,045** | **441,008** | **27,201** | **925,158** |

Buildings represent mainly own telecommunication towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.

During the three-month period ended March 31, 2016 the Group has not capitalized any interest expense or exchange rate differences.

| | Land | Buildings | Computers | Telecommunications network and equipment | Other fixed assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2015 | 46 | 691,837 | 111,593 | 926,038 | 49,616 | 1,779,130 |
| Additions | - | - | - | - | - | - |
| Transfers and reclassifications | - | 35,170 | 2,666 | 24,876 | 858 | 63,570 |
| Disposals | - | (165) | (13,751) | (54,270) | (102) | (68,288) |
| **As at March 31, 2015, unaudited** | **46** | **726,842** | **100,508** | **896,644** | **50,372** | **1,774,412** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2015 | 4 | 274,028 | 90,719 | 516,695 | 37,328 | 918,774 |
| Charge | - | 22,956 | 3,304 | 33,981 | 2,411 | 62,652 |
| Transfers and reclassifications | - | - | (454) | - | - | (454) |
| Disposals | - | (164) | (13,750) | (54,065) | (98) | (68,077) |
| **As at March 31, 2015, unaudited** | **4** | **296,820** | **79,819** | **496,611** | **39,641** | **912,895** |
| **Net book value as at March 31, 2015, unaudited** | **42** | **430,022** | **20,689** | **400,033** | **10,731** | **861,517** |

During the three-month period ended March 31, 2015 the Group has not capitalized any interest expense or exchange rate differences.

# 4. Right-of-use assets

| | Right-of-use assets: Land | Right-of-use assets: Buildings | Right-of-use assets: Computers | Right-of-use assets: Telecommunications network and equipment | Right-of-use assets: Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2016 | 113,374 | 1,104,525 | 89,116 | 92,219 | 26,097 | 1,425,331 |
| Additions | 2,005 | 15,913 | - | 408 | - | 18,326 |
| Asset retirement obligation | - | 2,144 | - | - | - | 2,144 |
| Transfers and reclassifications | - | (18) | - | - | 1,184 | 1,166 |
| Disposals | (379) | (5,426) | (186) | (1,145) | (2,572) | (9,708) |
| **As at March 31, 2016, unaudited** | **115,000** | **1,117,138** | **88,930** | **91,482** | **24,709** | **1,437,259** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2016 | 35,875 | 501,646 | 44,821 | 61,681 | 13,384 | 657,407 |
| Charge | 2,284 | 24,220 | 4,254 | 3,011 | 1,778 | 35,547 |
| Charge from asset retirement obligation | - | 508 | - | - | - | 508 |
| Transfers and reclassifications | - | (5) | - | - | - | (5) |
| Disposals | - | (2,546) | (174) | (1,141) | (2,561) | (6,422) |
| **As at March 31, 2016, unaudited** | **38,159** | **523,823** | **48,901** | **63,551** | **12,601** | **687,035** |
| **Net book value as at March 31, 2016, unaudited** | **76,841** | **593,315** | **40,029** | **27,931** | **12,108** | **750,224** |

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 899 thousand in current period.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 2,532 thousand in current period.

| | Right-of-use assets: Land | Right-of-use assets: Buildings | Right-of-use assets: Computers | Right-of-use assets: Telecommunications network and equipment | Right-of-use assets: Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at January 1, 2015 | 98,159 | 973,753 | 63,478 | 106,064 | 27,121 | 1,268,575 |
| Additions | 4,050 | 36,348 | - | 794 | - | 41,192 |
| Asset retirement obligation | - | 4,887 | - | - | - | 4,887 |
| Transfers and reclassifications | - | (163) | (2,595) | - | 990 | (1,768) |
| Disposals | (5) | (7,680) | (6) | (1,097) | (929) | (9,717) |
| **As at March 31, 2015, unaudited** | **102,204** | **1,007,145** | **60,877** | **105,761** | **27,182** | **1,303,169** |
| **Accumulated depreciation** | | | | | | |
| As at January 1, 2015 | 27,382 | 418,451 | 25,359 | 62,839 | 15,231 | 549,262 |
| Charge | 2,003 | 23,290 | 3,516 | 7,624 | 1,740 | 38,173 |
| Charge from asset retirement obligation | - | 391 | - | - | - | 391 |
| Transfers and reclassifications | - | (40) | 454 | - | - | 414 |
| Disposals | - | (5,720) | (6) | (1,025) | (912) | (7,663) |
| **As at March 31, 2015, unaudited** | **29,385** | **436,372** | **29,323** | **69,438** | **16,059** | **580,577** |
| **Net book value as at March 31, 2015, unaudited** | **72,819** | **570,773** | **31,554** | **36,323** | **11,123** | **722,592** |

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 861 thousand in comparative period.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 2,972 thousand in current period.

## 5. Intangible assets

| | Telecommunications licenses | Computer and network software | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at January 1, 2016 | 1,061,522 | 781,608 | 238,301 | 21,626 | 2,103,057 |
| Additions | 1,718,433 | - | - | - | 1,718,433 |
| Transfers and reclassifications | - | 5,627 | - | 4,019 | 9,646 |
| Disposals | - | (3) | - | - | (3) |
| **As at March 31, 2016, unaudited** | **2,779,955** | **787,232** | **238,301** | **25,645** | **3,831,133** |
| **Accumulated amortization** | | | | | |
| As at January 1, 2016 | 380,388 | 582,856 | - | 13,041 | 976,285 |
| Charge | 38,640 | 20,983 | - | 1,168 | 60,791 |
| Disposals | - | (3) | - | - | (3) |
| **As at March 31, 2016, unaudited** | **419,028** | **603,836** | **-** | **14,209** | **1,037,073** |
| **Accumulated impairment** | | | | | |
| As at January 1, 2016 | - | - | - | - | - |
| Impairment charge | - | - | - | 1,832 | 1,832 |
| **As at March 31, 2016, unaudited** | **-** | **-** | **-** | **1,832** | **1,832** |
| **Net book value as at March 31, 2016, unaudited** | **2,360,927** | **183,396** | **238,301** | **9,604** | **2,792,228** |

The transfers recorded during three-month period ended March 31, 2016 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software and other intangible assets.

On August 23, 2005 P4 was granted by Urząd Komunikacji Elektronicznej ("UKE") a reservation of the 2100 MHz frequency for the period from July 1, 2006 to December 31, 2022. On March 16, 2007 P4 started providing mobile telecommunications services and started to amortize the 2100 MHz license from March 1, 2007. The license is amortized over the period for which it was granted. As at March 31, 2016 the carrying value of the 2100 MHz license was PLN 147,430 thousand.
On December 9, 2008 P4 was granted a reservation of the 900 MHz frequency for the period from December 9, 2008 to December 31, 2023. P4 started to amortize the 900 MHz license from January 2009. The license is amortized over the period for which it was granted. As at March 31, 2016 the carrying value of the 900 MHz license was PLN 112,477 thousand.

On February 13, 2013, P4 was granted a reservation of the 1800 MHz frequency for the period from February 13, 2013 to December 31, 2027. The license is amortized over the period for which it was granted. As at March 31, 2016 the carrying value of the 1800 MHz license was PLN 403,552 thousand.

On January 25, 2016, P4 was granted a reservation of the 800 MHz frequency for the period from January 25, 2016 to January 24, 2031. The license is amortized over the period for which it was granted. As at March 31, 2016 the carrying value of the 800 MHz license was PLN 1,477,826 thousand.

On January 25, 2016, P4 was granted a reservation of the 2600 MHz frequency for the period from January 25, 2016 to January 24, 2031. The license is amortized over the period for which it was granted. As at March 31, 2016 the carrying value of the 2600 MHz license was PLN 219,642 thousand.

The Internet domain play.pl has been classified as an asset with indefinite useful life. The useful life of this asset had been determined as indefinite, because based on the analysis of all of the relevant factors, there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the entity.

| | Telecommunications licenses | Computer and network software | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at January 1, 2015 | 1,061,522 | 764,901 | 238,301 | 17,934 | 2,082,658 |
| Transfers and reclassifications | - | 290 | - | - | 290 |
| Disposals | - | - | - | - | - |
| **As at March 31, 2015, unaudited** | **1,061,522** | **765,191** | **238,301** | **17,934** | **2,082,948** |
| **Accumulated amortization** | | | | | |
| As at January 1, 2015 | 309,688 | 497,586 | - | 13,748 | 821,022 |
| Charge | 17,675 | 27,108 | - | 525 | 45,308 |
| **As at March 31, 2015, unaudited** | **327,363** | **524,694** | **-** | **14,273** | **866,330** |
| **Net book value as at March 31, 2015** | **734,159** | **240,497** | **238,301** | **3,661** | **1,216,618** |

## 6. Assets under construction

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| **Cost** | **Unaudited** | **Unaudited** |
| As at January 1 | 395,385 | 286,447 |
| Additions | 77,924 | 62,308 |
| Radio network | 52,993 | 37,995 |
| Core network and network operations center | 8,018 | 6,043 |
| IT | 13,890 | 8,807 |
| Other capital expenditures | 3,023 | 9,463 |
| Transfers and reclassifications | (73,995) | (62,092) |
| Disposals | (9) | - |
| **As at March 31** | **399,305** | **286,663** |
| **Accumulated impairment** | | |
| As at January 1 | 1,849 | 981 |
| Impairment charge/(reversal) | (18) | 88 |
| **As at March 31** | **1,831** | **1,069** |
| **Net book value as at March 31** | **397,474** | **285,594** |

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction.

Transfers and reclassifications represent mainly transfers from assets under construction to property, plant and equipment and to intangible assets.

Assets under construction include right-of-use under construction amounted to PLN nil as at March 31, 2016 and PLN 14,385 as at March 31, 2015.

## 7. Contract costs

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| **Cost** | **Unaudited** | **Unaudited** |
| As at January 1 | 605,668 | 484,039 |
| Additions | 92,045 | 105,794 |
| Disposals | (81,232) | (75,466) |
| **As at March 31** | **616,481** | **514,367** |
| **Accumulated amortization** | | |
| As at January 1 | 295,724 | 226,925 |
| Charge (including impairment) | 93,447 | 81,063 |
| Disposals (including impairment) | (81,232) | (75,466) |
| **As at March 31** | **307,939** | **232,522** |
| **Net book value as at March 31** | **308,542** | **281,845** |

## 8. Long term receivables – debt securities

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| **Long term receivables - debt securities** | | |
| EUR 8.22% Bonds due in 2020 | 225,349 | 153,441 |
| | **225,349** | **153,441** |

On February 26, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Bonds issued by Play Topco S.A. On August 26, 2015, the Group purchased EUR 16,260 thousand in aggregate principal amount of B Series Bonds issued by Play Topco S.A. On February 25, 2016, the Group purchased EUR 15,950 thousand in aggregate principal amount of C Series Bonds issued by Play Topco S.A. The purpose of the bonds was to facilitate the interest payments on the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Play Topco S.A. The notes mature on February 28, 2020 (Repurchase Date). Interest on the A, B and C Series Bonds is calculated at the rate of 8.22% per annum and is payable on the Bonds Repurchase Date.

The bonds receivables are measured at amortized cost using the effective interest rate. The effective interest rate was 8.22% as at March 31, 2016 and December 31, 2015.

The carrying amount of the bonds receivables approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.
Critical assumptions and implemented valuation techniques for measuring the fair value are as follows:

- fair value of bonds is determined as future cash flows from repayment of notes and interest discounted to valuation date,
- interest is calculated using risk free rate increased by credit spread,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of Play Topco S.A. and adjusted by the actual change in broad market credit index for corporations with rating as of Play Topco S.A. (actually CDS index for entities rated "CCC" is assumed as a benchmark),
- the discount rate is an effective interest rate of cash flows with recalculated interest value.

## 9. Other long-term receivables

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| Long-term receivables | 12,030 | 12,106 |
| Impairment of long-term receivables | (875) | (972) |
| | **11,155** | **11,134** |

Long-term receivables comprise amounts paid as collateral for lease agreements.

## 10. Finance assets at fair value through profit or loss

Finance assets at fair value through profit or loss comprise early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 2.30.2 and Note 2.30.3).

| | **March 31, 2016 Unaudited** | **December 31, 2015** |
|---|---|---|
| Senior Secured Notes | 792 | 8,580 |
| Senior Notes | 6,988 | 10,639 |
| | **7,780** | **19,219** |

Critical terms with respect to redemption price and portion of principal amount available for early redemption at particular price are as follows:

a) for Senior Secured Notes:
   (i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem:
   - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 105.25% of the principal amount, or
   - during each twelve-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount at a redemption price equal to 103% of the principal amount, or
   - all or a portion of principal amount at a redemption price equal to 100% of the principal amount plus the applicable premium as of redemption date. The premium is determined as maximum of 1% of the principal amount or excess of the present value of sum of 102.625% and interests payments due through February 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Fixed Rate Senior Secured Notes.

   (ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
   - 102.625% - in period from February 1, 2016 to February 1, 2017,
   - 101.313% - in period from February 1, 2017 to February 1, 2018,
   - 100.000% - in period from February 1, 2018 to February 1, 2019.

b) for Senior Notes:
   (i) at any time prior to August 1, 2016 the Senior Notes Issuer is entitled to redeem:
   - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 106.50% of the principal amount, or
   - all or a portion of principal amount at a redemption price equal to 100.00% of the principal amount plus the applicable premium as of redemption date. The premium is determined as maximum of 1% of the principle amount or excess of the present value of sum of 103.25% and interests payments due through August 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Senior Notes.

   (ii) at any time on or after August 1, 2016 the Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
   - 103.250% - in period from August 1, 2016 to August 1, 2017,
   - 101.625% - in period from August 1, 2017 to August 1, 2018,
   - 100.000% - in period from August 1, 2018 to August 1, 2019.

In each of the above cases the redemption price is additionally increased by the amount of accrued and unpaid interests as to redemption date.

Change in fair value of early redemption options impacts profit or loss. The table below presents reconciliation of change in fair value in the reporting periods.

| | **Senior Secured Notes** | **Senior Notes** | **Total** |
|---|---|---|---|
| Valuation as at January 1, 2016 | 8,580 | 10,639 | 19,219 |
| Valuation as at March 31, 2016, unaudited | 792 | 6,988 | 7,780 |
| **Impact of change in fair value on profit or loss for the three-month period ended March 31, 2016, unaudited** | **(7,788)** | **(3,651)** | **(11,439)** |
| | | | |
| Valuation as at January 1, 2015 | 38,948 | 18,663 | 57,611 |
| Valuation as at March 31, 2015, unaudited | 58,808 | 15,916 | 74,724 |
| **Impact of change in fair value on profit or loss for the three-month period ended March 31, 2015, unaudited** | **19,860** | **(2,747)** | **17,113** |

## 11. Inventories

| | **March 31, 2016 Unaudited** | **December 31, 2015** |
|---|---|---|
| Goods for resale | 189,957 | 166,643 |
| Goods in dealers' premises | 41,252 | 34,611 |
| Impairment of goods for resale | (7,262) | (7,203) |
| Prepaid deliveries | 39,337 | 18,158 |
| | **263,284** | **212,209** |

The write down of the Play Group's inventories relates mainly to handsets and other mobile devices. The Group assessed that the net realizable value of the handsets and other devices would be lower than the purchase price. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories sold in promotional offers are stated at the lower of cost or probable net realizable value, taking into account future margin expected from related services.

Movements of the provision for impairment of inventories are as follows:

| | **Three-month period ended March 31, 2016 Unaudited** | **Three-month period ended March 31, 2015 Unaudited** |
|---|---|---|
| **Beginning of period** | **7,203** | **6,503** |
| - charged to income statement | 1,490 | 1,334 |
| - utilized | (1,431) | (192) |
| **End of period** | **7,262** | **7,645** |

The net increase/decrease of the provision for inventory is charged/credited to costs of goods sold.

## 12. Trade and other receivables

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| Trade receivables | 1,082,869 | 967,401 |
| Impairment of trade receivables | (111,144) | (92,970) |
| **Trade receivables (net)** | **971,725** | **874,431** |
| | | |
| VAT and other government receivables | 2,175 | 2,161 |
| Other receivables | 299 | 302 |
| **Other receivables (net)** | **2,474** | **2,463** |
| | **974,199** | **876,894** |

Total amount of trade receivables are receivables from contracts with customers.

Trade receivables include installment receivables relating to sales of handsets and mobile computing devices.

The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

Movements of the provision for impairment of trade receivables are as follows:

| | Three-month period ended March 31, 2016 Unaudited | Three-month period ended March 31, 2015 Unaudited |
|---|---|---|
| **Beginning of period** | **92,970** | **84,945** |
| - charged to income statement | 18,174 | 4,974 |
| - write-downs applied | - | (140) |
| **End of period** | **111,144** | **89,779** |

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 13. Contract assets

In current and in comparative periods there were no significant changes in the time frame for a right to consideration to become unconditional or in the time frame for a performance obligation to be satisfied.

Impairment of contract assets results from disconnecting the customer due to breach of the contract.

In current and in comparative periods there were no cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in an estimate of the transaction price or a contract modification.

## 14. Prepaid expenses

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| Distribution and selling costs | 9,950 | 9,612 |
| Security deposits paid to UKE | 6,000 | 20,000 |
| Other | 14,258 | 12,159 |
| | **30,208** | **41,771** |

As of March 31, 2016, other prepaid expenses include mainly advance payments for services.

The security deposits in the amount of PLN 20,000 thousand were paid to UKE during the year ended December 31, 2014 in relation with Group's participation in auction for frequencies in the 800 MHz and in the 2600 MHz band, of which the security deposits in the amount of PLN 14,000 thousand were accounted for payment for the reservations granted to the Group in the three-month period ended March 31, 2016.

## 15. Cash and cash equivalents

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| Petty cash | 412 | 493 |
| Balances deposited with banks: | | |
| Current accounts | 45,477 | 1,555,745 |
| Term deposits with original maturity of less than 90 days | 129 | 10 |
| Other cash assets | 618 | 553 |
| | **46,636** | **1,556,801** |

The significant decrease in cash and cash equivalents results from payment for newly acquired frequencies in the 800 MHz and 2600 MHz spectra – see Note 5. The purchase of frequencies was financed with cash as well as with credit facilities – see Note 17.2.

## 16. Shareholders' equity

The Company was incorporated on January 10, 2014 ("Date of Incorporation"). The initial share capital of PLN 52 thousand consisted of 12,500 shares with a par value of EUR 1 per share.

As at March 31, 2016, the Play Group's share capital consisted of 12,501 shares issued, paid and authorized with a par value of EUR 1 per share. Play Holdings 1 S. à r. l. was the owner of 12,501 shares, constituting 100% of the Play Group's share capital.

# 17. Finance liabilities

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| **Long-term finance liabilities** | | |
| Long-term notes liabilities | 4,342,242 | 4,333,232 |
| Long-term leases | 647,924 | 663,386 |
| | **4,990,166** | **4,996,618** |
| **Short-term finance liabilities** | | |
| Short-term bank loans | 363,786 | - |
| Short-term notes liabilities | 40,055 | 99,234 |
| Short-term leases | 176,231 | 178,011 |
| | **580,072** | **277,245** |
| | **5,570,238** | **5,273,863** |

## *17.1 Notes*

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| **Long-term notes liabilities** | | |
| EUR 5.25% Senior Secured Notes due 2019 | 2,531,623 | 2,525,394 |
| PLN Floating Rate Senior Secured Notes due 2019 | 128,660 | 128,546 |
| EUR 6.5% Senior Notes due 2019 | 1,138,180 | 1,135,512 |
| 2015 EUR 5.25% Senior Secured Notes due 2019 | 543,779 | 543,780 |
| | **4,342,242** | **4,333,232** |
| **Short-term notes liabilities** | | |
| Accrued interest related to notes | 40,055 | 99,234 |
| | **40,055** | **99,234** |

### *17.1.1 EUR 5.25% Senior Secured Notes due 2019*

On January 31, 2014, the Group issued EUR 600,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes is calculated at the rate of 5.25% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

Proceeds from Fixed Rate Senior Secured Notes were used for the repayment of CDB and Alior Bank loans – see also Note 17.2.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 29,417 thousand as at March 31, 2016 (PLN 31,506 thousand as at December 31, 2015). The effective interest rate was 5.77% as at March 31, 2016 and December 31, 2015.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.
Critical assumptions and implemented valuation techniques for measuring the fair value are as follows:

- fair value of notes is determined as future cash flows from repayment of notes and interest discounted to valuation date,
- interest is calculated using risk free rate increased by credit spread,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark),
- the discount rate is an effective interest rate of cash flows with recalculated interest value.

#### *17.1.2 PLN Floating Rate Senior Secured Notes due 2019*

On January 31, 2014, the Group issued PLN 130,000 thousand in aggregate principal amount of Floating Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Floating Rate Senior Secured Notes is calculated based on the 3M WIBOR rate plus margin and is payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2014.

Proceeds from Floating Rate Senior Secured Notes were used mainly for the repayment of CDB and Alior Bank loans – see also Note 17.2.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 1,340 thousand as at March 31, 2016 (PLN 1,454 thousand as at December 31, 2015). The effective interest rate was 5.78% as at March 31, 2016 (5.82% as at December 31, 2015).

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

#### *17.1.3 EUR 6.50% Senior Notes due 2019*

On January 31, 2014, the Group issued EUR 270,000 thousand in aggregate principal amount of Senior Notes. The notes mature on August 1, 2019. Interest on the Senior Notes is calculated at the rate of 6.50% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

Proceeds from Senior Notes of EUR 170,000 thousand were initially deposited into escrow account and on July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction. The proceeds were used for distribution of share premium. See also Note 16.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 14,288 thousand as at March 31, 2016 (PLN 15,092 thousand as at December 31, 2015). The effective interest rate was 7.04% as at March 31, 2016 and December 31, 2015.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate. Critical assumptions and implemented valuation techniques for measuring the fair value are the same as for EUR 5.25% Senior Secured Notes due 2019 described above.

#### *17.1.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015*

On March 19, 2015, the Group issued EUR 125,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes is calculated at the rate of 5.25% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2015.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes, adjusted by the value of premium, were included in the calculation of the effective interest rate. As a result of the purchase of notes at a premium the balance of unamortized expenses was negative and amounted to PLN 10,229 thousand as at March 31, 2016 (PLN 11,091 as at December 31, 2015). The effective interest rate was 4.57% as at March 31, 2016 and December 31, 2015.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate. Critical assumptions and implemented valuation techniques for measuring the fair value are the same as for EUR 5.25% Senior Secured Notes due 2019 described above.

## *17.2 Bank loans*

| | **March 31, 2016 Unaudited** | **December 31, 2015** |
|---|---|---|
| **Short-term bank loans** | | |
| Revolving Credit Facility | 190,000 | - |
| Bank loan - Bank Zachodni WBK | 124,885 | - |
| Bank loan - Bank Millennium | 48,199 | - |
| Accrued interest on bank loans | 702 | - |
| | **363,786** | **-** |

### *17.2.1 Revolving Credit Facility*

The Play Group has a multi-currency revolving facility with Alior Bank S.A. as a lender, and Bank Zachodni WBK S.A. as a lender and facility agent for the amount of PLN 400,000 thousand. The funds can be used to finance general corporate and working capital purposes of the Group (including the acquisition of telecommunications licenses or capital expenditure relating thereto, as well as other capital expenditure). The bank loan should be repaid until January 31, 2018. Interest is calculated based on relevant LIBOR, EURIBOR or WIBOR rate (depending on the currency drawn and the interest period) plus margin.

The carrying amount of the loan approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

### *17.2.2 Bank Zachodni WBK loan*

The Play Group has a revolving credit line agreement with Bank Zachodni WBK S.A. for the amount of PLN 150,000 thousand. The funds can be used to finance working capital needs.

The bank loan in the amount of PLN 150,000 thousand is available until May 10, 2016, and next reduced to PLN 75,000 thousand with availability until September 30, 2016. Interest is calculated based on 1M WIBOR rate plus margin.

The carrying amount of the loan approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

### *17.2.3 Millennium Bank loan*

The Play Group has a revolving credit line agreement with Bank Millennium S.A. for the amount of PLN 50,000 thousand. The funds are available to finance working capital needs.

The bank loan is available until November 12, 2016. Interest is calculated based on 1M WIBOR rate plus margin.

The carrying amount of the loan approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

## 17.3 Leases

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| **Long-term lease liabilities** | | |
| Telecommunication sites | 530,034 | 536,813 |
| Points of sale | 33,454 | 35,657 |
| Dark fiber optic cable | 14,862 | 16,475 |
| Collocation centers | 21,040 | 20,163 |
| Offices & Warehouse | 32,886 | 33,967 |
| Computers | 11,217 | 15,300 |
| Motor vehicles | 4,431 | 5,011 |
| | **647,924** | **663,386** |
| **Short-term lease liabilities** | | |
| Telecommunication sites | 107,494 | 108,415 |
| Points of sale | 24,852 | 24,914 |
| Dark fiber optic cable | 9,594 | 9,992 |
| Collocation centers | 6,261 | 5,690 |
| Offices & Warehouse | 7,813 | 7,617 |
| Computers | 14,901 | 16,128 |
| Motor vehicles | 5,316 | 5,255 |
| | **176,231** | **178,011** |

## 17.4 Assets pledged as security for finance liabilities

The Senior Secured Notes, the 2015 Senior Secured Notes and the Revolving Credit Facility are secured by:

- a pledge over, or assignment by way of security of, all of the issued and outstanding capital stock in each of the Senior Secured Notes Issuer (Play Finance 2 S.A.) and the Senior Secured Note Guarantors (Collectively, Play Holdings 2 S. à r. l., Play Holdings 3 S. à r. l., P4 Sp. z o.o., the Senior Notes Issuer and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k.);
- an assignment by way of security or pledge of the Senior Secured Notes Proceeds Bonds (intergroup notes issued by P4 Sp. z o.o. and by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 2 S.A.);
- a pledge over substantially all of the assets (i.e., whole business) of each of P4 Sp. z o.o. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k. (including, without limitation, any bank accounts, material trademarks and other movable property and assets owned by such entities);
- a pledge over the bank accounts of the Senior Secured Notes Issuer and each of the Senior Secured Notes Guarantors; and
- a pledge over any receivables of the Senior Secured Notes Issuer and each of the Senior Secured Note Guarantors (including, without limitation, the Senior Secured Notes Proceeds Bonds).

The Senior Notes are secured by:

- junior-priority security interests over the following property and assets:
    - a pledge over the issued and outstanding capital stock of each of the Senior Notes Issuer (Play Finance 1 S.A.), P4 Sp. z o.o., Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k., Play Holdings 2 S. à r. l. and Play Holdings 3 S. à r. l.; and
    - a pledge or assignment of the Senior Notes Proceeds Bonds (intergroup notes issued by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 1 S.A.).

## 18. Provisions

| | **March 31, 2016 Unaudited** | **December 31, 2015** |
|---|---|---|
| Assets retirement provision | 40,618 | 38,255 |
| Other long-term provisions | 8,405 | 8,217 |
| Short-term provisions | 962 | 996 |
| | **49,985** | **47,468** |

Movements of the provisions are as follows:

| | Assets retirement provision | Other long-term provisions | Short-term provisions | Total |
|---|---|---|---|---|
| **As at January 1, 2016** | **38,255** | **8,217** | **996** | **47,468** |
| Increase | 2,386 | 421 | - | **2,807** |
| Decrease: | (23) | (233) | (34) | **(290)** |
| - reversal of provisions | (23) | (233) | (34) | **(290)** |
| **As at March 31, 2016, unaudited** | **40,618** | **8,405** | **962** | **49,985** |

| | Assets retirement provision | Other long-term provisions | Short-term provisions | Total |
|---|---|---|---|---|
| **As at January 1, 2015** | **31,640** | **21,883** | **1,653** | **55,176** |
| Increase | 5,141 | 122 | 20 | **5,283** |
| Decrease: | (246) | (25) | (704) | **(975)** |
| - reversal of provisions | (246) | - | - | **(246)** |
| - utilization | - | (25) | (704) | **(729)** |
| **As at March 31, 2015, unaudited** | **36,535** | **21,980** | **969** | **59,484** |

## 19. Retention programs liabilities

During the three-month period ended March 31, 2016 and during the comparative period, the Play Group operated following cash-settled share-based retention programs:

- EGA MB Plan
- PSA 1, PSA 2 and PSA 3 Plans
- SF 1 and SF 2 Plans
- EGA Employees Plan
- VDP 2 Plan
- VDP 3 Plan

A detail description of these retention programs is disclosed in the Group's annual consolidated financial statements as at and for the year ended December 31, 2015 issued on February 1, 2016.

The following table illustrates the number of, and movements in VDP 2 and VDP 3 share appreciation rights (not in thousands) during the periods:

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | VDP Plan 3 | VDP Plan 2 |
| **As at January 1** | **20,443,338** | **12,085,617** |
| Granted in prior periods (correction) | - | 70,601 |
| Forfeited during the period | (659,033) | - |
| **As at March 31** | **19,784,305** | **12,156,218** |
| Exercisable at March 31 | - | 12,156,218 |

***Fair value of the programs:***

The Group estimates fair value of the liabilities resulting from the plans at each end of the reporting period. Changes in the value of a liability are recognized in statement of comprehensive income. Changes in fair value of the plans are presented below.

| | Long-term retention programs liabilities | Short-term retention programs liabilities |
|---|---|---|
| **As at January 1, 2016** | **163,040** | **22,294** |
| Exercised during the period | - | (1,601) |
| Changes in valuation during the period | (23,409) | - |
| Transferred during the period | (2,359) | 2,359 |
| **As at March 31, 2016, unaudited** | **137,272** | **23,052** |
| Vested at March 31, 2016 | 119,070 | 10,570 |

| | Long-term retention programs liabilities | Short-term retention programs liabilities |
|---|---|---|
| **As at January 1, 2015** | **95,702** | **14,129** |
| Granted in prior periods (correction) | - | 84 |
| Changes in valuation during the period | 21,433 | 87 |
| Transferred during the period | (7,787) | 7,787 |
| **As at March 31, 2015, unaudited** | **109,348** | **22,087** |
| Vested at March 31, 2015 | 92,188 | 22,088 |

## 20. Trade and other payables

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| Trade payables | 673,184 | 670,060 |
| Investment payables | 157,987 | 194,600 |
| Government payables | 115,156 | 109,613 |
| Employee payables | 53 | 35 |
| Other | 5,761 | 2,641 |
| | **952,141** | **976,949** |

## 21. Accruals

Accruals include accruals for bonuses and unused holidays.

## 22. Deferred income

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| Airtime from pre-paid products | 117,458 | 140,908 |
| Fees related to post-paid contracts | 141,682 | 143,700 |
| Other | 3 | - |
| | **259,143** | **284,608** |

## 23. Operating revenue

Total operating revenue corresponds to the revenue from contracts with customers.

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Service revenue** | **1,067,091** | **936,548** |
| Usage revenue | 818,385 | 739,211 |
| Interconnection revenue | 248,706 | 197,337 |
| **Sales of goods** | **375,525** | **317,014** |
| | **1,442,616** | **1,253,562** |

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| **Usage revenue by category** | | |
| Retail contract revenue | 627,539 | 570,452 |
| Retail prepaid revenue | 158,143 | 147,858 |
| Other revenue | 32,703 | 20,901 |
| | **818,385** | **739,211** |

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| **Retail usage revenue by type of customer** | **Unaudited** | **Unaudited** |
| **Residential** | **605,008** | **546,558** |
| *- Postpaid* | *346,607* | *307,047* |
| *- Prepaid* | *144,457* | *136,171* |
| *- Mix* | *42,276* | *36,074* |
| *- Play Internet* | *69,122* | *65,678* |
| *- Fixed* | *2,546* | *1,588* |
| **Business** | **180,674** | **171,752** |
| *- Postpaid* | *180,674* | *171,752* |
| | **785,682** | **718,310** |

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Timing of transfer of goods or services** | | |
| Goods transferred at a point in time | 375,525 | 317,014 |
| Services transferred over time | 1,067,091 | 936,548 |
| | **1,442,616** | **1,253,562** |

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| Revenue recognised in the reporting periods that was included in the contract liability balance at the beginning of the period | 11,214 | 13,191 |

In the reporting periods there was no revenue recognized from performance obligations satisfied or partially satisfied in previous periods.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

| | **March 31, 2016** | **December 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| Transaction price allocated to the remaining performance obligation | | |
| 2016 | 1,332,411 | 1,536,445 |
| 2017 | 505,152 | 321,201 |
| 2018 | 21,684 | 8,154 |
| 2019 | 765 | - |
| | **1,860,012** | **1,865,800** |

The Group applied IFRS 15 retrospectively using the practical expedient in paragraph C5c of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognize that amount as revenue for all reporting periods presented before the date of initial application.

## 24. Interconnection, roaming and other service costs

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| Interconnection costs | (275,863) | (229,784) |
| National roaming/network sharing | (39,215) | (37,867) |
| Other service costs | (33,908) | (38,766) |
| | **(348,986)** | **(306,417)** |

## 25. Contract costs, net

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| Contract costs incurred | (98,052) | (112,612) |
| Contract costs capitalized | 92,045 | 105,794 |
| Amortization of contract costs | (91,436) | (79,778) |
| Impairment of contract costs | (2,011) | (1,285) |
| | **(99,454)** | **(87,881)** |

## 26. General and administrative expenses

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Employee benefits** | **(28,338)** | **(70,390)** |
| Salaries | (44,921) | (42,579) |
| Social security | (6,776) | (6,594) |
| Special bonuses | (50) | 388 |
| Retention programs | 23,409 | (21,605) |
| **External services** | **(132,240)** | **(127,185)** |
| Network maintenance, leased lines, site rent and energy | (28,510) | (24,988) |
| Advertising and promotion expenses | (49,164) | (48,540) |
| Customer relations costs | (15,292) | (16,136) |
| Office and points of sale maintenance | (3,538) | (3,410) |
| IT expenses | (7,884) | (7,679) |
| People related costs - cars, trainings and other | (3,299) | (4,002) |
| Finance and legal services | (4,821) | (4,056) |
| Advisory services provided by shareholders | (7,798) | (6,624) |
| Other external services | (11,934) | (11,750) |
| **Taxes and fees** | **(16,443)** | **(13,234)** |
| | **(177,021)** | **(210,809)** |

As the Play Group has employees in Poland as well as in Luxembourg, it is legally required to pay monthly social security contributions to the pension administration in both countries. During the three-month period ended March 31, 2016 and the three-month period ended March 31, 2015, the rate of social security contributions amounted to 9.76% of gross salaries for the employees in Poland and 8% of gross salaries for the employees in Luxembourg. The Group is not required to make any contributions in excess of this statutory rate.

## 27. Depreciation and amortization

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Depreciation and amortization** | | |
| Depreciation of property, plant and equipment | (44,193) | (62,614) |
| Amortization of intangibles | (60,791) | (45,308) |
| Depreciation of right-of-use assets | (36,054) | (38,564) |
| | **(141,038)** | **(146,486)** |

## 28. Other operating income and other operating costs

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Other operating income** | | |
| Income from early contract termination | 9,128 | 6,815 |
| Gain on disposal of non-current assets | 957 | 681 |
| Reversal of impairment of other non-current assets | 17 | - |
| Reversal of provisions | 253 | 2 |
| Income from subleasing of right-of-use assets | 1,881 | 1,785 |
| Interest income on trade receivables and cash | 3,284 | 3,037 |
| Other miscellaneous operating income | 3,281 | 2,620 |
| | **18,801** | **14,940** |
| **Other operating costs** | | |
| Impairment of other non-current assets | (1,832) | (76) |
| Impairment of contract assets | (12,971) | (11,891) |
| Bad debt | (20,592) | (5,845) |
| Other miscellaneous operating costs | (619) | (67) |
| Exchange rate losses | (35) | (9,538) |
| | **(36,049)** | **(27,417)** |

## 29. Finance income and finance costs

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Finance income** | | |
| Interest income | 3,637 | 652 |
| Net gain on finance assets at fair value through profit or loss | - | 17,112 |
| Exchange rate gains | - | 160,385 |
| Other | - | - |
| | **3,637** | **178,149** |
| **Finance costs** | | |
| Interest expense, including: | (86,858) | (72,052) |
| *- on lease liabilities* | (15,138) | (15,038) |
| Net loss on finance assets at fair value through profit or loss | (11,439) | - |
| Exchange rate losses | (9,817) | - |
| Other | - | - |
| | **(108,114)** | **(72,052)** |

# 30. Taxation

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| Current tax charge | (4,286) | (3,479) |
| Deferred tax charge | (79,747) | (66,664) |
| **Income tax charge** | **(84,033)** | **(70,143)** |

Reconciliation between tax base resulting from accounting profit and income tax charge:

| | Three-month period ended March 31, 2016 | Three-month period ended March 31, 2015 |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Profit before income tax** | **220,908** | **327,538** |
| Tax calculated at tax rates applicable to profit (19%) | (41,973) | (62,232) |
| Effect of difference between tax rates in Luxembourg and in Poland | 890 | (2,243) |
| Income/(Expenses) not subject to tax, net | (5,872) | 4,045 |
| Previous years tax costs included in current year accounting profit | - | (9) |
| Adjustments relating to previous years tax | (28,373) | (15,136) |
| Change in unrecognized deferred tax asset arising from tax losses | (2,595) | 5,461 |
| Taxable income not included in accounting profit, net | (6,110) | - |
| Minimum Luxembourg income tax | - | (29) |
| **Income tax charge** | **(84,033)** | **(70,143)** |

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg is 29.22%.

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland.

**Deferred income tax**

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized.

As at March 31, 2016 deferred income tax was recognized according to the Group's estimation which assumes that the Group will achieve taxable profits in the future. The estimation is based upon long term financial projections and the budget for the year 2016.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Therefore Play Group offset deferred income tax assets and liabilities on the level of the standalone financial statements of consolidated entities.
Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

| | March 31, 2016 Unaudited | December 31, 2015 |
|---|---|---|
| **Temporary differences:** | | |
| net deductible timing differences | 462,788 | 906,564 |
| unutilized tax loss carry-forwards | 102,304 | 69,305 |
| | **565,092** | **975,869** |
| **Potential deferred income tax net asset arising from:** | | |
| net deductible timing differences | 87,906 | 172,235 |
| unutilized tax loss carry-forwards | 21,041 | 13,863 |
| | **108,947** | **186,098** |
| Recognized deferred income tax assets | **104,456** | **184,146** |
| Recognized deferred income tax liability | **(93)** | **(36)** |
| Not recognized deferred income tax assets | **4,584** | **1,988** |

As at March 31, 2016 and December 31, 2015 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation.

In Luxembourg tax losses can be carried forward indefinitely. In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum.

# 31. Cash and cash equivalents presented in statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts. Restricted cash is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

| | March 31, 2016 Unaudited | March 31, 2015 Unaudited |
|---|---|---|
| Cash and cash equivalents in statement of financial position | 46,636 | 774,866 |
| Restricted cash | - | (200) |
| Bank overdrafts | (173,084) | - |
| **Cash and cash equivalents in statement of cash flows** | **(126,448)** | **774,666** |

# 32. Changes in working capital and other

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| Increase of inventories | (51,075) | (8,126) |
| Increase of receivables | (96,904) | (167,342) |
| Increase of prepaid expenses | (2,437) | (7,421) |
| Increase/(decrease) of payables excluding investment payables | 20,830 | (17,759) |
| Decrease of accruals | (43,323) | (37,437) |
| Increase/(decrease) of deferred income | (25,465) | 1,098 |
| Increase of long term receivables | (21) | (154) |
| Increase/(decrease) of other non-current liabilities | (984) | 488 |
| | **(199,379)** | **(236,653)** |

# 33. Cash flows relating to finance liabilities

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| **Proceeds from finance liabilities** | | |
| loans | 190,000 | - |
| notes | - | 543,773 |
| | **190,000** | **543,773** |
| **Repayment of finance liabilities and relating finance costs** | | |
| loans | (1,568) | (1,212) |
| *- principal* | - | - |
| *- interests* | *(919)* | - |
| *- other* | *(649)* | *(1,212)* |
| notes | (125,701) | (110,694) |
| *- interests* | *(125,701)* | *(105,647)* |
| *- other* | - | *(5,047)* |
| leases | (48,854) | (51,487) |
| | **(176,123)** | **(163,393)** |

# 34. Commitments

## *34.1 2100 MHz and 900 MHz license requirements*

As of the date of issuance of these consolidated financial statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums. The Group is not aware of any circumstances which may currently give rise to a potential claim in this respect.

## *34.2 1800 MHz license requirements*

The 1800 MHz frequency reservation decision granted to P4 on June 14, 2013 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment must be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, P4 must commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of these consolidated financial statements, the Group has fulfilled all these obligations.

## *34.3 800 MHz license requirements*

The 800 MHz frequency reservation decision granted to P4 on January 25, 2016 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network covering 84% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunication network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, P4 must commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation.

## *34.4 2600 MHz license requirements*

4 reservation decisions in the 2600 MHz spectrum granted to P4 on January 25, 2016 require that P4 must commence provision of services which utilize 2600 MHz frequencies no later than in 36 months from the date of the frequency reservation.

# 35. Contingencies and legal proceedings

## *35.1 Tax contingent liability*

Play Group conducts its operations mainly in the area of Polish tax jurisdiction. Regulations relating to value-added tax, corporate income tax, and payroll (social) taxes change often. The lack of reference to well-established regulations results in a lack of clarity and consistency in the regulations. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems. The tax authorities may at any time inspect the books and records and may impose additional tax assessments with penalty interest and penalties within 5 years from the end of the year in which a tax is due.

The Play Group is not aware of any circumstances, which may currently give rise to a potential material liability in this respect.

## *35.2 Universal service liability to Orange Polska S.A.*

The Telecommunications Law states that the obligation to provide universal services shall rest with the operator selected pursuant to a decision of the President of Polish regulator Urząd Komunikacji Elektronicznej ("UKE") issued after a tender procedure. The President of UKE issued a decision assigning Orange Polska S.A. (formerly

Telekomunikacja Polska S.A.) as the operator required to provide universal services until May 8, 2011. Telecommunications providers whose revenues from telecom activities exceed PLN 4,000 thousand have to co-finance the fulfillment of this obligation. The share in the funding that a telecommunications provider will be required to provide shall also be established by a decision of the President of UKE; however, it may not exceed 1% of the telecommunications provider's revenues in the given calendar year, and must be proportionate to its market share vis a vis other entities obliged to co-fund the universal service. The amount of the share in the funding of the universal service shall constitute a deductible cost, as defined by the Act on Corporate Income Tax.

On May 9, 2011, the decision of the President of UKE imposing a universal service obligation on Orange Polska S.A. expired, and since then Orange Polska S.A. is not required to provide this service. The President of UKE for the moment has not initiated a procedure for the designation of the entrepreneur or entrepreneurs required to provide universal service.

Orange Polska S.A. applied to the President of UKE for a subsidy towards the incurred costs of the universal service provision. The application pertains to the subsidy towards the costs for the period from May 8, 2006 to December 31, 2006 and for the years 2007-2009, 2010, 2011 (from January 1, 2011 to May 8, 2011).

On May 24, 2011 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 66,994 thousand (the total amount requested by Orange Polska S.A. was PLN 803,653 thousand). On January 10, 2012 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of PLN 55,102 thousand (the amount requested by Orange Polska S.A. was PLN 269,436 thousand). On September 17, 2013 the President of UKE issued a decision that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period from January to May 2011 in the amount of PLN 14,903 thousand (the amount requested by Orange Polska S.A. was PLN 33,839 thousand).

Based on those decisions the Group has prepared the estimation of P4's share in the universal service contributions for the years 2006-2009, 2010 and 2011. Accordingly the provision has been recognized in these consolidated financial statements.

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008 - on November 30, 2011, for the year 2009 - on December 9, 2011, for the year 2010 – on May 22, 2012, for the year 2011 – on October 14, 2013. Decision relating to P4's contribution to universal service for the year 2007 is expected by the end of November 2016, whereas decisions relating to P4's contribution to universal service for the years 2008, 2009, 2010 are expected no sooner than by the end of 2016 and for the year 2011 no sooner than in the first quarter of 2017.

## *35.3 Legal and regulatory proceedings*

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodyfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Plus and Polska Izba Radiodyfuzji Cyfrowej and requested that the UKE President dismiss the applications for annulment. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender is finalized. UKE President in its decisions of 30 of October 2015 upheld the 3 decisions on reservation for P4 of the frequencies in the 1800 MHz spectrum. UKE President's decisions were appealed against at the lower administrative court by Polkomtel. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel's motion to withhold the enforceability of the decisions and requested the court to dismiss the motion. In three of the

proceeding the court refused to withhold the enforceability of the three P4's decisions. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

President of the Office of Competition and Consumer Protection (UOKiK) in its decision of November 23, 2011 imposed a fine of PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info-TV-FM's wholesale offer and agreeing public questioning the said offer. District Court in Warsaw in its judgment of June 19, 2015 repealed UOKiK's decision. The Group believes that the Appeal Court in Warsaw should uphold the said judgment. Therefore the provision for potential penalty resulting from the proceeding has been released in the year ended December 31, 2015.

In November 2015, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for the annulment of the auction for the 800/2600 MHz frequency in its entirety, claiming the violation of procedures applicable to the allocation of frequencies. The motions to invalidate the tender initiated administrative proceeding before the UKE President. The UKE President has not reviewed the case yet. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In February 2016, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for reconsideration of the decision on reservation of 800 MHz frequencies for P4. Polkomtel, T-Mobile and Net Net sp. z o.o. demand inter alia the cancelation of the decision and relocation of the 800 MHz block of frequency. The motions initiate administrative procedures before the President of UKE. In June 2016, The UKE President issued new decisions on reservation of 800 MHz frequencies and in case of P4 decided about the relocation of the 800 MHz block of frequency. (P4 received the Block C instead of the Block D). The new decisions on reservation of 800 MHz frequencies may be appealed against at the lower administrative court. It is difficult to assess the legal risk at this stage.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at March 31, 2016, the Group recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of the pending cases.

# 36. Related party transactions

## *36.1 Transactions with Shareholders and with entities related via Shareholders*

| | **March 31, 2016** | **December 31, 2015** |
|---|---|---|
| | **Unaudited** | |
| Long term receivables - debt securities | 225,349 | 153,441 |
| Other long term receivables | 24 | 24 |
| Trade receivables | 99 | 262 |
| Trade and other payables | 9,348 | 1,678 |

| | **Three-month period ended March 31, 2016** | **Three-month period ended March 31, 2015** |
|---|---|---|
| | **Unaudited** | **Unaudited** |
| Advisory services provided by shareholders | (7,798) | (6,624) |
| Other operating income | 265 | - |
| Recharge of operating costs | 45 | - |
| Other operating costs | (27) | - |
| Interest income | 3,590 | 530 |

## *36.2 Remuneration of Management and Supervisory Board*

Cost of remuneration (including accrued bonuses) of members of Management Boards of Group entities incurred for the three-month period ended March 31, 2016 amounted to PLN 2,362 thousand (PLN 1,759 thousand for the three-month period ended March 31, 2015).

Cost of remuneration of members of Supervisory Board of P4 incurred during the three-month period ended March 31, 2016 amounted to PLN 607 thousand (for the three-month period ended March 31, 2015 PLN 580 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 19). The valuation of the programs resulted in income of PLN 24,556 thousand for the three-month period ended March 31, 2016 and cost of PLN 21,273 thousand for the three-month period ended March 31, 2015. Relating costs and income are included in general and administrative expenses in the consolidated statement of comprehensive income.

Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Supervisory Board or the Management Board of P4, Play Holdings 2 S. à r. l. or supervisory or management bodies of any other entities within the Group.

## 37. Events after the reporting period

Due to recent legislation change dated June 24, 2016 all prepaid SIM cards available in the market, both in point of sales and already purchased by the customers, should be registered by providing the personal data of the owner till the beginning of February 2017.

The Group has not identified any events after the reporting period that should be disclosed in the consolidated financial statements.