Quarterly Report

for the quarter ended June 30, 2016

Play Holdings 2 S.à r.l.

August 23, 2016

PLAY

TABLE OF CONTENTS

INTRODUCTION iii

INDUSTRY, MARKET AND SUBSCRIBER DATA iv

DEFINITIONS x

PRESENTATION OF FINANCIAL INFORMATION xiv

FORWARD-LOOKING STATEMENTS xix

RECENT DEVELOPMENTS 1

CONSOLIDATED FINANCIAL AND OTHER INFORMATION 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2016 14

ANNEX A BRIEF DESCRIPTION OF THE MATERIAL DIFFERENCES IN THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS BETWEEN THE PIK NOTES ISSUER AND THE PARENT 1

ANNEX B RECONCILIATION OF HISTORICAL AND NEW ADJUSTED EBITDA 1

ANNEX C GLOSSARY OF TECHNICAL TERMS 1

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS 1

INTRODUCTION

Play Holdings 2 S.à r.l.

This is the Report of Play Holdings 2 S.à r.l. (the "**Parent**"), 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg, 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**").

The following Report is a report as required by Section 4.03 of the indenture that governs the Senior Secured Notes and Section 4.03 of the indenture that governs the Senior Notes.

Play Topco S.A.

The Parent is a wholly owned subsidiary of Play Topco S.A. ("**PIK Notes Issuer**"), 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg, 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.

The following Report is a report as required by Section 4.03 of the indenture that governs the Senior PIK Toggle Notes. A brief description of the material differences in the financial condition and results of operations between the PIK Notes Issuer and the Parent and a statement of the PIK Notes Issuer's total debt, EBITDA and cash interest expense on a consolidated basis, as required by Section 4.03(a)(2)(e) of the indenture that governs the Senior PIK Toggle Notes is included in Annex A to this report.

INDUSTRY, MARKET AND SUBSCRIBER DATA

This Report includes market share and industry data that we obtained from various third-party sources, including reports publicly made available by other mobile network operators, discussions with subscribers as well as data based on our internal estimates. The third-party providers of market and industry data relating to our business include inter alia:

- The Statistical Office of the European Communities ("**Eurostat**"); unless otherwise indicated, historical GDP, historical real GDP growth rate and harmonized unemployment and inflation rate refer to data retrieved from Eurostat website. Real GDP growth rate forecast refers to the *Autumn 2015 European Economic Forecast*, published on November 5, 2015;

- The Central Statistical Office of Poland (the "**CSO**"), Poland's chief government executive agency charged with collecting and publishing statistics related to Poland's economy, population and society, at both national and local levels;

- The Polish Office of Electronic Communications (the "**UKE**"), the Polish regulatory authority for the telecommunications and postal services markets focusing on, among other things, stimulating competition, consumer protection, developing new offerings and technologies, reducing prices and increasing availability of services in Poland;

- The National Bank of Poland (the "**NBP**"), the central bank of Poland;

- The European Commission (the "**EC**"), the EU's executive body, which publishes the Digital Agenda Scoreboard; unless otherwise indicated, the EC's data should be read as references to the EC's thematic portal, European Commission Information Society, and;

- SMARTSCOPE S.C. ("**Smartscope**"), the company, which provides with marketing research, customer satisfaction research, organisational culture and employee satisfaction research and research projects for cultural and public institutions.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them, or make any representation or warranty as to or their accuracy or completeness. To the extent these industry publications, surveys and forecasts are accurate and complete, we believe we have correctly extracted and reproduced the information from such sources. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information and we have not independently verified such information.

In addition, in many cases, statements in this Report regarding our industry and our position in the industry are based on our experience, discussions with subscribers and our own investigation of market conditions, including, with respect to mobile market revenue, number of reported subscribers, number of net additions, churn, mobile data usage per subscriber, percentage of market share, contract/prepaid subscriber mix, offerings, number of retail outlets, numbers ported-in, EBITDA margins and ARPU, the review of information made publicly available by other mobile network operators. Comparisons between our reported financial or operational information and that of other mobile network operators ("**MNOs**") using this information may not fully reflect the actual market share or position in the market, as such information may not be defined consistently or reported for all mobile network operators as we define or report such information in this Report.

While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve certain assumptions, risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in the Offering Memorandum of the Initial Notes dated January 24, 2014 and Additional Notes dated March 12, 2015 and updated due to the best knowledge as at the day of this Report. We cannot assure you that any of these statements are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources, and we cannot guarantee their accuracy.

Key Performance Indicators

The subscriber data included in this Report, including ARPU, ARPU outbound, unit SAC cash, unit SRC cash, reported subscribers (including contract subscribers and prepaid subscribers), net additions (including contract net additions and

prepaid net additions), churn (including contract churn and prepaid churn) and data traffic (collectively, key performance indicators ("**KPIs**")) are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by independent auditors, consultants or experts.

Our use or computation of the KPIs may not be comparable to the use or computation of similarly titled measures reported by other companies in our industry, by research agencies or by market reports. As mentioned above, we may not define churn or data usage per subscriber in the same way that other mobile network operators do, and as a result, comparisons using this information may not fully reflect the actual market share or position in the market. Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations and if the methodologies of other were used to calculate our KPIs. The KPIs are not accounting measures, but we believe that each of these measures provides useful information concerning the attractiveness and usage patterns of the services we provide as well as costs related with attracting and retaining subscribers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Performance Indicators." None of the KPIs should be considered in isolation or as an alternative measure of performance under IFRS.

Certain industry, market and subscriber terms used by the Group

Below are certain industry, market and subscriber terms used by the Group. We present these in related groups.

Term	*Usage by Play*
Terms related to subscribers	
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 number of SIM cards that have been issued pursuant to family calling plans.
active contract subscribers	We define active 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 active contract subscribers **do not** include inactive (not used within the last 90 calendar days) technical SIMs and inactive SIM cards which are used in 'Play Elastyczny' promotion.
technical SIM (techSIM)	We define techSIM as additional SIM card issued to tariffs which include two or more subscribers. TechSIM can be used by subscribers only for data transfer. The key functionality of the techSIM card, from the Company's perspective, is to consolidate all family members SIM cards and support the billing structure. A TechSIM which is not used by a subscriber for data transfer becomes inactive. TechSIMs not actively used for data transfer do not represent active contract subscribers.

Term	*Usage by Play*
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.
active prepaid subscribers	We define active prepaid subscribers as the number of prepaid subscribers who have 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)).
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 active contract subscribers and active prepaid subscribers at the end of a given period.
average subscriber base (reported or active)	We define average subscriber base in a reporting period as follows: • 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 • 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). 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.
net additions	We define net additions as the change in our reported subscriber base in a given period. Net additions for a given period are calculated as the difference between the end of period reported subscriber base and the beginning of period reported subscriber base.
total gross additions	We define total gross additions as the sum of contract gross additions and prepaid gross additions.
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.
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.

Term	*Usage by Play*
churn	We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period. 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). 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. Migration of a subscriber: • from a contract tariff plan to a prepaid tariff plan; • from a prepaid tariff plan to a contract tariff plan; or • within a segment (*e.g.*, individual contract subscriber migrating to a business plan), 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.

Terms related to service usage

ARPU (IFRS15-Adjusted) (“average revenue per user”)	We define ARPU (IFRS15-Adjusted) as service revenue recognized in accordance with IFRS 15 and divided by the average active subscriber base in a given period. ARPU is calculated on a monthly basis, therefore ARPU for over a one-month period (*e.g.*, quarterly or annual) is calculated as the sum of service revenue divided by the number of months and further divided by the average active subscriber base for a given period. See “*Presentation of Financial Information—Changes in Accounting Policies*” for a discussion of the early adoption of IFRS 15. In our definition of ARPU (IFRS15-Adjusted), service revenue includes usage revenue (*i.e.*, monthly fees, payments above commitment, one-time payments for minutes, SMS or data bundles, *etc.*) and charges for incoming traffic (interconnection revenue). We do not take into account roaming services rendered to subscribers of other international networks and transit of traffic services. Unless otherwise stated, we calculate ARPU (IFRS15-Adjusted) net of any VAT payable.

Term	*Usage by Play*
ARPU (MTR-Adjusted)	We define ARPU (MTR-Adjusted) as service revenue divided by the average subscriber base (here the base is calculated as a sum of active prepaid subscribers and contract subscribers) in a given period. When presented in this Report, unless otherwise stated, ARPU (MTR-Adjusted) is calculated based on the average active subscriber base. ARPU (MTR-Adjusted) is calculated on a monthly basis, therefore ARPU (MTR-Adjusted) for over a one-month period (*e.g.*, quarterly or annual) is calculated as the sum of service revenue divided by the number of months and further divided by the average active subscriber base for a given period. In our definition of ARPU (MTR-Adjusted), service revenue includes usage revenue (*i.e.*, monthly fees, payments above commitment, one-time payments for minutes, SMS or data bundles, *etc.*) and charges for incoming traffic (interconnection revenue). We do not take into account roaming services rendered to subscribers of other international networks and transit of traffic services. Unless otherwise stated, we calculate ARPU (MTR-Adjusted) net of any VAT payable. We use ARPU (MTR-Adjusted) to present a reconciliation between data provided historically in our financial reports and under the new methodology of ARPU calculation used in this and future financial reports.
data usage per subscriber	We define data usage per subscriber as total billed data transfer from and to our mobile subscribers divided by the average subscriber base (with the average subscriber base for these purposes being the sum of active prepaid subscribers and contract subscribers) in a given period. Data usage per subscriber is calculated on a monthly basis, therefore data usage per subscriber for over a one-month period (*e.g.*, quarterly or annual) is calculated as a sum of data transfer from and to our mobile subscribers over the period divided by the number of months and further divided by the average subscriber base for a given period.
Terms related to costs	
subscriber acquisition costs	We define subscriber acquisition costs as the sum of contract subscriber acquisition costs and prepaid subscriber acquisition costs. 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). 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.
unit SAC	We define unit SAC as subscriber acquisition costs divided by the total gross additions in a given period.
unit SAC cash	We define unit SAC cash as the sum of the following acquisition costs: in case of contracts sold with devices such as handsets, device subsidies equal to the cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing the contract; commission costs paid to dealers and our own sales force; costs of SIM cards and the costs of rebates for distributors of prepaid starter packs, divided by the total gross additions in a given period.
unit contract SAC	We define unit contract SAC as contract subscriber acquisition costs divided by the total number of contract gross additions in a given period.

Term	Usage by Play
unit contract SAC cash	We define unit contract SAC cash as the sum of the following contract acquisition costs: 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, on the day of signing the contract; commission costs paid to dealers and our own sales force and the costs of SIM cards, divided by the total number of contract gross additions in a given period.
unit prepaid SAC	We define unit prepaid SAC as prepaid subscriber acquisition costs divided by the total number of prepaid gross additions in a given period.
unit prepaid SAC cash	We define unit prepaid SAC cash as sum of prepaid acquisition costs in a given period (i.e. costs of SIM cards and costs of rebates for distributors of prepaid starter packs), divided by the total number of prepaid gross additions in a given period.
subscriber retention costs	We define subscriber retention costs as the total costs relating to 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.
unit SRC	We define unit SRC as the subscriber retention costs divided by the number of retained subscribers in a given period.
unit SRC Cash	We define unit SRC cash as the sum of the following subscriber retention costs: in case of contracts renewed 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, on the day of signing the contract; and (ii) commission costs paid to dealers and our own sales force, divided by the number of retained subscribers in a given period.

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.

DEFINITIONS

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

"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.
"Escrow Account"	The escrow account into which €170.0 million of the net proceeds from the Offering of Senior Notes was deposited and which has now been closed.
"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 1"	Play Holdings 1 S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized under the laws of Luxembourg, having its registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.
"HoldCo 3"	Play Holdings 3 S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized under the laws of Luxembourg, having its registered office at 5, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg; the company was merged with Play Holdings 2 S.à r.l. (the surviving company) in May 2016.

"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 registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg, 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, having its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.
"PIK Notes Issuer"	Play Topco S.A., a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy 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 "Quarterly Report for the six-month period ended June 30, 2016"
"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, having its registered office at 2, Rue du Fort Burbon, L-1249 Luxembourg, Grand Duchy 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, having its registered office at 2, Rue du Burbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.
"Senior Secured Notes Trustee"	Citibank, N.A., London Branch, as trustee for the holders of the Senior Secured Notes.
"Tollerton"	Tollerton Investment Limited, a company organized under the laws of Cyprus, with its registered office at 2 Arch. Makariou 111 & Nikolaou Gyzi Street, Kyprianou Business Center, 3rd Floor Office 302, 3060, Limassol, Cyprus.
"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. Exchange Act"	The United States Securities Exchange Act of 1934, as amended.
"U.S. GAAP"................................	Generally accepted accounting principles in the United States.
"U.S. Securities Act"....................	The United States Securities Act of 1933, as amended.
"WIBOR"	The Warsaw Interbank Offered Rate is the average interest rate estimated by leading banks in Warsaw that the average leading bank would be charged if borrowing from other banks. Unless specified otherwise, refers to WIBOR 3M i.e. for loans for a three-month period

PRESENTATION OF FINANCIAL INFORMATION

General

The financial information presented in our consolidated financial results which are contained herein has been prepared in accordance with:

- IFRS as adopted by EU - as presented in the unaudited interim condensed consolidated financial statements that the Group has issued for the six-month period ended June 30, 2016 (the "**Historical 2Q 2016 Financial Statements**", or, together with the financial statements for other periods prepared in accordance with IFRS as adopted by EU – the "**Historical Financial Statements**"); and

- IFRS with early adoption of IFRS 15 and IFRS 16 - as presented in the unaudited interim condensed consolidated financial statements that the Group has issued for the six-month period ended June 30, 2016 (the "**New 2Q 2016 Financial Statements**", or, together with the financial statements for other periods prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 – the "**New Financial Statements**").

For further information please see Note 2.2 to the New 2Q 2016 Financial Statements and "*Presentation of Financial Information —Changes in Accounting Policies*".

On August 23, 2016, we published an *ad hoc* Report which presented our previously published financial information for the three months ended March 30, 2016 and 2015, and the years ended December 31, 2015 and 2014, under IFRS with early adoption of IFRS 15 and IFRS 16. To aid investors in the transition between our reporting under IFRS and our reporting under IFRS with early adoption of IFRS 15 and IFRS 16, in this Report we present information from both the Historical 2Q 2016 Financial Statements and the New 2Q 2016 Financial Statements, to provide a further comparison. However, in the future we may decide to continue the reporting only under IFRS with early adoption of IFRS 15 and IFRS 16.

The financial information included elsewhere in this 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 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 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 Report is presented in zloty.

Non-IFRS Measures

We have included certain non-IFRS financial measures in this 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 accumstomed to our presentation of EBITDA, Adjusted EBITDA and Adjusted EBITDA margin on the basis of our Historical 2Q 2016 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 information in the tables under the "Historical" column under "*Consolidated Financial and Other Information—Other Operating, Financial and Pro Forma Financial Information – New and Historical*" are presented using EBITDA, Adjusted EBITDA and Adjusted EBITDA margin presented on this historical basis.

The tables under "*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 in the tables under the "New" column under "*Consolidated Financial and Other Information—Other Operating, Financial and Pro Forma Financial Information – New and Historical*").

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 costs" 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 B for a reconciliation of the historical and ongoing presentation of EBITDA and Adjusted EBITDA under the Historical Financial Statements to this new presentation under the New Financial Statements.

While the amounts included in EBITDA and Adjusted EBITDA have been derived from our unaudited interim condensed 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).

We present EBITDA and Adjusted EBITDA because we believe they 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.

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.

For the purposes of this Report, we define LHA Adjusted EBITDA as the sum of Adjusted EBITDA for the quarter ended March 31, 2016 under the Historical Financial Statements *and* Adjusted EBITDA for the quarter ended June 30, 2016, under the Historical Financial Statements, multiplied by two.

We present EBITDA, Adjusted EBITDA and LHA 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, Adjusted EBITDA nor LHA 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 supplementary.

Changes in Accounting Policies

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. reviewed the New 2Q 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 2Q 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 recognised 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 'Leases', 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 2Q 2016 Financial Statements and the relevant tables included therein.

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 partially offset by lower service 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 IFRS15 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 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 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," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "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 Report. You should not place undue reliance on these forward-looking statements.

In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- the effects of changes in the economic, political and social framework in which we operate;
- high levels of competition in the telecommunications market and our ability to attract new subscribers and retain existing subscribers;
- our national roaming/network sharing agreements with three other Polish MNOs;
- our ability to respond to rapid technological changes and corresponding changes in consumer preferences on a timely basis;
- the necessity of continuous maintenance and upgrade of our existing networks and their proper functioning;
- the capital intensive nature of our business and the future liquidity required to fund our capital expenditure programs and operations;
- operational network infrastructure and base site locations, including our information and telecommunications technology systems;
- the impact of alleged decreased wireless communications usage, litigation or stricter regulation and related health risks of wireless communications devices;
- the effectiveness of our distribution network;
- our dependence on third parties for provision of certain services and risks related to disruptions in the supply of such services;
- the limited availability and disputes over the allocation of radio frequency spectrums;
- currency exchange rate fluctuations;
- the loss or inability to attract experienced management and skilled employees;
- labor disruptions or increased labor costs;
- the status and outcome of disputes and pending litigation;

- alleged health risks of wireless communications devices leading to decreased usage or difficulty in obtaining sites for base stations;
- maintenance of the reputation of our brand and our key intellectual property rights;
- inflation that could adversely affect our earnings;
- tax treatment of transactions and certain of our operations;
- maintenance of operational policies implemented to avoid increases in operating costs;
- significant governmental supervision and changes in the regulatory framework of the mobile telecommunications industry;
- protection of subscriber data;
- the comparability of our results with other telecommunications operators;
- our ability to maintain our licenses and permits necessary for conducting our business;
- European Union and Polish regulation, roaming charges and prices;
- unfavorable decisions from regulatory authorities with respect to our operations or licenses;
- frequent changes in tax regulations and other tax-related risks;
- lack of development of widespread demand for 4G LTE technology in Poland;
- insufficient financing for our 4G LTE network expansion or future frequency tenders;
- our financial profile;
- our structure;
- the Refinancing and Recapitalization; and
- other factors discussed or referred to in this Report.

These risks and others described under “Risk Factors” are not exhaustive. We urge you to read the section of this Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the sections entitled “Risk Factors” and “Business” in the Offering Memorandum of the Initial Notes dated January 24, 2014 (relevant for holders of the Senior Secured Notes or the Senior Notes), in the Offering Memorandum of the Additional Notes dated March 12, 2015 (relevant for holders of the Senior Secured Notes) and the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (relevant for holders of the Senior PIK Toggle Notes) for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Report may not occur. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any 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.

RECENT DEVELOPMENTS

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 by February 1, 2017. Cards that are not registered by February 1, 2017 will be deactivated.

CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The tables below set forth certain historical consolidated financial information and other data of the Group as of the dates and for the periods indicated.

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 six-month period ended June 30, 2016 and six-month period ended June 30, 2015 have been derived from the **Historical 2Q 2016 Financial Statements** and from the **New 2Q 2016 Financial Statements** included elsewhere in this Report.

The **Historical 2Q 2016 Financial Statements** were prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2015 prepared in accordance with IFRS as adopted by EU and include, in our opinion, all adjustments necessary for the fair presentation of the financial information contained in those statements.

The **New 2Q 2016 Financial Statements** were prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2015 prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and include, in our opinion, all adjustments necessary for the fair presentation of the financial information contained in those statements.

Unless otherwise indicated, the financial information in this Report is presented in Polish zloty in millions.

Consolidated Statement of Comprehensive Income - New and Historical[1]

(PLN in millions)	Six-month period ended				Twelve-month period ended	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2016	June 30, 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	New	New	Historical	Historical	New	Historical
Operating revenue	**2,583.4**	**2,931.4**	**2,526.2**	**2,921.5**	**5,784.5**	**5,758.1**
Service revenue	1,939.5	2,174.3	2,381.2	2,646.4	4,294.3	5,247.0
Sales of goods and other revenue	643.9	757.1	144.9	275.2	1,490.2	511.0
Operating expenses	**(2,080.9)**	**(2,267.4)**	**(2,051.2)**	**(2,270.8)**	**(4,559.6)**	**(4,523.9)**
Interconnection, roaming and other services costs	(630.4)	(717.1)	(630.4)	(717.1)	(1,417.3)	(1,417.3)
Subscriber acquisition and retention costs not eligible for capitalization	-	-	(36.7)	(47.4)	-	(92.2)
Contract costs, net	(174.9)	(202.5)	-	-	(403.8)	-
Cost of goods sold	(541.6)	(664.2)	(146.3)	(271.5)	(1,303.8)	(503.0)
General and administrative expenses	(444.6)	(385.5)	(523.4)	(466.3)	(828.7)	(989.6)
Depreciation and amortization	(289.3)	(298.0)	(714.4)	(768.5)	(606.0)	(1,521.9)
Other operating income	41.6	36.6	37.5	30.1	73.5	62.9
Other operating costs	(35.5)	(85.6)	(36.4)	(80.2)	(126.2)	(115.3)
Operating profit	**508.6**	**615.0**	**476.1**	**600.6**	**1,172.2**	**1,181.8**
Finance income	77.4	25.8	81.2	34.5	42.6	56.8
Finance costs	(151.8)	(339.1)	(121.8)	(305.6)	(641.8)	(577.2)
Profit before income tax	**434.3**	**301.8**	**435.4**	**329.5**	**573.0**	**661.4**
Income tax benefit/(charge)	(89.8)	(125.7)	(90.0)	(130.9)	(191.0)	(207.8)
Net profit for the period	**344.5**	**176.1**	**345.4**	**198.6**	**382.0**	**453.5**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**344.5**	**176.1**	**345.4**	**198.6**	**382.0**	**453.5**

[1] 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 2Q 2016 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information –Changes in Accounting Policies*".

Consolidated Statement of Financial Position- New and Historical [2]

(PLN in millions)	December 31, 2015 New	June 30, 2016 Unaudited New	December 31, 2015 Historical	June 30, 2016 Unaudited Historical
ASSETS				
Non-current assets				
Property, plant and equipment	907.7	991.2	993.1	1,055.4
Right-of-use assets	767.9	719.2	-	-
Intangible assets	1,126.8	2,730.5	2,242.0	3,843.8
Assets under construction	393.5	498.1	393.5	498.1
Prepayments for assets under construction	0.0	0.0	0.0	0.0
Contract costs	309.9	310.7	-	-
Long term receivables - debt securities	153.4	238.3	153.4	238.3
Other long term receivables	11.1	11.3	11.1	11.3
Finance assets at fair value through profit or loss	19.2	36.3	19.2	36.3
Deferred tax asset	184.1	128.6	181.9	121.1
Non-current assets	**3,873.9**	**5,664.2**	**3,994.3**	**5,804.3**
Current assets				
Inventories	212.2	270.8	212.2	270.8
Trade and other receivables	876.9	1,050.3	1,017.3	1,215.7
Contract assets	1,000.9	999.9	-	-
Prepaid expenses	41.8	23.6	44.3	25.8
Cash and cash equivalents	1,556.8	29.9	1,556.8	29.9
Current assets	**3,688.6**	**2,374.4**	**2,830.6**	**1,542.1**
TOTAL ASSETS	**7,562.4**	**8,038.6**	**6,824.9**	**7,346.4**
EQUITY AND LIABILITIES				
Capital and reserves attributable to shareholders of the Company				
Share capital	0.1	0.1	0.1	0.1
Share premium	5,644.2	5,644.2	5,644.2	5,644.2
Retained losses	(5,013.6)	(4,837.5)	(5,004.2)	(4,805.6)
Total equity	**630.6**	**806.7**	**640.1**	**838.6**
Non-current liabilities				
Long-term finance liabilities	4,996.6	5,140.5	4,353.5	4,518.3
Long-term provisions	46.5	50.3	46.5	50.3
Long-term retention programs liabilities	163.0	137.5	163.0	137.5
Deferred tax liability	0.0	0.3	0.0	0.3
Other non-current liabilities	11.4	11.0	11.4	11.0
Non-current liabilities	**5,217.5**	**5,339.7**	**4,574.5**	**4,717.4**
Current liabilities				
Short-term finance liabilities	277.2	443.2	120.6	287.9
Trade and other payables	976.9	1,007.1	987.3	1,018.3
Contract liabilities	22.3	21.1	-	-
Current income tax payable	61.3	80.2	61.3	80.2
Accruals	68.5	31.0	68.5	31.0
Short-term provisions	1.0	1.0	1.0	1.0
Short-term retention programs liabilities	22.3	31.7	22.3	31.7
Deferred income	284.6	276.9	349.3	340.4
Current liabilities	**1,714.2**	**1,892.2**	**1,610.4**	**1,790.4**
TOTAL LIABILITIES AND EQUITY	**7,562.4**	**8,038.6**	**6,824.9**	**7,346.4**

[2] 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 2Q 2016 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

Consolidated Statement of Cash Flows- New and Historical [3]

	Six-month period ended			
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
	Unaudited	Unaudited	Unaudited	Unaudited
(PLN in millions)	**New**	**New**	**Historical**	**Historical**
Profit before income tax	**434.3**	**301.8**	**435.4**	**329.5**
Depreciation and amortization	289.3	298.0	714.4	768.5
Changes in contract costs (net)	(41.5)	(0.7)	-	-
Interest expense (net)	149.5	163.5	114.6	125.0
Gain on valuation of finance assets	(21.1)	(17.1)	(21.1)	(17.1)
Foreign exchange (gains)/losses	(59.6)	166.9	(58.4)	163.2
Gain on disposal of non-current assets	(1.5)	(4.4)	(1.0)	(1.6)
Impairment of non-current assets	0.1	2.0	25.2	23.8
Change in provisions and retention programs liabilities	32.5	(16.0)	32.5	(16.0)
Changes in working capital and other	(383.8)	(310.5)	(447.5)	(335.2)
Change in contract assets	(87.8)	1.0	-	-
Change in contract liabilities	(3.0)	(1.3)	-	-
Cash provided by operating activities	**307.5**	**583.3**	**794.1**	**1,040.1**
Interest received	0.4	0.1	5.3	8.4
Income tax paid	(0.6)	(51.5)	(0.6)	(51.5)
Net cash provided by operating activities	**307.2**	**531.9**	**798.8**	**997.0**
Proceeds from sale of non-current assets	2.6	3.7	2.6	3.7
Proceeds from loans given	0.0	-	0.0	-
Purchase of fixed assets and intangibles and prepayments for assets under construction	(216.7)	(1,926.3)	(791.8)	(2,474.8)
Purchase of debt securities (Notes issued by Play Topco S.A.)	(75.2)	(69.7)	(75.2)	(69.7)
Net cash used in investing activities	**(289.3)**	**(1,992.3)**	**(864.4)**	**(2,540.8)**
Proceeds from finance liabilities	543.8	365.0	543.8	365.0
Repayment of finance liabilities and relating finance costs	(215.7)	(594.0)	(132.1)	(510.5)
Net cash provided by/(used in) financing activities	**328.1**	**(229.0)**	**411.6**	**(145.5)**
Net change in cash and cash equivalents	**346.0**	**(1,689.4)**	**346.0**	**(1,689.4)**
Effect of exchange rate change on cash and cash equivalents	5.5	0.0	5.5	0.0
Cash and cash equivalents at the beginning of the period	**497.8**	**1,556.8**	**497.8**	**1,556.8**
Cash and cash equivalents at the end of the period	**849.3**	**(132.6)**	**849.3**	**(132.6)**

[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 2Q 2016 Financial Statements and the relevant tables included therein and "*Presentation of Financial Information —Changes in Accounting Policies*".

Other Operating, Financial and Pro Forma Financial Information- New and Historical

	Six-month period ended				Twelve-month period ended	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2016	June 30, 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
(PLN in millions)	New	New	Historical	Historical	New	Historical
Adjusted EBITDA[(1)]	854.7	957.5	697.2	886.9	1,888.5	1,733.3
Adjusted EBITDA margin (%)[(1)]	33.1	32.7	27.6	30.4	32.4	31.5
Total cash capital expenditures[(2)]	214.1	1,922.6	214.1	1,922.6	2,137.4	2,137.4
of which license acquisition costs[(3)]	-	1,704.4	-	1,704.4	1,704.4	1,704.4
Operating cash flows[(4)]	640.6	739.4	483.0	668.7	1,455.5	1,300.3
Free cash flow before financing and non-recurring items[(5)]	434.0	361.6	351.6	278.1	1,065.7	898.4

(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*"[4].
- 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 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.

[4] In the course of transition to IFRS 15 and IFRS 16 the Group has revised its definition of EBITDA. In all of our reporting under IFRS with early adoption of IFRS 15 and IFRS 16, we present EBITDA and Adjusted EBITDA under the new definition of EBITDA equaling operating profit for the period plus depreciation and amortization, except that in Note 2.31 to the 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, we added back amortization of contract cost assets in our presentation of EBITDA consistent with the historical definition of EBITDA where we added back amortization of subscriber acquisition costs assets which was included in the 'depreciation and amortization' line. Under the new reporting standard, costs relating to amortization of contract cost assets are already included within EBITDA, which is a more conservative approach.

In the course of transition to IFRS 15 and IFRS 16 the Group has also revised its presentation of customer activation fees. In all of our reporting under IFRS with early adoption of IFRS 15 and IFRS 16, activation fees are presented in contract usage revenue because under IFRS 15 they are 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, except that in Note 23 to the 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, activation fees were included in other usage revenue consistent with the historical treatment of such fees.

(3) In the six-month period ended June 30, 2016 the Group acquired licenses in the 800 MHz and 2600 MHz spectra for the total price of PLN 1,718.4 million, of which PLN 14.0 million was paid in the year ended December 31, 2014 as a deposit securing the frequency auction and was finally accounted for the price of the license.

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

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

EBITDA and Adjusted EBITDA reconciliation - New and Historical

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

		Six-month period ended			Twelve-month period ended	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2016	June 30, 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
(PLN in millions)	**New**	**New**	**Historical**	**Historical**	**New**	**Historical**
Operating profit	**508.6**	**615.0**	**476.1**	**600.6**	**1,172.2**	**1,181.8**
Add depreciation and amortization	289.3	298.0	714.4	768.5	606.0	1,521.9
Reverse SAC and SRC capitalization[a]	-	-	(575.1)	(548.5)	-	(1,124.5)
Add impairment of SAC/SRC asset[b]	-	-	25.0	21.8	-	43.8
EBITDA	**798**	**913**	**640**	**842**	**1,778**	**1,623**
Costs of advisory services provided by shareholders[c]	16.1	16.0	16.1	16.0	27.6	27.6
Valuation of retention programs and costs of special bonuses[d]	52.5	(14.5)	52.5	(14.5)	26.2	26.2
Other one off operating (income) / costs[e]	(11.8)	42.9	(11.8)	42.9	56.5	56.5
Adjusted EBITDA	**854.7**	**957.5**	**697.2**	**886.9**	**1,888.5**	**1,733.3**

(a) Under our accounting policies in the 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 policies 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 the 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 six-month period ended June 30, 2016 comprised: (i) cost of provision for early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million; (ii) 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 7.6 million.

Other one-off operating costs for the six-month period ended June 30, 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) foreign exchange gains resulting from the valuation of funds kept on EUR currency accounts obtained from the issue of Additional Notes in March 2015 of PLN 4.4 million and other operating costs of PLN 1.6 million.

EBITDA and Adjusted EBITDA reconciliation for the three-month periods ended March 31, 2016 and June 30, 2016 – New and Historical:

	Three-month period ended			
	March 31, 2016	June 30, 2016	March 31, 2016	June 30, 2016
	Unaudited	Unaudited	Unaudited	Unaudited
(PLN in millions)	**New**	**New**	**Historical**	**Historical**
Operating profit	**325.4**	**289.6**	**326.0**	**274.6**
Depreciation and amortization	141.0	157.0	375.6	392.9
Reverse SAC and SRC capitalisation	-	-	(276.2)	(272.3)
Add impairment of SAC/SRC asset	-	-	11.6	10.3
EBITDA	**466.4**	**446.7**	**437.0**	**405.4**
Costs of advisory services provided by shareholders	7.8	8.2	7.8	8.2
Valuation of retention programs and costs of special bonuses	(23.4)	8.9	(23.4)	8.9
Other one off operating costs / (income)	16.1	26.8	16.1	26.8
Adjusted EBITDA	**466.9**	**490.6**	**437.5**	**449.4**

For the purposes of this Report, we define LHA Adjusted EBITDA as the sum of Historical Adjusted EBITDA of PLN 437.5 million for the three-month period ended March 31, 2016 *and* Historical Adjusted EBITDA of PLN 449.4 million for the three-month period ended June 30, 2016, multiplied by two. LHA Adjusted EBITDA amounted to PLN 1,773.7 million.

Free Cash Flow Reconciliation - New and Historical

The following tables present a reconciliation of Adjusted EBITDA to free cash flow before financing and non-recurring items for the periods presented:

	Six-month period ended			
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
	Unaudited	Unaudited	Unaudited	Unaudited
(PLN in millions)	New	New	Historical	Historical
Adjusted EBITDA	**854.7**	**957.5**	**697.2**	**886.9**
Non-cash items and changes in provisions[1]	(8.0)	(3.9)	(1.6)	7.1
Change in working capital[2]	(65.6)	(321.5)	(129.3)	(346.3)
Increase of inventories	4.0	(58.6)	4.0	(58.6)
Increase of receivables	(38.4)	(186.1)	(102.7)	(210.8)
(Increase)/decrease of prepaid expenses	(5.1)	4.2	(7.9)	4.5
Increase/(decrease) of payables excluding investment payables	(15.4)	(29.7)	(11.2)	(28.9)
Increase/(decrease) of accruals	(26.0)	(37.5)	(26.0)	(37.5)
Increase/(decrease) of deferred income	11.8	(13.2)	11.0	(14.5)
(Increase)/decrease of long term receivables	3.1	(0.2)	3.1	(0.2)
Increase/(decrease) of other non-current liabilities	0.4	(0.4)	0.4	(0.4)
Changes in contract costs (net)	(41.5)	(0.7)	-	-
Changes in contract assets	(87.8)	1.0	-	-
Changes in contract liabilities	(3.0)	(1.3)	-	-
Cash capital expenditures[3]	(214.1)	(218.1)	(214.1)	(218.1)
Income tax paid	(0.6)	(51.5)	(0.6)	(51.5)
Free cash flow before financing and non-recurring items	**434.0**	**361.6**	**351.6**	**278.1**
Spectrum purchase	-	(1,704.4)	-	(1,704.4)
Deposits paid to UKE in relation with spectrum auction	(318.8)	-	(318.8)	-
Advisory services fee paid out	(8.0)	(9.0)	(8.0)	(9.0)
Retention programs and special bonuses paid out	(15.0)	(1.7)	(15.0)	(1.7)
Proceeds from finance liabilities	543.8	365.0	543.8	365.0
Repayment of finance liabilities and relating finance costs	(209.3)	(594.0)	(126.9)	(510.5)
Foreign exchange gains[4]	(5.5)	-	(5.5)	-
Early termination fee[5]	-	(37.1)	-	(37.1)
Proceeds from loans granted	0.0	-	0.0	-
Purchase of debt securities (Notes issued by Play Topco)	(75.2)	(69.7)	(75.2)	(69.7)
Net increase (decrease) in cash and cash equivalents	**346.0**	**(1,689.4)**	**346.0**	**(1,689.4)**
Effect of exchange rate change on cash and cash equivalents	5.5	0.0	5.5	0.0
Beginning of period cash and equivalents[6]	497.8	1,556.8	497.8	1,556.8
End of period cash and equivalents[6]	849.3	(132.6)	849.3	(132.6)

(1) Comprising (i) non-cash items: gains on disposal of non-current assets and impairment of non-current assets and (ii) change in provisions other than provisions for one-off items.

(2) Excluding change in accruals for special bonuses 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 table "*Other Operating, Financial and Pro Forma Financial Information*".

(4) Related to unrealized foreign exchange gains/losses on valuation of cash and cash equivalents.

(5) Payment for early termination fee related to one of Group's commercial agreements (for which the cost in the amount of PLN 20.4 million was recorded in the current year and the remaining cost was accrued for in prior years).

(6) As presented in the cash flow statement (net of bank overdrafts).

	Three-month period ended			
	June 30, 2015	**June 30, 2016**	**June 30, 2015**	**June 30, 2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
(PLN in millions)	**New**	**New**	**Historical**	**Historical**
Adjusted EBITDA	**451.6**	**490.6**	**373.7**	**449.4**
Non-cash items and changes in provisions(1)	(2.2)	0.3	(0.6)	7.9
Change in working capital(2)	(4.9)	(100.0)	(34.8)	(115.9)
Increase of inventories	12.1	(7.5)	12.1	(7.5)
Increase of receivables	(54.6)	(76.5)	(83.6)	(90.7)
(Increase)/decrease of prepaid expenses	2.3	6.6	2.5	6.8
Increase/(decrease) of payables excluding investment payables	9.9	(41.2)	10.7	(40.9)
Increase/(decrease) of accruals	11.4	5.8	11.4	5.8
Increase/(decrease) of deferred income	10.7	12.2	8.9	10.1
(Increase)/decrease of long term receivables	3.3	(0.2)	3.3	(0.2)
Increase/(decrease) of other non-current liabilities	(0.1)	0.6	(0.1)	0.6
Changes in contract costs (net)	(16.8)	(2.1)	-	-
Changes in contract assets	(45.2)	2.5	-	-
Changes in contract liabilities	(2.9)	(8.7)	-	-
Cash capital expenditures(3)	(101.4)	(96.5)	(101.4)	(96.5)
Income tax paid	(0.5)	(0.2)	(0.5)	(0.2)
Free cash flow before financing and non-recurring items	**277.7**	**285.9**	**236.4**	**244.7**
Deposits paid to UKE in relation with spectrum auction	(135.2)	-	(135.2)	-
Advisory services fee paid out	(8.0)	(9.0)	(8.0)	(9.0)
Retention programs and special bonuses paid out	(8.9)	(0.1)	(8.9)	(0.1)
Proceeds from finance liabilities	(0.0)	175.0	(0.0)	175.0
Repayment of finance liabilities and relating finance costs	(50.8)	(420.9)	(9.5)	(379.6)
Foreign exchange gains(4)	(12.7)	(0.0)	(12.7)	(0.0)
Early termination fee(5)	-	(37.1)	-	(37.1)
Purchase of debt securities (Notes issued by Play Topco)	(0.0)	-	(0.0)	-
Net increase (decrease) in cash and cash equivalents	**61.9**	**(6.2)**	**61.9**	**(6.2)**
Effect of exchange rate change on cash and cash equivalents	12.7	0.0	12.7	0.0
Beginning of period cash and equivalents(6)	774.7	(126.4)	774.7	(126.4)
End of period cash and equivalents(6)	849.3	(132.6)	849.3	(132.6)

(1) Comprising (i) non-cash items: gains on disposal of non-current assets and impairment of non-current assets and (ii) change in provisions other than provisions for one-off items.

(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 table "*Other Operating, Financial and Pro Forma Financial Information*".

(4) Related to unrealized foreign exchange gains/losses on valuation of cash and cash equivalents.

(5) Payment for early termination fee related to one of Group's commercial agreements (for which the cost in the amount of PLN 20.4 million was recorded in the current year and the remaining cost was accrued for in prior years).

(6) As presented in the cash flow statement (net of bank overdrafts).

Capitalization
As of June 30, 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]	(132.6)	(30.0)	-0.07x
Finance Leases	38.0	8.6	0.02x
Other debt	2.6	0.6	0.00x
Senior Secured Notes	3,409.3	770.4	1.92x
of which EUR fixed rate Notes[4]	*3,278.2*	*740.8*	*1.85x*
of which PLN floating rate Notes[4]	*131.1*	*29.6*	*0.07x*
Secured debt	3,449.9	779.6	1.95x
Net secured debt	**3,582.5**	**809.5**	**2.02x**
Senior Unsecured Notes[4]	1,227.0	277.3	0.69x
Total debt	4,677.0	1,056.8	2.64x
Net debt	**4,809.5**	**1,086.8**	**2.71x**

(1) Currency exchange rate as of June 30, 2016 1 EUR = 4.4255 PLN;

(2) LHA Historical Adjusted EBITDA as of June 30, 2016 of PLN 1,773.7 million;

(3) Including overdrafts: PLN 113.9 million in Bank Zachodni WBK S.A. and PLN 48.5 in Bank Millennium S.A.;

(4) Including accrued interest: EUR 600 million $5^1/_4$% Fixed Rate Senior Secured Notes due 2019 – PLN 57.7 million / EUR 13.0 million of accrued interest; EUR 125 million $5^1/_4$% Fixed Rate Senior Secured Notes due 2020 – PLN 12.0 million / EUR 2.7 million of accrued interest; PLN 130 million Floating Rate Senior Secured Notes due 2019 –PLN 1.1 million of accrued interest; EUR 270 million $6^1/_2$% Senior Notes due 2019 – PLN 32.1 million / EUR 7.3 million of accrued interest.

Summary of Key Performance Indicators[1]

	Three months ended June 30,		Six months ended June 30,	
	2015	2016	2015	2016
Reported subscribers (thousands)	**13,028.1**	**14,617.4**	**13,028.1**	**14,617.4**
Contract	6,441.3	7,629.0	6,441.3	7,629.0
Prepaid	6,586.8	6,988.3	6,586.8	6,988.3
Net additions (thousands)	**342.8**	**197.4**	**741.3**	**467.1**
Contract	309.8	288.4	630.8	559.4
Prepaid	33.0	-90.9	110.5	-92.3
Churn (%)[2]	**3.4%**	**3.5%**	**3.3%**	**3.4%**
Contract	0.6%	0.7%	0.7%	0.7%
Prepaid	6.1%	6.4%	5.9%	6.3%
ARPU (PLN)[2][3]	**32.0**	**31.0**	**31.6**	**30.7**
Contract	41.3	39.0	41.1	39.0
Prepaid	17.6	17.1	17.1	16.8
Data usage per subscriber (MB)[2]	**1,591.0**	**2,523.0**	**1,514.0**	**2,500.0**
Contract	2,230.0	3,241.0	2,154.0	3,227.0
Prepaid	597.0	1,275.0	535.0	1,266.0
unit SAC cash (PLN)				
Contract	312.5	378.6	317.5	378.1
Prepaid	3.6	3.6	3.7	3.5
unit SRC cash (PLN)	**292.9**	**368.5**	**285.2**	**386.2**

(1) See "Industry, Market and Subscriber Data" for definitions of our Key Performance Indicators. We believe that each of our competitors calculates these metrics differently and this may affect comparability.

(2) We present our churn, ARPU and data usage per subscriber on an average monthly basis.

(3) In this Report, prepaid ARPU is presented for active subscribers only.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2016

The following discussion and analysis of our financial condition and results of operations are based on the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows as of and for the six-month period ended June 30, 2016 and June 30, 2015 which have been derived from the Historical 2Q 2016 Financial Statements as well as from the New 2Q 2016 Financial Statements, which are reproduced elsewhere in this Report. See "Presentation of Financial Information" in this Report. This section should be read in conjunction with the above mentioned consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the consolidated financial statements is set forth below in "—Critical Accounting Policies, Estimates and Judgments." 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 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 and 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 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 Report, particularly under "Risk Factors" and "Forward-Looking Statements" in this Report, 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) and the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (relevant for holders of the Senior PIK Toggle Notes). See "Industry, Market and Subscriber Data" for a discussion of how we define and calculate our KPIs.

In the discussions of the results of operations, we discuss the results under the New 2Q 2016 Financial Statements, as our new primary reporting standard, but also provide commentary of the results under the Historical 2Q 2016 Financial Statements, as this may be helpful for investors.

Introduction

This Report summarizes consolidated financial and operating data derived from Historical 2Q 2016 Financial Statements as well as from the New Standard 2Q 2016 Financial Statements of Play Holdings 2 S.à r.l. (hereafter, together with its subsidiaries, the "**Play Group**" or the "**Group**") which was incorporated under the laws of Luxemburg on January 10, 2014. Play Holdings 2 S.à r.l. directly holds 100% of its principal operating company, P4 Sp. z o.o. ("**P4**", the "**Company**") which began providing mobile telecommunications services on March 16, 2007.

Overview

We are a consumer-focused mobile network operator ("**MNO**") in Poland with approximately 14.6 million subscribers as of June 30, 2016. We have been the leader in subscriber net additions in Poland with more than 50% market share of contract subscriber net additions of the four Polish mobile telecommunications operators on average from June 2007 till the end of June 2016, allowing us to achieve an overall market share of 25.6% in terms of reported subscribers as of June 30, 2016. The level of our market share resulted from the decrease of overall number of subscribers reported to Central Statistic Office by all operator (from 56.6 million as of the end of March, 2016 to 57.2 million at the end of June, 2016). In Mobile Number Portability ("**MNP**") among the MNOs in Poland, we have acquired around 46% of all reported subscribers porting mobile numbers from June 2007 till the end of June 30, 2016. We have been equally effective in delivering a high level of customer service to our subscribers, managing to achieve a monthly average contract churn rate of just 0.7% for the six-month period

ended June 30, 2016. During the six-month period ended June 30, 2016, we generated total revenues of PLN 2,931.4 million (€662.4 million equivalent) and an increase of 13.5% year on year in PLN terms, while our Adjusted EBITDA for the six-month period ended June 30, 2016 amounted to PLN 957.5 million (€216.4 million equivalent), an increase of 12.0% year on year in PLN terms.

We provide mobile voice, messaging and data offerings and services to consumers and businesses (in particular to small office/home office subscribers ("**SOHO**") and small/medium enterprises ("**SME**") on a contract and prepaid basis). Our principal focus is contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of June 30, 2016, contract subscribers accounted for 52.2% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 81.2% of our usage revenues for the six-month period ended June 30, 2016.

We employ one brand and communications platform across all of our offerings, "PLAY," which is well recognized in the Polish market with broad appeal and according to research by Smartscope in the second quarter of 2016, we had the highest net promoter score (a ratio measuring the willingness of subscribers to recommend their current provider) of the four major Polish MNOs. According to research performed by an external agency in the second quarter of 2016, the net promoter score for "PLAY" was 22.

We market our offerings and services primarily through our nationwide distribution network of 854 dedicated "PLAY" branded stores, a significant number of which are situated in prime locations across Poland. We exercise significant control over the network, enabling us to deliver a uniform look and feel designed to promote brand recognition and what we believe is a best-in-class retail experience in a cost-efficient manner.

Our growth has been supported by a favorable domestic regulatory framework and industry dynamics, as well as our extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network in Poland, throughout which we provide our mobile voice, messaging and data services. Through our own network, we provided coverage to 91% of the Polish population as of June 30, 2016, and we extend our available network to 99% of the population through long-term national roaming/network sharing agreements with the other three major Polish MNOs. In November 2013, we were the second major MNO in Poland to launch its 4G LTE network, and as of June 30, 2016 we provided 4G LTE coverage to 89% of the Polish population.

Key Factors Affecting Our Results of Operations and Significant Market Trends

We believe that the following factors and market trends have significantly affected our results of operations for the periods under review, and we expect that such factors and trends may continue to significantly impact our results of operations in the future.

Economic environment in Poland

Our revenue growth is dependent on the overall condition of the Polish economy. In the past, our results of operations were affected by, and we expect that our financial results will continue to be affected by, key macroeconomic factors such as: GDP growth, inflation, interest rates, currency exchange rates, unemployment rates, household disposable income, the rate of corporate insolvencies and the financial position of our competitors.

During the recent economic downturn, the Polish economy performed better than many of the other European economies and was the only economy in the EU which continues to grow in each year from 2008 to 2010. Also recently the Polish economy outperformed the EU average, with the real GDP growth of 5.0% in 2011, 1.6% in 2012, 1.3% in 2013, 3.3% in 2014 and 3.6% in 2015 compared to the EU average real GDP growth of 1.8% in 2011, a decline of 0.5% in 2012, 0.2% in 2013, 1.4% in 2014 and 1.9% in 2015. With a forecast announced by Eurostat in spring 2016 of real GDP growth of 3.7% in 2016 and 3.6% in 2017, Poland is poised to continue to grow at a faster rate than the estimated EU average real GDP growth rates of 1.8% in 2016 and 1.9% in 2017. According to Eurostat, Poland is the largest economy in CEE with a total GDP of €427.7 billion in 2015 and ranks eighth in the EU in terms of total GDP. As of the date of this Report, Moody's Investors Services rated Poland "A2" with a "Stable" outlook, and Standard & Poor's Financial Services LLC rated Poland "BBB+" with a "Negative" outlook, Fitch credit rating for Poland stand at "A-" with a "Stable" outlook. As of June 2016, the harmonized unemployment rate in Poland was approximately 6.2% compared to approximately 8.6% in the EU for 28 countries, according to Eurostat

While we operate in the telecommunications sector, for which underlying consumer demand has proven to be less cyclical than other aspects of consumer spending during periods of economic downturn, the general macroeconomic environment correlates well with consumer spending. Consumers spend less on an incremental basis, such as by placing fewer calls,

sending fewer SMS, using less data or opting for lower tariff plans. In poor economic conditions, consumers are more likely to delay the replacement of their existing handsets, change to less expensive tariff plans or be more likely to disconnect or cancel their services. While we believe that the telecommunications market will grow in line with overall GDP growth in Poland and support our future growth, generally, weak economic conditions may weigh on the growth prospects of the telecommunications market in Poland, which in turn may impact our number of subscribers and ARPU.

In addition, prospects for GDP growth in Poland and other macroeconomic factors are uncertain and strongly dependent, among other things, on the global economic environment, for example, concerns regarding the European sovereign debt crisis could have a material adverse effect on the economy in Poland and, consequently, our business and results of operations.

General regulatory environment

The Polish telecommunications market is subject to extensive regulation at both the European and national levels. There are numerous laws that affect our business. For example, some contracts must undergo verification and certain aspects of tariff plans are fixed or regulated by the authorities. All of these regulations may have an impact on our results of operations.

Since Poland is a member of the EU, we have to comply with certain EU directives that are transposed into Polish legislation concerning maximum rates that may be charged for international roaming services or maximum contract lengths for tariff plans offered to subscribers. Under these legislations, the EC regulates the maximum rates that can be charged to subscribers for voice calls and non-voice services placed and received by subscribers on foreign European mobile networks. In the periods under review these rates have been subject to annual reductions. In relation to contracts, the EC has set 24 months as the maximum length of time an MNO can tie a contract subscriber to a particular contract.

In addition to European regulations, we are subject to national regulations concerning the application of MTRs between operators in the wholesale market. In this respect, the regulatory authorities have the power to determine the MTR, subject to notification to the European Commission.

As a new market entrant, we were provided with asymmetric, higher MTRs compared to that applied to our three main competitors. We were allowed to charge these asymmetric MTRs to all other operators, both domestic and international. Under the asymmetric MTR regulations which applied to us from the commercial launch of our operations in 2007 until the end of 2012, we were able to benefit from higher MTRs for calls terminated on our network than for calls terminated on competitor's networks. With effect from January 1, 2013 and later in July 1, 2013, the Polish regulator reduced, in two steps, the MTRs for all operators to the current level.

The table below presents the gradual decline of voice MTR asymmetry and the MTRs which we and our competitors charged from January 1, 2010:

	Plus, Orange and T-Mobile voice MTR[(1)]	**Play voice MTR[(2)]**
	(PLN per minute)	
Period		
January 1, 2010 to June 30, 2010	0.1677	0.3790
July 1, 2010 to December 31, 2010	0.1677	0.3522
January 1, 2011 to June 30, 2011	0.1677	0.3253
July 1, 2011 to December 31, 2011	0.1520	0.2721
January 1, 2012 to June 30, 2012	0.1520	0.2478
July 1, 2012 to December 31, 2012	0.1223	0.1798
From January 1, 2013 to June 30, 2013	0.0826	0.0826
From July 1, 2013	0.0429	0.0429

(1) Amount Play paid to Plus, Orange and T-Mobile under MTR regime.
(2) Amount Plus, Orange and T-Mobile paid to Play under MTR regime.

In our Historical Financial Statements we adopted ARPU as one of the most important Key Performance Indicators.

1. First, due to frequent changes of MTRs, as well as asymmetry between MTRs received by Play and MTRs paid by Play, we have presented **ARPU outbound** (which was reflective only of the revenues received only from fees paid by the subscribers, and did not reflect revenues from other operators for termination of their traffic in our network).
2. MTRs have not been reduced since July 1, 2013, and remain at the rates specified above, which are equal for all Mobile Network Operators in Poland. We believed that this had created conditions in which complete ARPU (including revenues for termination of incoming traffic, thereafter "ARPU") could equally be used as indicator of performance in long term analyses. Additionally, ARPU is more widely used as measure of performance by other Mobile Network Operators, and therefore we have decided to adopt ARPU as Key Performance Indicator (called in this Report as **ARPU (MTR-Adjusted)**), in place of ARPU outbound.

However, certain important external and internal circumstances described below further adjust our results, and we believe that it is important to reflect their impact on ARPU (MTR-Adjusted). We represent this KPI as **ARPU (IFRS15-Adjusted)**. The key two factors which lead to adjustments from ARPU (MTR Adjusted) to ARPU (IFRS15-Adjusted) are:

1. The external factor correlated with announcement of IFRS 15 'Revenue from Contracts with Customers' will be effective and obligatory for annual periods beginning on or after from January 1, 2018, and the decision we make to implement IFRS 15 in our reporting standard starting from Q2 2016. The key impact of the adoption of IFRS 15 is different recognition of revenue from contract customers over time of a contract impacting, in consequence, total revenue recognized for a period. Please find the details concerning IFRS 15 and our newly adopted accounting policies in "*Presentation of Financial Information—Changes in Accounting Policies*"; and
2. The internal factor which results from the fact that our base of technical SIMs systematically increases together with growing popularity of family tariffs; some of TechSIMs are not actively used for data transfer and so we decided to deduct inactive technical SIM cards from our active subscribers base. Additionally, we reduced this base by the inactive SIMcards which are used in some promotion campaigns (it is a special promotion concerning Play online tariff within the mobile broadband segment). For more details please refer to the active contract subscribers definition and technical SIM card definition.

The table below presents comparison of ARPU (MTR-Adjusted), ARPU (techSIM-Adjusted) and ARPU (IFRS15-Adjusted) for Play for all historical periods. To ensure comparability and transparency of calculations over all reporting periods, we have adjusted ARPU (MTR-Adjusted) as follows:

- first, as if we had been reporting using the active subscribers base – ARPU (techSIM-Adjusted)
- in the next step using revenue recognition in accordance to IFRS 15 and active subscribers base as denominator – ARPU (IFRS15-Adjusted).

		2013				2014				2015				2016	
expressed in PLN	Unit	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ARPU (MTR-Adjusted)	**PLN**	**34.3**	**35.3**	**36.0**	**36.2**	**35.8**	**37.3**	**38.5**	**38.7**	**38.0**	**38.7**	**38.8**	**38.0**	**36.7**	**36.8**
- Contract	PLN	50.1	50.6	51.1	51.4	51.5	53.0	54.3	53.5	52.2	52.0	52.5	50.7	48.8	47.9
- Non-Contract	PLN	14.4	15.4	16.2	16.0	15.1	16.3	17.1	17.2	16.6	17.7	17.6	17.4	16.4	17.1
ARPU (techSIM-Adjusted)	**PLN**	**34.3**	**35.3**	**36.0**	**36.2**	**35.8**	**37.3**	**38.5**	**38.8**	**38.2**	**39.0**	**39.2**	**38.5**	**37.2**	**37.4**
- Contract	PLN	50.1	50.6	51.1	51.4	51.5	53.0	54.4	53.7	52.6	52.6	53.3	51.7	49.8	49.1
- Non-Contract	PLN	14.4	15.4	16.2	16.0	15.1	16.3	17.1	17.2	16.6	17.7	17.6	17.4	16.4	17.1
ARPU (IFRS15-Adjusted)	**PLN**	**28.4**	**28.8**	**29.7**	**30.3**	**29.7**	**30.8**	**31.7**	**31.7**	**31.2**	**32.1**	**32.1**	**31.5**	**30.5**	**31.0**
- Contract	PLN	39.6	39.1	40.0	41.0	40.8	41.7	42.5	41.7	40.9	41.3	41.5	40.3	39.0	39.0
- Non-Contract	PLN	14.4	15.4	16.2	16.0	15.1	16.3	17.1	17.2	16.6	17.7	17.6	17.4	16.4	17.1

expressed in PLN	Unit	2013 FY	2014 FY	2015 FY
ARPU (MTR-Adjusted)	**PLN**	**35.5**	**37.6**	**38.4**
- Contract	PLN	**50.8**	**53.1**	**51.8**
- Non-Contract	PLN	**15.5**	**16.4**	**17.3**
ARPU (techSIM-Adjusted)	**PLN**	**35.5**	**37.6**	**38.7**
- Contract	PLN	**50.8**	**53.2**	**52.5**
- Non-Contract	PLN	**15.5**	**16.4**	**17.3**
ARPU (IFRS15-Adjusted)	**PLN**	**29.3**	**31.0**	**31.7**
- Contract	PLN	**40.0**	**41.7**	**41.0**
- Non-Contract	PLN	**15.5**	**16.4**	**17.3**

Impact of foreign exchange rate movements

We make significant purchases and incur expenses (including interest payments on debt instruments) in other currencies, primarily in euro, and as a result, foreign exchange rate movements affect our results of operations.

The euro has historically experienced volatility in relation to the zloty. For the periods under review, the NBP euro/zloty average exchange rate, expressed as zloty per euro, is shown in the table below:

	Year ended 2015	June 30, 2016
Foreign exchange rates		
Zloty per euro (EOP)[1]..	4.2615	4.4255
Zloty per euro (average in period)[2]	4.1839	4.3725

(1) The end of period exchange rate published by the NBP, expressed in zloty per euro.

(2) The average exchange rate published by the NBP, expressed in zloty per euro (the average for Q2 2016).

Our principal expenditures denominated in euro result from our:

- agreements with suppliers of goods (mainly handsets);
- agreements with suppliers of equipment and software for the mobile telecommunications network;
- charges for international roaming services;
- portions of leases for land on which our telecommunications network is installed;
- office lease agreements and certain stores lease agreements;
- fees for international interconnection agreements; and
- payments under certain of our financing arrangements.

A significant increase in the value of the euro relative to the zloty substantially increases our costs and payments under certain of our financing arrangements, since our revenues are primarily zloty denominated, thereby exposing our financial condition to the risk of depreciation of the zloty against the euro. For instance, we had exchange rate losses in six-month period ended June 30, 2016 of PLN 166.9 million due to the depreciation of the zloty against the euro which raised costs on our financing arrangements. As the Fixed Rate Senior Secured Notes, the Senior Notes and Senior PIK Toggle Notes are denominated in euros, we expect this risk to continue or increase going forward.

We do not have, and, as of the date of this Report, do not intend to enter into, currency derivatives to manage this risk and so we will not be protected from increases in the value of the euro relative to the zloty. However, we have the option to enter into currency derivative transactions under the terms of the Senior Secured Notes Indenture and Senior Notes Indenture.

For more details see "*Qualitative and Quantitative Information on Market Risks—Financial Risks—Currency Risk*".

Growth of subscriber base and subscriber retention

According to the CSO, the Polish mobile telecommunications market grew from 55.5 million reported subscribers (a penetration rate of 143.9%) as of June 30, 2013 to 56.9 million reported subscribers (a penetration rate of 147.7%) as of June 30, 2014, to 58.4 million reported subscribers (a penetration rate of 152.0%) as of June 30, 2015 and drop to 57.2 million reported subscribers (a penetration rate of 148.8%) as of June 30, 2016. The overall drop of reported subscribers between 2015 and 2016 on Polish market resulted from T-Mobile's deactivation of significant amount of prepaid subscribers during Q4 2015. Hence, it decreased the penetration level at the end of December 2015. At the same time, T-Mobile reduction of reported subscribers has changed the market shares of Polish MNOs.

The number of our reported subscriber base was 9.8 million as of June 30, 2013 (market share of 17.7%), 11.3 million as of June 30, 2014 (market share of 19.8%), 13.0 million as of June 30, 2015 (market share of 22.3%) and 14.6 million as of June 30, 2016 (market share of 25.6%). The proportion of contract subscribers to total reported subscriber base was 44.4% as of June 30, 2013, 45.6% as of June 30, 2014, 49.4% as of June 30, 2015 and 52.2% as of June 30, 2016.

Since the commercial launch of our operations in 2007 we have been focused on subscriber additions as we sought to establish our market share, and since then we have continued to focus on further subscriber additions and also focusing on subscriber retention, as well as on migrating prepaid subscribers to contract subscribers, which are generally characterized by a more stable revenue profile. In relation to subscriber additions, we have been particularly successful under MNP in attracting new subscribers and we have acquired 46% of all reported subscribers porting mobile numbers since June 2007 till the end of June 30, 2016. In April 2014, we have also introduced "family" plans, whereby family groups of three or more individuals can enjoy discounts on mobile telephones, mobile data and other benefits, which have been successful since their introduction.

While we continue to seek subscriber growth, we believe that focusing on subscriber retention as well as up-selling and cross-selling offerings and services, including new offerings and services such as our high speed data services provided over our 4G LTE and 4G LTE Ultra network, will continue to have a positive impact on our business and results of operations going forward.

Competition

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with Play, as of June 30, 2016, held over 99% of the reported subscriber market share. According to CSO the total number of reported mobile subscribers in Poland as of June 30, 2016 amounted to 57.2 million, and Play with its 14.6 million reported subscriber base had approximately 25.6%.

We believe the Polish mobile telecommunications market is balanced in terms of the relative market share of the largest four MNOs, and the relatively similar manner in which they operate, providing a supportive environment for the four major Polish MNOs (Plus, Orange and T-Mobile and us) to co-exist. Owing to the growth of the market and the successful implementation of our controlled growth strategy that did not target any specific competitor, we have been able to grow our subscriber base through market share gained from competitors roughly equally, while our three main competitors were able to achieve solid financial performance through a rational approach of securing their revenues by protecting ARPU levels rather than trying to maximize market share which would lead to price instability. Rather than focusing on low prices to attract new subscribers and retain existing subscribers which may lead to price instability, we believe that our revenues and profitability will be supported by the continued growth in the number of our subscribers (including in particular, the improvement of our quality mix of subscribers by attracting more contract subscribers), the up-selling of services, increased coverage of the 4G LTE network, the launch of new services including 4G LTE ULTRA mobile broadband and the active management of our subscriber acquisition, maintenance and retention costs, including subsidies and commissions. However, we may be forced to lower our prices for certain offerings and services in response to competitors' pricing policies, which may have an adverse effect on our future revenues and profitability.

At the same time, we believe that it will be challenging for any new MNO to enter the Polish mobile telecommunications market given the substantial costs of entry in order to effectively compete, as a new entrant would require a substantial amount of radio spectrum (which is currently very limited) and network infrastructure which it would either need to build out or negotiate access to, as well as a distribution network, which, given the exclusivity arrangements the MNOs have with most mobile dealers, is difficult to build out. The low retail margins have contributed to MVNOs not being a major feature of the Polish telecommunications market. The four major MNOs (Play, Orange, Plus, T-Mobile) represented over 99% of the market

share of subscribers as of June 30, 2016, while MVNOs and other operators represented together approximately 1%. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players.

Investment in our network

Investment in our network has been an important component of our strategy.

We have taken a strategic approach to our network build out through a combination of investment in our network and through national roaming/network sharing agreements. Through our own network, we provide coverage to 90.5% of the Polish population as of June 30, 2016, while we also provide 2G/3G/4G LTE coverage under long-term national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile which extends our available network to 99% of the population and provides our subscribers with unmatched network coverage with access to all four major mobile networks in Poland. This strategy allows us to provide wide coverage as well as benefiting from a built-in redundancy, such that if there is a failure of any one network, there are always three back-up networks available, as well as allowing us to manage our level of capital expenditures by being able to choose whether to build out our own network or rely on national roaming/network sharing coverage in a specific area.

Following the acquisition of 1800 MHz technology neutral frequency license in June 2013, we launched a roll-out of our 4G LTE network utilizing the 1800 MHz frequency. We believe we will have sufficient capacity to service our expected subscriber base in the medium term, and our reduced capital expenditures required for further upgrades and new sites following the completion of certain ongoing network investments will further support growth in our free cash flow generation in the medium term, although any new frequency reservations we acquire could require significant capital outlays and additional investments in our networks.

In the fourth quarter of 2015, we won access to the following frequencies in spectrum auction:

- 1 frequency block of 2 x 5MHz bandwidth in the 800 MHz frequency band, for a total of PLN 1,496,079,000
- 4 frequency blocks, each of 2 x 5MHz bandwidth in the 2600MHz frequency band, for a total of PLN 222,354,000

The total payment offered by P4 for above-listed frequency blocks amounted to PLN 1,718,433,000. The payment was made on February 5, 2016, using cash, available overdraft facilities and a drawdown from the RCF. On March 8, 2016, we launched the 4G LTE ULTRA (the LTE carrier aggregation) using inter alia a new frequency of 800 and 2600 MHz. The refarming of 2100 from 3G to 4G is ongoing. The speed is expected to increase up to 262 Mbits. In the range of 4G LTE ULTRA we achieved coverage of 72% of the population as of the end June, 2016 (which states for the increase of over 30% versus Q1 2016). On June 23, 2016, President of UKE has issued the second instance decisions on frequency reservations in 800 MHz band. As a result of these decisions P4 received the 5 MHz block ("C" lot – previously obtained by T-Mobile) - P4's earlier Block D (800 MHz) was reallocated to T-Mobile and T-Mobile's Block C reallocated to P4. The technical swap between P4 and T-Mobile has already taken place

Quality of subscriber base

Our operations are affected by the quality mix of our subscriber base. We have been focused on growing our contract subscribers who provide higher ARPU than prepaid subscribers and security of revenue due to fixed term contracts. The initial unit SAC and unit SRC related to contract subscribers are considerable and has been a large portion of our costs in the periods under review. As our growth focuses on increasing the quality of subscriber mix, we believe our SIM- only contract gross additions, contract retentions and migrations will each increase as a proportion of our subscriber base (compared to new contract gross additions), which, while increasing our subscriber retention costs, will reduce the ratio of subscriber acquisition costs to total revenues, which in turn should have a positive effect on our margin.

Issuance of Additional Notes

On March 19, 2015 we have issued €125,000,000 aggregate principal amount of Additional Notes. The Additional Notes were issued as additional notes under the Senior Secured Notes Indenture executed on January 31, 2014, as supplemented on May 27, 2014 and March 10, 2015 pursuant to which the Issuer issued its €600,000,000 aggregate principal amount of $5^1/_4$% Initial Fixed Rate Senior Secured Notes due 2019 and PLN 130,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019. The Additional Notes constitute a further issuance of, and will be treated as a single class with, the

Initial Senior Secured Notes for all purposes under the Senior Secured Notes Indenture, including with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture.

The issue price of the Additional Notes amounted to 104.25 and the aggregate gross proceeds of the issuance were €130,312,500. We used the net proceeds from the issuance of Additional Notes towards financing our bid in the frequency auctions (and for our working capital purposes).

Key Performance Indicators

We consider the following key performance indicators ("KPIs") in evaluating our business. Our revenue is principally driven by the number of reported new and retained subscribers, the mix of subscriber base between prepaid and contract.

See "Industry, Market and Subscriber Data" for a discussion of how we define and calculate our KPIs.

Our KPIs are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by independent auditors, consultants or experts.

Our use or computation of KPIs may not be comparable to the use or computation of similarly titled measures reported by other companies in our industry, by research agencies or by market reports. Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations and if the methodologies of other were used to calculate our KPIs. The KPIs are not accounting measures, but we believe that each of these measures provides useful information concerning the attractiveness and usage patterns of services as well as costs related with attracting and retaining subscribers. None of the KPIs should be considered in isolation or as an alternative measure of performance under IFRS.

Reported subscriber base

We report our number of subscribers on the basis of the number of SIM cards which are registered on our network at the end of a given period.

The following table presents our subscriber base breakdown by the number of contract and prepaid subscribers:

	As of June 30,		
	2015	**2016**	**Change**
Reported subscribers (thousands)	**13,028.1**	**14,617.4**	**12.2%**
Contract	6,441.3	7,629.0	18.4%
Prepaid	6,586.8	6,988.3	6.1%

As of June 30, 2016, the total number of our reported subscriber base was approximately 14.6 million, out of which 52.2% were contract subscribers. Our reported subscriber base represents approximately 25.6% of the total number of reported subscribers in the Polish mobile market compering to 22.3% as of the end of June 2015. This increase of our market share is an effect of the growth of our subscribers base and partially resulted from lower number of subscribers reported by T-Mobile (deactivation of significant amount of prepaid SIM cards performed by T-Mobile during the fourth quarter of 2015). It reflected also in higher market share of other operators.

During the periods described herein, we have successfully gained subscriber market share by continuously focusing on our "value-for-money" positioning as opposed to aggressive discounting on price, by effectively promoting our brand and by maintaining what we believe is a best-in-class distribution network.

Our contract subscriber base increased from 6.4 million as of June 30, 2015 to 7.6 million as of June 30, 2016, increasing the share of contract subscribers as a proportion of our total reported subscriber base from 49.4% as of June 30, 2015 to 52.2% as of June 30, 2016 in line with our strategy to increase the number of contract subscribers, who generate higher ARPU on average compared to prepaid subscribers and who provide revenue security through fixed-term contracts.

Net additions and Churn

For the three months ended June 30, 2016, net additions were 197.4 thousands, which represented a decrease of 42.4% relative to comparable period of 2015 and contract net additions were 288.4 thousands, representing a decrease of 6.9% relative to comparable period of 2015.

For the six months ended June, 2016, net additions were 467.1 thousands, which represented a decrease of 37.0% relative to comparable period of 2015 and contract net additions were 559.4 thousands representing a decrease of 11.3% relative to comparable period of 2015. The drop in contract net additions is primarily driven by the fact that we became the second largest market player in Poland in terms of market share. This results in a limitation on the base of potential customers that we can gain, which is smaller than in previous years.

The following table presents the development of our contract and prepaid subscriber base:

–	Three months ended June 30,			Six months ended June 30,		
	2015	2016	Change	2015	2016	Change
Net additions (thousands)	**342.8**	**197.4**	**(42.4%)**	**741.3**	**467.1**	**(37.0%)**
Contract	309.8	288.4	(6.9%)	630.8	559.4	(11.3%)
Prepaid	33.0	-90.9	(375.7%)	110.5	-92.3	(183.5%)
Churn (%)[(1)]	**3.4%**	**3.5%**		**3.3%**	**3.4%**	
Contract	0.6%	0.7%		0.7%	0.7%	
Prepaid	6.1%	6.4%		5.9%	6.3%	

(1) We present our churn on an average monthly basis.

Average monthly contract churn rate has increased slightly to 0.7% in the period ended June 30, 2016 and remained stable at 0.7% in the three-months ended June 30, 2016 compared to the same period in the prior year. Due to the nature of prepaid offerings, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

ARPU and Contract/Prepaid ARPU

The majority of revenues in the Polish mobile telecommunications market is generated by contract subscribers. ARPU is therefore driven primarily by the level of committed tariff plan fees, with the rate per minute (with respect to voice offerings), SMS/MMS or MB becoming a secondary driver of revenue. All of the factors mentioned above are mainly driven by the level of competition in the market. ARPU is additionally influenced by the volume of traffic received by our subscribers from subscribers of other networks, both national and international.

In the three-month period ended June 30, 2016, our ARPU was PLN 31.0, down by 3.1% from a comparable period of 2015.

Contract ARPU for the three-month period ended June 30, 2016 amounted to PLN 39, a decrease by 5.5% compared to the comparable period of 2015, while prepaid ARPU for the three-month period ended June 30, 2016 amounted to PLN 17.1, a decrease by 2.7% versus comparable period of 2015. The overall ARPU decrease was driven by a drop of contract ARPU. It was an effect of growing number of family offers which were introduced in April 2014. While selling family packages the number of subscribers increased however these tariffs were sold for slightly lower price versus if were sold separately.

The following table presents ARPU during the periods under review:

–	Three months ended June 30,			Six months ended June 30,		
	2015	2016	Change	2015	2016	Change
ARPU (PLN)[(1)]	**32.0**	**31.0**	**(3.1%)**	**31.6**	**30.7**	**(2.7%)**
Contract	41.3	39.0	(5.5%)	41.1	39.0	(5.1%)
Prepaid[(3)]	17.6	17.1	(2.7%)	17.1	16.8	(1.8%)

(1) We present our ARPU on an average monthly basis and for active subscribers only.

Data traffic

Data usage per subscriber increased from 1,591 MB monthly in the three-month period ended June 30, 2015 to 2,523 MB in the three-month period ended June 30, 2016, representing a growth of 58.5%. This growth can be observed for especially prepaid subscribers, and results from increased adoption of 4G LTE smartphones and other devices.

The following table presents a breakdown of data transmission usage:

	Three months ended June 30,			Six months ended June 30,		
-	2015	2016	Change	2015	2016	Change
Data usage per subscriber (MB)[(1)]	**1,591**	**2,523**	**58.5%**	**1,514.0**	**2,500.0**	**65.1%**
Contract	2,230	3,241	45.3%	2,154.0	3,227.0	49.8%
Prepaid	597	1,275	113.7%	535.0	1,266.0	136.6%

(1) We present our data usage per subscriber on an average monthly basis.

Unit SAC cash and unit SRC cash

As a result of IFRS 15 adoption, we present unit SAC cash and unit SRC cash as metrics for the operating analysis of acquisition and retention, as the most meaningful performance indicator versus unit SAC and unit SRC that have been prepared before IFRS 15 adoption (distorted by instalment sales impact) or unit SAC and unit SRC that would be prepared using data after IFRS 15 adjustment, which would present clearly the relevant level of subsidies, sales / retention commissions or other costs related to acquisition and retention activities of the Group.

In the three month period ended June 30, 2016, our unit contract SAC cash amounted to PLN 378.6, an increase of 21.2% compared to the three month period ended June 30, 2015. In the three-month period ended June 30, 2016, our unit prepaid SAC cash amounted to PLN 3.6, a decline of 1.0%. In the six months ended June 30, 2016 our unit contract SAC cash amounted to PLN 378.1, an increase by 19.1% compared to PLN 317.5 in the six months ended June 30, 2015.

Our unit SRC cash for the three-month period ended June 30, 2016, amounted to PLN 368.5, an increase of 25.8% compared to the year three-month period ended June 30, 2015. Our unit SRC for the six months ended June 30, 2016 amounted to PLN 386.2, an increase by 35.4% compared to the six months ended June 30, 2015.

The increase in unit SAC cash and unit SRC cash results from market competition and customers who are switching to more expensive smartphones.

The following table presents the unit SAC breakdown for contract and prepaid subscribers and unit SRC:

	Three months ended June 30,			Six months ended June 30,		
-	**2015**	**2016**	**Change**	**2015**	**2016**	**Change**
unit SAC cash (PLN)						
Contract	312.5	378.6	21.2%	317.5	378.1	19.1%
Prepaid	3.6	3.6	(1.0%)	3.7	3.5	(5.4%)
unit SRC cash (PLN)	**292.9**	**368.5**	**25.8%**	**285.2**	**386.2**	**35.4%**
unit SAC (PLN)						
Contract	286.3	272.9	(4.7%)	291.2	297.4	2.1%
Prepaid	3.6	3.6	-	3.7	3.5	(5.4%)
unit SRC (PLN)	**276.3**	**293.1**	**6.1%**	**264.8**	**283.2**	**6.9%**

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 revenue.

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 in the Historical Financial Statements is based on the actual airtime usage, or is made upon the expiration of the obligation to provide the services.

  Recognition of usage revenue in the New Financial Statements differs in comparison to Historical Financial Statements for goods and services sold 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 (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). 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. International roaming revenues are recognized in the profit or loss in the period in which the services were rendered.

- 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 Group acts as a principal in such agreements. The costs of prepaid commissions are treated as other service costs. 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 (e.g. music and video streaming or sales of applications) are recognized in the amount of full consideration if the Group acts as principal in the relation with the customer or in the amount of the commission earned if the Group acts as agent.
- 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.

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 via dealers who act as agents are recognized when the device is delivered to the subscriber. The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data. Other revenue comprises primarily revenue from commissions for sale of our partners' offerings through our distribution network.

Operating expenses

- Interconnection costs include costs of termination of voice and non-voice traffic of our customers in other operators' networks under interconnection agreements.
- National roaming/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.
- 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.
- In the Historical Financial Statements, 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.
- In the New Financial Statements 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. In the Historical Financial Statements, 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. In the New Financial Statements we recognize cost of goods sold in the statement of comprehensive income in full amount.

- 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.

- Depreciation and amortization 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. In the New Financial Statements it also includes the depreciation of the right-of-use assets. In the Historical Financial Statements 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.

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, bad debts, gain or loss on sale of receivables, and other miscellaneous items not included in other general and administrative expenses.

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. In the New Financial Statements 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 IFRS 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 Six-Month Period Ended June 30, 2016 and the Six-Month Period Ended June 30, 2015

	Six-month period ended			Six-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	New	New		Historical	Historical	
Operating revenue	**2,583.4**	**2,931.4**	**13.5**	**2,526.2**	**2,921.5**	**15.7**
Service revenue	1,939.5	2,174.3	12.1	2,381.2	2,646.4	11.1
Sales of goods and other revenue	643.9	757.1	17.6	144.9	275.2	89.9
Operating expenses	**(2,080.9)**	**(2,267.4)**	**9.0**	**(2,050.1)**	**(2,320.9)**	**13.2**
Interconnection, roaming and other services costs	(630.4)	(717.1)	13.7	(630.4)	(717.1)	13.7
Subscriber acquisition and retention costs not eligible for capitalization	-	-	-	(36.7)	(47.4)	29.4
Contract costs, net	(174.9)	(202.5)	15.8	-	-	-
Cost of goods sold	(541.6)	(664.2)	22.6	(146.3)	(271.5)	85.5
General and administrative expenses	(444.6)	(385.5)	(13.3)	(523.4)	(466.3)	(10.9)
Depreciation and amortization	(289.3)	(298.0)	3.0	(714.4)	(768.5)	7.6
Other operating income	41.6	36.6	(12.1)	37.5	30.1	(19.9)
Other operating costs	(35.5)	(85.6)	141.1	(36.4)	(80.2)	120.4
Operating profit	**508.6**	**615.0**	**20.9**	**476.1**	**600.6**	**26.2**
Finance income	77.4	25.8	(66.6)	81.2	34.5	(57.5)
Finance costs	(151.8)	(339.1)	123.4	(121.8)	(305.6)	150.9
Profit before income tax	**434.3**	**301.8**	**(30.5)**	**435.4**	**329.5**	**(24.3)**
Income tax charge	(89.8)	(125.7)	39.9	(90.0)	(130.9)	45.4
Net profit for the period	**344.5**	**176.1**	**(48.9)**	**345.4**	**198.6**	**(42.5)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**344.5**	**176.1**	**(48.9)**	**345.4**	**198.6**	**(42.5)**

Operating revenue

Operating revenue increased by PLN 348.0 million, or 13.5%, from PLN 2,583.4 million for the six-month period ended June 30, 2015 to PLN 2,931.4 million for the six-month period ended June 30, 2016. This increase resulted from growth in all categories of revenue, primarily in retail contract usage revenue and interconnection revenue.

Under the Historical Financial Statements operating revenue increased by PLN 395.4 million, or 15.7%, from PLN 2,526.2 million for the six-month period ended June 30, 2015 to PLN 2,921.5 million for the six-month period ended June 30, 2016. This increase resulted from growth in all categories of revenue, primarily in retail contract usage revenue, sales of goods and other revenue as well as interconnection revenue.

The 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 of 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.

	Six-month period ended			Six-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Service revenue	**1,939.5**	**2,174.3**	**12.1**	**2,381.2**	**2,646.4**	**11.1**
Usage revenue	1,525.9	1,661.8	8.9	1,967.6	2,133.8	8.4
Retail contract revenue	1,186.5	1,288.1	8.6	1,605.9	1,738.2	8.2
Retail prepaid revenue	307.4	320.2	4.1	307.4	320.2	4.1
Other revenue	32.0	53.6	67.6	54.3	75.4	39.0
Interconnection revenue	413.6	512.5	23.9	413.6	512.5	23.9
Sales of goods and other revenue	**643.9**	**757.1**	**17.6**	**144.9**	**275.2**	**89.9**
Operating Revenue	**2,583.4**	**2,931.4**	**13.5**	**2,526.2**	**2,921.5**	**15.7**

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 101.5 million, or 8.6%, from PLN 1,186.5 million for the six-month period ended June 30, 2015 to PLN 1,288.1 million for the six-month period ended June 30, 2016. The increase was primarily due to growth in the reported contract subscriber base of 1.2 million, or 18.4%, from June 30, 2015 to June 30, 2016 due to the continued success of our subscriber acquisition and retention strategy.

Under the Historical Financial Statements retail contract usage revenue increased by PLN 132.3 million, or 8.2%, from PLN 1,605.9 million for the six-month period ended June 30, 2015 to PLN 1,738.2 million for the six-month period ended June 30, 2016. The increase was primarily due to growth in the reported contract subscriber base of 1.2 million, or 18.4%, from June 30, 2015 to June 30, 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 of contracts is allocated under IFRS 15.

Retail prepaid usage revenue

Revenue from prepaid usage increased by PLN 12.8 million, or 4.1%, from PLN 307.4 million for the six-month period ended June 30, 2015 to PLN 320.2 million for the six-month period ended June 30, 2016. This increase resulted primarily from growth in the reported prepaid subscriber base of 0.4 million, or 6.1%, 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 six-month period ended June 30, 2015 and for the six-month period ended June 30, 2016 compared to the Historical Financial Statements.

Other usage revenue

Other usage revenue increased by PLN 21.6 million, or 67.6%, from PLN 32.0 million for the six-month period ended June 30, 2015 to PLN 53.6 million for the six-month period ended June 30, 2016. This increase resulted from the increase in traffic generated by the customers of our MVNO partners.

Under the Historical Financial Statements other usage revenue increased by PLN 21.2 million, or 39.0% from PLN 54.3 million for the six-month period ended June 30, 2015 to PLN 75.4 million for the six-month period ended June 30, 2016. This increase resulted primarily from the increase in traffic generated by the customers of our MVNO partners.

The difference compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 'Revenue from contracts with customers'. Under the Historical Financial Statements one-time activation 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 activation fee allocated to services is presented in contract usage revenue. Presentation of wholesale usage revenue remained unchanged.

Interconnection revenue

Interconnection revenue increased by PLN 98.9 million, or 23.9%, from PLN 413.6 million for the six-month period ended June 30, 2015 to PLN 512.5 million for the six-month period ended June 30, 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 due to the general increase in the traffic per user.

Under the New Financial Statements there was no change in interconnection revenue for the six-month period ended June 30, 2015 and for the six-month period ended June 30, 2016 compared to the Historical Financial Statements.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 113.2 million, or 17.6%, from PLN 643.9 million for the six-month period ended June 30, 2015 to PLN 757.1 million for the six-month period ended June 30, 2016. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

Under the Historical Financial Statements revenue from sales of goods and other revenue increased by PLN 130.2 million, or 89.9%, from PLN 144.9 million for the six-month period ended June 30, 2015 to PLN 275.2 million for the six-month period ended June 30, 2016. This increase resulted primarily from the increase in volume of installment sales for which a higher proportion of revenue is recognized upfront in the Historical Financial Statements.

The difference 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 of contracts is allocated under IFRS 15.

Operating expenses

Operating expenses increased by PLN 186.5 million, or 9.0%, from PLN 2,080.9 million for the six-month period ended June 30, 2015 to PLN 2,267.4 million for the six-month period ended June 30, 2016. This increase resulted primarily from increase in interconnection, roaming and other services costs and cost of goods sold partially offset by decrease in general and administrative expenses.

Under the Historical Financial Statements operating expenses increased by PLN 270.9 million, or 13.2%, from PLN 2,050.1 million for the six-month period ended June 30, 2015 to PLN 2,320.9 million for the six-month period ended June 30, 2016. This increase resulted primarily from increase in interconnection, roaming and other services costs and cost of goods sold partially offset by decrease in general and administrative expenses.

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 how certain costs are presented as well as IFRS 16 'Leases' and how rental costs are capitalized under IFRS 16.

Interconnection, roaming and other services costs

	Six-month period ended			Six-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Interconnection costs	(477.3)	(562.8)	17.9	(477.3)	(562.8)	17.9
National roaming/network sharing	(76.1)	(81.4)	6.9	(76.1)	(81.4)	6.9
Other services costs	(77.0)	(72.9)	(5.4)	(77.0)	(72.9)	(5.4)
Interconnection, roaming and other services costs	**(630.4)**	**(717.1)**	**13.7**	**(630.4)**	**(717.1)**	**13.7**

Interconnection, roaming and other services costs increased by PLN 86.6 million, or 13.7%, from PLN 630.4 million for the six-month period ended June 30, 2015 to PLN 717.1 million for the six-month period ended June 30, 2016 mainly due to increase of interconnection costs of PLN 85.5 million, or 17.9%, from PLN 477.3 million for the six-month period ended June 30, 2015 to PLN 562.8 million for the six-month period ended June 30, 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 interconnection, roaming and other services costs for the six-month period ended June 30, 2015 and for the six-month period ended June 30, 2016 compared to the Historical Financial Statements.

Subscriber acquisition and retention costs not eligible for capitalization

	Six-month period ended			Six-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Subscriber acquisition costs, net	-	-	-	(334.7)	(327.0)	(2.3)
Subscriber retention costs, net	-	-	-	(277.0)	(268.9)	(2.9)
Subscriber acquisition and retention costs capitalized	-	-	-	575.1	548.5	(4.6)
Subscriber acquisition and retention costs not eligible for capitalization	**-**	**-**	**-**	**(36.7)**	**(47.4)**	**29.4**

Under the Historical Financial Statements subscriber acquisition costs (including handset subsidies and commissions paid to dealers and own salesforce) decreased by PLN 7.7 million, or 2.3%, from PLN 334.7 million for the six-month period ended June 30, 2015 to PLN 327.0 million for the six-month period ended June 30, 2016 primarily due to optimization of acquisition costs and structure of acquired customers' base.

Under the Historical Financial Statements subscriber retention costs (including handset subsidies and commissions paid to dealers and own salesforce) decreased by PLN 8.1 million, or 2.9%, from PLN 277.0 million for the six-month period ended June 30, 2015 to PLN 268.9 million for the six-month period ended June 30, 2016, due to smaller percentage of subscribers base with contract expiration in the six-month period ended June 30, 2016 than in the six-month period ended June 30, 2015.

Amortization of subscriber acquisition and retention costs was included in the depreciation and amortization line under the Historical Financial Statements.

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

Contract costs

	Six-month period ended			Six-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Contract costs incurred	(216.5)	(203.2)	(6.1)	-	-	-
Contract costs capitalized	207.0	183.6	(11.3)	-	-	-
Amortization and impairment of contract costs	(165.5)	(182.9)	10.5	-	-	-
Contract costs, net	**(174.9)**	**(202.5)**	**15.8**	**-**	**-**	**-**

Contract costs (consisting of commissions paid to dealers and own salesforce) increased by PLN 27.6 million, or 15.8%, from PLN 174.9 million for the six-month period ended June 30, 2015 to PLN 202.5 million for the six-month period ended June 30, 2016 due to continuous but slower growth of the customer base resulting in an increase of contract costs incurred and capitalized in prior periods and amortized in the current period in comparison to a decrease of contract costs incurred and capitalized in current period.

Under the Historical Financial Statements operating expenses did not include this line item.

Cost of goods sold

Cost of goods sold increased by PLN 122.6 million, or 22.6%, from PLN 541.6 million for the six-month period ended June 30, 2015 to PLN 664.2 million for the six-month period ended June 30, 2016, mainly due to the increase in sales of devices to newly acquired and retained subscribers.

Under the Historical Financial Statements cost of goods sold increased by PLN 125.2 million, or 85.5%, from PLN 146.3 million for the six-month period ended June 30, 2015 to PLN 271.5 million for the six-month period ended June 30, 2016, mainly due to the increase in 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 standard IFRS 15 'Revenue from contracts with customers' and on how the costs are presented under IFRS 15.

General and administrative expenses

(PLN in millions)	Six-month period ended June 30, 2015 Unaudited New	June 30, 2016 Unaudited New	Change %	Six-month period ended June 30, 2015 Unaudited Historical	June 30, 2016 Unaudited Historical	Change %
Salaries and social security	(101.1)	(103.0)	1.9	(101.1)	(103.0)	1.9
Special bonuses and retention programs	(52.5)	14.5	-	(52.5)	14.5	-
Employee benefits	**(153.5)**	**(88.5)**	**(42.3)**	**(153.5)**	**(88.5)**	**(42.3)**
Network maintenance, leased lines, site rent and energy	(51.2)	(57.5)	12.3	(115.9)	(123.5)	6.5
Advertising and promotion expenses	(99.3)	(98.3)	(1.0)	(99.3)	(98.3)	(1.0)
Customer relations costs	(32.5)	(30.3)	(6.6)	(32.5)	(30.3)	(6.6)
Office and points of sale maintenance	(8.1)	(7.3)	(9.9)	(22.3)	(22.1)	(0.8)
IT expenses	(15.5)	(15.2)	(1.4)	(15.5)	(15.2)	(1.4)
People related costs - cars, trainings and other	(8.8)	(8.1)	(7.8)	(8.8)	(8.1)	(7.8)
Finance and legal services	(8.2)	(8.5)	3.7	(8.2)	(8.5)	3.7
Advisory services provided by shareholders	(16.1)	(16.0)	(0.2)	(16.1)	(16.0)	(0.2)
Other external services	(23.7)	(23.6)	(0.4)	(23.7)	(23.6)	(0.4)
External services	**(263.4)**	**(264.9)**	**0.6**	**(342.2)**	**(345.7)**	**1.0**
Taxes and fees	**(27.7)**	**(32.1)**	**16.0**	**(27.7)**	**(32.1)**	**16.0**
General and administrative expenses	**(444.6)**	**(385.5)**	**(13.3)**	**(523.4)**	**(466.3)**	**(10.9)**
General and administrative expenses excluding retention programs valuation and special bonuses and advisory services provided by shareholders	**(376.0)**	**(384.0)**	**2.1**	**(454.9)**	**(464.7)**	**2.2**

Total general and administrative expenses decreased by PLN 59.0 million, or 13.3%, from PLN 444.6 million for the six-month period ended June 30, 2015 to PLN 385.5 million for the six-month period ended June 30, 2016, mainly due to decreased employee expenses partially offset by increased network maintenance, leased lines and energy costs as well as taxes and fees.

Excluding the impact of change in retention programs valuation and costs of special bonuses of PLN 66.9 million and a slight decrease in cost of advisory services provided by shareholders, general and administrative expenses increased by PLN 7.9 million, or 2.1%, from PLN 376.0 million for the six-month period ended June 30, 2015 to PLN 384.0 million for the six-month period ended June 30, 2016, mainly as a result of increased network maintenance, leased lines and energy costs as well as taxes and fees.

Under the Historical Financial Statements total general and administrative expenses decreased by PLN 57.1 million, or 10.9%, from PLN 523.4 million for the six-month period ended June 30, 2015 to PLN 466.3 million for the six-month period ended June 30, 2016, mainly due to decreased employee expenses partially offset by the increased network maintenance, leased lines, site rent and energy costs as well as taxes and fees.

The difference in total general and administrative expenses 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 six-month period ended June 30, 2016 increased by PLN 1.9 million, or 1.9%, compared to the six-month period ended June 30, 2015. The increase was in line with the increase of number of employees due to growing scope of Group operations partially offset by a decrease in estimated costs of annual bonuses.

Under the New Financial Statements there was no change in salaries and social security for the six-month period ended June 30, 2015 and for the six-month period ended June 30, 2016 compared to the Historical Financial Statements.

External services

External services costs increased by PLN 1.6 million, or 0.6%, from PLN 263.4 million for the six-month period ended June 30, 2015 to PLN 264.9 million for the six-month period ended June 30, 2016. This growth was primarily due to increase in costs of network maintenance, leased lines and energy of PLN 6.3 million due to higher costs of energy partially offset by decrease in customer relations costs of PLN 2.2 million.

Under the Historical Financial Statements external services costs increased by PLN 3.5 million, or 1.0%, from PLN 342.2 million for the six-month period ended June 30, 2015 to PLN 345.7 million for the six-month period ended June 30, 2016. This growth was primarily due to increase in costs of network maintenance, leased lines, site rent and energy of PLN 7.6 million due to higher costs of energy partially offset by decrease in customer relations costs of PLN 2.2 million.

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 4.4 million, or 16.0%, from PLN 27.7 million for the six-month period ended June 30, 2015 to PLN 32.1 million for the six-month period ended June 30, 2016, primarily due to higher fees for use of frequencies due to purchase of the frequencies in the 800 MHz and 2600 MHz bands.

Under the New Financial Statements there was no change in taxes and fees for the six-month period ended June 30, 2015 and for the six-month period ended June 30, 2016 compared to the Historical Financial Statements.

Depreciation and amortization

Depreciation and amortization increased by PLN 8.7 million, or 3.0%, from PLN 289.3 million for the six-month period ended June 30, 2015 to PLN 298.0 million for the six-month period ended June 30, 2016. This increase resulted primarily from increase in amortization of intangibles of PLN 42.1 million mostly due to amortization charges of 800 MHz and 2600 MHz frequencies partially offset by decrease in depreciation of property, plant and equipment of PLN 31.6 million resulting from reviewed and adjusted fixed assets’ residual values and useful lives.

Under the Historical Financial Statements depreciation and amortization increased by PLN 54.1 million, or 7.6%, from PLN 714.4 million for the six-month period ended June 30, 2015 to PLN 768.5 million for the six-month period ended June 30, 2016. This increase resulted primarily from increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets of PLN 46.4 million as a result of higher SAC acquisition/retention cost capitalized, and an increase in amortization of telecommunication licenses of PLN 49.6 million mostly due to amortization charges of 800 MHz and 2600 MHz frequencies, which increases were partially offset by a decrease in depreciation of fixed assets of PLN 33.8 million resulting from reviewed and adjusted fixed assets’ residual values and useful lives.

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

Other Operating Income and Other Operating Costs

Other operating income decreased by PLN 5.0 million, or 12.1%, from PLN 41.6 million for the six-month period ended June 30, 2015 to PLN 36.6 million for the six-month period ended June 30, 2016. Higher other operating income in the six-month period ended June 30, 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, partially offset by increase in income from early contract termination fees by PLN 1.9 million due to improved collectability of such fees for the six-month period ended June 30, 2016.

Under the Historical Financial Statements other operating income decreased by PLN 7.5 million, or 19.9%, from PLN 37.5 million for the six-month period ended June 30, 2015 to PLN 30.1 million for the six-month period ended June 30, 2016. Higher other operating income in the six-month period ended June 30, 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, partially offset by increase in income from early contract termination fees by PLN 1.9 million due to improved collectability of such fees in the six-month period ended June 30, 2016.

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 50.1 million, or 141.1%, for the same period under review. This increase resulted primarily from increase of costs of bad debt of PLN 18.9 million due to 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 increase of cost of provisions mainly resulting from early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million.

Under the Historical Financial Statements other operating costs increased by PLN 43.8 million, or 120.4%, from PLN 36.4 million for the six-month period ended June 30, 2015 to PLN 80.2 million for the six-month period ended June 30, 2016. This increase resulted primarily from increase of costs of bad debt of PLN 16.0 million due to 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 increase of cost of provisions mainly resulting from early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 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 under IFRS 15.

Finance Income and Cost

	Six-month period ended			**Six-month period ended**		
	June 30, 2015	**June 30, 2016**		**June 30, 2015**	**June 30, 2016**	
	Unaudited	**Unaudited**	**Change %**	**Unaudited**	**Unaudited**	**Change %**
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Interest income	2.3	8.7	284.2	7.2	17.4	142.4
Interest expense	(151.8)	(172.2)	13.4	(121.8)	(142.3)	16.9
Exchange rate gains/(losses)	54.1	(166.9)	-	52.9	(163.2)	-
Net gain on finance assets at fair value through profit or loss	21.1	17.1	(18.8)	21.1	17.1	(18.8)
Financial income and costs	**(74.4)**	**(313.3)**	**321.1**	**(40.7)**	**(271.1)**	**566.9**

Interest income

Interest income increased by PLN 6.4 million, or 284.2%, from PLN 2.3 million for the six-month period ended June 30, 2015 to PLN 8.7 million for the six-month period ended June 30, 2016. This increase resulted mainly from 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 Historical Financial Statements interest income increased by PLN 10.2 million, or 142.4%, from PLN 7.2 million for the six-month period ended June 30, 2015 to PLN 17.4 million for the six-month period ended June 30, 2016. This increase resulted mainly from 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 under IFRS 15.

Interest expense

Interest expense increased by PLN 20.4 million, or 13.4%, from PLN 151.8 million for the six-month period ended June 30, 2015 to PLN 172.2 million for the six-month period ended June 30, 2016. Higher interest expense in the six-month period ended June 30, 2016 resulted from higher interests charged on Notes due to higher average indebtedness as well as depreciation of PLN against EUR in the six-month period ended June 30, 2016, compared to appreciation of PLN against EUR in the six-month period ended June 30, 2015.

Under the Historical Financial Statements interest expense increased by PLN 20.5 million, or 16.9%, from PLN 121.8 million for the six-month period ended June 30, 2015 to PLN 142.3 million for the six-month period ended June 30, 2016. Higher interest expense in the six-month period ended June 30, 2016 resulted from higher interests charged on Notes due to higher average indebtedness as well as depreciation of PLN against EUR in the six-month period ended June 30, 2016, compared to appreciation of PLN against EUR in the six-month period ended June 30, 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 54.1 million for the six-month period ended June 30, 2015, to exchange rate losses of PLN 166.9 million for the six-month period ended June 30, 2016. This change resulted mainly from the valuation of the EUR-denominated debt due to depreciation of PLN against EUR in the six-month period ended June 30, 2016, compared to appreciation of PLN against EUR in the six-month period ended June 30, 2015.

Under the Historical Financial Statements results on exchange rate differences changed from exchange rate gains of PLN 52.9 million for the six-month period ended June 30, 2015, to exchange rate losses of PLN 163.2 million for the six-month period ended June 30, 2016. This change resulted mainly from the valuation of the EUR-denominated debt due to depreciation of PLN against EUR in the six-month period ended June 30, 2016, compared to appreciation of PLN against EUR in the six-month period ended June 30, 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 on finance assets at fair value through profit or loss

The gain 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.

Liquidity and Capital Resources

Liquidity

The Group has historically been financed through equity capital (including contributions in kind), cash from operations, borrowings under bank loans and, following the issuance of the Notes, through bonds. The Company has entered into the Revolving Credit Facility Agreement with Alior Bank S.A. as a lender and Bank Zachodni WBK S.A. as a lender and facility agent, which provides for a Revolving Credit Facility in the amount of PLN 400 million, which was fully available as of June 30, 2016. The Group also has a revolving credit line agreements with Bank Millennium S.A. for the amount of PLN 50 million and with Bank Zachodni WBK S.A. for the amount of PLN 150 million. The nominal amounts outstanding under the above credit facilities as of June 30, 2016 (excluding the a Revolving Credit Facility which was undrawn as of June 30, 2016), were PLN 48.5 million and PLN 113.9 million respectively.

	Six-month period ended			Six-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	New	New		Historical	Historical	
Profit before income tax	**434.3**	**301.8**	**(30.5)**	**435.4**	**329.5**	**(24.3)**
Depreciation and amortization	289.3	298.0	3.0	714.4	768.5	7.6
Changes in contract costs (net)	(41.5)	(0.7)	(98.3)	-	-	-
Interest expense (net)	149.5	163.5	9.3	114.6	125.0	9.0
Gain on valuation of finance assets	(21.1)	(17.1)	(18.8)	(21.1)	(17.1)	(18.8)
Foreign exchange (gains)/losses	(59.6)	166.9	-	(58.4)	163.2	-
Gain on disposal of non-current assets	(1.5)	(4.4)	189.0	(1.0)	(1.6)	61.6
Impairment of non-current assets	0.1	2.0	1,526.2	25.2	23.8	(5.4)
Change in provisions and retention programs liabilities	32.5	(16.0)	-	32.5	(16.0)	-
Changes in working capital and other, excluding deposits paid to UKE	(65.1)	(310.5)	377.0	(128.8)	(335.2)	160.3
Change in contract assets	(87.8)	1.0	-	-	-	-
Change in contract liabilities	(3.0)	(1.3)	(57.9)	-	-	-
Interest received	0.4	0.1	(79.5)	5.3	8.4	58.4
Income tax paid	(0.6)	(51.5)	8,228.8	(0.6)	(51.5)	8,228.8
Net cash provided by operating activities, excluding deposits paid to UKE	**626.0**	**531.9**	**(15.0)**	**1,117.5**	**997.0**	**(10.8)**
Deposits paid to UKE	(318.8)	-	(100.0)	(318.8)	-	(100.0)
Net cash provided by operating activities	**307.2**	**531.9**	**73.1**	**798.8**	**997.0**	**24.8**
Proceeds from sale of non-current assets	2.6	3.7	43.1	2.6	3.7	43.1
Proceeds from loans given	0.0	-	(100.0)	0.0	-	(100.0)
Purchase of fixed assets and intangibles and prepayments for assets under construction	(216.7)	(1,926.3)	788.8	(791.8)	(2,474.8)	212.6
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	**(289.3)**	**(1,992.3)**	**588.7**	**(864.4)**	**(2,540.8)**	**193.9**
Proceeds from finance liabilities	543.8	365.0	(32.9)	543.8	365.0	(32.9)
Repayment of finance liabilities and relating finance costs	(215.7)	(594.0)	175.4	(132.1)	(510.5)	286.4
Net cash provided by/(used in) financing activities	**328.1**	**(229.0)**	**-**	**411.6**	**(145.5)**	**-**
Net change in cash and cash equivalents	**346.0**	**(1,689.4)**	**-**	**346.0**	**(1,689.4)**	**-**
Effect of exchange rate change on cash and cash equivalents	5.5	0.0	(99.7)	5.5	0.0	(99.7)
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[1]	**849.3**	**(132.6)**	**-**	**849.3**	**(132.6)**	**-**

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 224.7 million, or 73.1%, from PLN 307.2 million for the six-month period ended June 30, 2015 to PLN 531.9 million for the six-month period ended June 30, 2016. In the six-month period ended June 30, 2015, the Group paid PLN 0.0318.8 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 94.1 million, or 15.0%, from PLN 626.0 million for the six-month period ended June 30, 2015 to PLN 531.9 million for the six-month period ended June 30, 2016 primarily due to decrease in the profit before income tax by PLN 132.5 million from PLN 434.3 million to PLN 301.8 million.

Under the Historical Financial Statements net cash provided by operating activities increased by PLN 198.2 million, or 24.8%, from PLN 798.8 million for the six-month period ended June 30, 2015 to PLN 997.0 million for the six-month period ended June 30, 2016. In the six-month period ended June 30, 2015, the Group paid PLN 0.0318.8 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 120.6 million, or 10.8%, from PLN 1,117.5 million for the six-month period ended June 30, 2015 to PLN 997.0 million for the six-month period ended June 30, 2016 primarily due decrease in the profit before income tax by PLN 105.9 million from PLN 435.4 million to PLN 329.5 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' and IFRS 16 'Leases'.

Net cash used in investing activities

Net cash used in investing activities increased by PLN 1,703.0 million, or 588.7%, from PLN 289.3 million for the six-month period ended June 30, 2015 to PLN 1,992.3 million for the six-month period ended June 30, 2016. This increase primarily reflects the payments to UKE for new frequencies in 800 MHz and 2600 MHz spectra in the amount of PLN 1,704.4 million in the six-month period ended June 30, 2016.

Under the Historical Financial Statements net cash used in investing activities increased by PLN 1,676.4 million, or 193.9%, from PLN 864.4 million for the six-month period ended June 30, 2015 to PLN 1,992.32,540.8 million for the six-month period ended June 30, 2016. This increase primarily reflects the payments to UKE for new frequencies in 800 MHz and 2600 MHz spectra in the amount of PLN 1,704.4 million in the six-month period ended June 30, 2016.

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

Net cash provided by or used in financing activities

Cash flows from financing activities changed from the net cash inflow of PLN 328.1 million for the six-month period ended June 30, 2015 compared to the net cash outflow of PLN 229.0 million for the six-month period ended June 30, 2016. This change resulted primarily from increase in repayment of finance liabilities and relating finance costs from PLN 215.7 million for the six-month period ended June 30, 2015 to PLN 594.0 million for the six-month period ended June 30, 2016 mainly due to repayment of Revolving Credit Facility in the amount of PLN 365.0 million. Higher proceeds from finance liabilities for the six-month period ended June 30, 2015 resulted from the issuance of Additional Fixed Rate Senior Secured.

Under the Historical Financial Statements cash flows from financing activities changed from the net cash inflow of PLN 411.6 million for the six-month period ended June 30, 2015 compared to the net cash outflow of PLN 145.5 million for the six-month period ended June 30, 2016. This change resulted primarily from increase in repayment of finance liabilities and relating finance costs from PLN 132.1 million for the six-month period ended June 30, 2015 to PLN 510.5 million for the six-month period ended June 30, 2016 mainly due to repayment of Revolving Credit Facility in the amount of PLN 365.0 million drawn in

the same period. Higher proceeds from finance liabilities for the six-month period ended June 30, 2015 resulted from the issuance of Additional Fixed Rate Senior Secured.

The difference compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 16 'Leases'.

Results of Operations: Comparison of the Three-Month Period Ended June 30, 2016 and the Three-Month Period Ended June 30, 2015

(PLN in millions)	Three-month period ended June 30, 2015 Unaudited New	Three-month period ended June 30, 2016 Unaudited New	Change %	Three-month period ended June 30, 2015 Unaudited Historical	Three-month period ended June 30, 2016 Unaudited Historical	Change %
Operating revenue	**1,329.8**	**1,488.8**	**12.0**	**1,298.5**	**1,480.7**	**14.0**
Service revenue	1,003.0	1,107.2	10.4	1,225.0	1,338.8	9.3
Sales of goods and other revenue	326.8	381.6	16.7	73.5	141.9	93.0
Operating expenses	**(1,061.2)**	**(1,167.4)**	**10.0**	**(1,033.3)**	**(1,206.1)**	**16.7**
Interconnection, roaming and other services costs	(324.0)	(368.1)	13.6	(324.0)	(368.1)	13.6
Subscriber acquisition and retention costs not eligible for capitalization	-	-	-	(18.5)	(24.4)	32.0
Contract costs, net	(87.1)	(103.1)	18.4	-	-	-
Cost of goods sold	(273.6)	(330.7)	20.9	(73.2)	(139.2)	90.3
General and administrative expenses	(233.7)	(208.5)	(10.8)	(273.3)	(248.9)	(8.9)
Depreciation and amortization	(142.9)	(157.0)	9.9	(358.9)	(392.9)	9.5
Other operating income	36.2	18.1	(50.1)	34.2	13.4	(60.6)
Other operating costs	(17.6)	(49.8)	182.6	(19.7)	(46.1)	134.3
Operating profit	**287.2**	**289.6**	**0.8**	**265.2**	**274.6**	**3.5**
Finance income	5.6	33.6	504.0	7.8	38.3	388.6
Finance costs	(186.1)	(242.4)	30.3	(168.7)	(224.1)	32.8
Profit before income tax	**106.7**	**80.9**	**(24.2)**	**104.3**	**88.8**	**(14.8)**
Income tax charge	(19.7)	(41.6)	111.8	(19.2)	(43.2)	124.7
Net profit for the period	**87.1**	**39.2**	**(54.9)**	**85.1**	**45.7**	**(46.3)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**87.1**	**39.2**	**(54.9)**	**85.1**	**45.7**	**(46.3)**

Operating revenue

Operating revenue increased by PLN 159.0 million, or 12.0%, from PLN 1,329.8 million for the three-month period ended June 30, 2015 to PLN 1,488.8 million for the three-month period ended June 30, 2016. This increase resulted from growth in all categories of revenue, primarily in retail contract usage revenue and interconnection revenue.

Under the Historical Financial Statements operating revenue increased by PLN 182.2 million, or 14.0%, from PLN 1,298.5 million for the three-month period ended June 30, 2015 to PLN 1,480.7 million for the three-month period ended

June 30, 2016. This increase resulted from growth in all categories of revenue, primarily in retail contract usage revenue, sales of goods and other revenue as well as interconnection revenue.

The 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 of 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.

	Three-month period ended			Three-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	New	New		Historical	Historical	
Service revenue	**1,003.0**	**1,107.2**	**10.4**	**1,225.0**	**1,338.8**	**9.3**
Usage revenue	786.7	843.4	7.2	1,008.7	1,075.0	6.6
Retail contract revenue	607.3	652.1	7.4	818.4	872.6	6.6
Retail prepaid revenue	159.6	162.0	1.5	159.6	162.0	1.5
Other revenue	19.9	29.3	47.5	30.8	40.4	31.2
Interconnection revenue	216.3	263.8	22.0	216.3	263.8	22.0
Sales of goods and other revenue	**326.8**	**381.6**	**16.7**	**73.5**	**141.9**	**93.0**
Operating Revenue	**1,329.8**	**1,488.8**	**12.0**	**1,298.5**	**1,480.7**	**14.0**

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 44.8 million, or 7.4%, from PLN 607.3 million for the three-month period ended June 30, 2015 to PLN 652.1 million for the three-month period ended June 30, 2016. The increase was primarily due to growth in the reported contract subscriber base of 1.2 million, or 18.4%, from June 30, 2015 to June 30, 2016 due to the continued success of our subscriber acquisition and retention strategy.

Under the Historical Financial Statements retail contract usage increased by PLN 54.2 million, or 6.6%, from PLN 818.4 million for the three-month period ended June 30, 2015 to PLN 872.6 million for the three-month period ended June 30, 2016. The increase was primarily due to growth in the reported contract subscriber base of 1.2 million, or 18.4%, from June 30, 2015 to June 30, 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 of contracts is allocated under IFRS 15.

Retail prepaid usage revenue

Revenue from prepaid usage increased by PLN 2.5 million, or 1.5%, from PLN 159.6 million for the three-month period ended June 30, 2015 to PLN 162.0 million for the three-month period ended June 30, 2016. This increase resulted primarily from growth in the reported prepaid subscriber base of 0.4 million, or 6.1%, due to the continued success of our subscriber acquisition strategy.

Under the New Financial Statements there was no change in prepaid revenue for the three-month period ended June 30, 2015 and for the three-month period ended June 30, 2016 compared to the Historical Financial Statements.

Other usage revenue

Other usage revenue increased by PLN 9.4 million, or 47.5%, from PLN 19.9 million for the three-month period ended June 30, 2015 to PLN 29.3 million for the three-month period ended June 30, 2016. This increase resulted primarily from the increase in traffic generated by the customers of our MVNO partners.

Under the Historical Financial Statements other usage revenue increased by PLN 9.6 million, or 31.2%, from PLN 30.8 million for the three-month period ended June 30, 2015 to PLN 40.4 million for the three-month period ended June 30, 2016. This increase resulted from the increase in traffic generated by the customers of our MVNO partners.

The difference compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 15 'Revenue from contracts with customers'. Under the Historical Financial Statements one-time activation 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 activation fee allocated to services is presented in contract usage revenue. Presentation of wholesale usage revenue remained unchanged.

Interconnection revenue

Interconnection revenue increased by PLN 47.5 million, or 22.0%, from PLN 216.3 million for the three-month period ended June 30, 2015 to PLN 263.8 million for the three-month period ended June 30, 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 due to the general increase in the traffic per user.

Under the New Financial Statements there was no change in interconnection revenue for the three-month period ended June 30, 2015 and for the three-month period ended June 30, 2016 compared to the Historical Financial Statements.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 54.7 million, or 16.7%, from PLN 326.8 million for the three-month period ended June 30, 2015 to PLN 381.6 million for the three-month period ended June 30, 2016. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

Under the Historical Financial Statements revenue from sales of goods and other revenue increased by PLN 68.4 million, or 93.0%, from PLN 73.5 million for the three-month period ended June 30, 2015 to PLN 141.9 million for the three-month period ended June 30, 2016. This increase resulted primarily from the increase in volume of installment sales for which a higher proportion of revenue is recognized upfront under the Historical Financial Statements.

The difference 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 of contracts is allocated under IFRS 15.

Operating expenses

Operating expenses increased by PLN 106.2 million, or 10.0%, from PLN 1,061.2 million for the three-month period ended June 30, 2015 to PLN 1,167.4 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase in interconnection, roaming and other services costs and cost of goods sold partially offset by decrease in general and administrative expenses.

Under the Historical Financial Statements operating expenses increased by PLN 172.9 million, or 16.7%, from PLN 1,033.3 million for the three-month period ended June 30, 2015 to PLN 1,206.1 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase in interconnection, roaming and other services costs and cost of goods sold partially offset by decrease in general and administrative expenses.

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 how certain costs are presented as well as IFRS 16 'Leases' and how rental costs are capitalized under IFRS 16.

Interconnection, roaming and other services costs

	Three-month period ended			Three-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Interconnection costs	(247.5)	(286.9)	15.9	(247.5)	(286.9)	15.9
National roaming/network sharing	(38.2)	(42.1)	10.3	(38.2)	(42.1)	10.3
Other services costs	(38.3)	(39.0)	1.9	(38.3)	(39.0)	1.9
Interconnection, roaming and other services costs	**(324.0)**	**(368.1)**	**13.6**	**(324.0)**	**(368.1)**	**13.6**

Interconnection, roaming and other services costs increased by PLN 44.1 million, or 13.6%, from PLN 324.0 million for the three-month period ended June 30, 2015 to PLN 368.1 million for the three-month period ended June 30, 2016 mainly due to increase of interconnection costs of PLN 39.4 million, or 15.9%, from PLN 247.5 million for the three-month period ended June 30, 2015 to PLN 286.9 million for the three-month period ended June 30, 2016, which resulted from the growth in the volume of traffic terminated on other networks due to increase in our subscriber base as well as due to the general increase in the traffic per user.

Under the Historical Financial Statements there was no change in interconnection, roaming and other services costs for the three-month period ended June 30, 2015 and for the three-month period ended June 30, 2016 compared to the New Financial Statements.

Subscriber acquisition and retention costs not eligible for capitalization

	Three-month period ended			Three-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Subscriber acquisition costs, net	-	-	-	(162.7)	(155.1)	(4.6)
Subscriber retention costs, net	-	-	-	(141.6)	(141.6)	0.0
Subscriber acquisition and retention costs capitalized	-	-	-	285.8	272.3	(4.7)
Subscriber acquisition and retention costs not eligible for capitalization	**-**	**-**	**-**	**(18.5)**	**(24.4)**	**32.0**

Under the Historical Financial Statements subscriber acquisition costs (including handset subsidies and commissions paid to dealers and own salesforce) decreased by PLN 7.6 million, or 4.6%, from PLN 162.7 million for the three-month period

ended June 30, 2015 to PLN 155.1 million for the three-month period ended June 30, 2016 primarily due to optimization of acquisition costs and structure of acquired customers' base.

Under the Historical Financial Statements subscriber retention costs (including handset subsidies and commissions paid to dealers and own salesforce) remained unchanged in the amount of PLN 141.6 million for the three-month period ended June 30, 2015 and for the three-month period ended June 30, 2016.

Amortization of subscriber acquisition and retention costs was included in the depreciation and amortization line under the Historical Financial Statements.

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

Contract costs

	Three-month period ended			**Three-month period ended**		
	June 30, 2015	**June 30, 2016**		**June 30, 2015**	**June 30, 2016**	
	Unaudited	**Unaudited**	**Change %**	**Unaudited**	**Unaudited**	**Change %**
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Contract costs incurred	(103.9)	(105.2)	1.3	-	-	-
Contract costs capitalized	101.2	91.6	(9.5)	-	-	-
Amortization and impairment of contract costs	(84.4)	(89.5)	6.0	-	-	-
Contract costs, net	**(87.1)**	**(103.1)**	**18.4**	**-**	**-**	**-**

Contract costs (consisting of commissions paid to dealers and own salesforce) increased by PLN 16.0 million, or 18.4%, from PLN 87.1 million for the three-month period ended June 30, 2015 to PLN 103.1 million for the three-month period ended June 30, 2016 due continuous but slower growth of the customer base resulting in increase of contract costs incurred and capitalized in prior periods and amortized in current period in comparison to decrease of contract costs incurred and capitalized in current period.

Under the Historical Financial Statements operating expenses did not include this line item.

Cost of goods sold

Cost of goods sold increased by PLN 57.2 million, or 20.9%, from PLN 273.6 million for the three-month period ended June 30, 2015 to PLN 330.7 million for the three-month period ended June 30, 2016, mainly due to the increase in sales of devices to newly acquired and retained subscribers.

Under the Historical Financial Statements cost of goods sold increased by PLN 66.0 million, or 90.3%, from PLN 73.2 million for the three-month period ended June 30, 2015 to PLN 139.2 million for the three-month period ended June 30, 2016, mainly due to the increase in 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 standard IFRS 15 'Revenue from contracts with customers' and on how the costs are presented under IFRS 15.

General and administrative expenses

(PLN in millions)	Three-month period ended June 30, 2015 Unaudited New	Three-month period ended June 30, 2016 Unaudited New	Change %	Three-month period ended June 30, 2015 Unaudited Historical	Three-month period ended June 30, 2016 Unaudited Historical	Change %
Salaries and social security	(51.9)	(51.3)	(1.2)	(51.9)	(51.3)	(1.2)
Special bonuses and retention programs	(31.2)	(8.9)	(71.5)	(31.2)	(8.9)	(71.5)
Employee benefits	**(83.1)**	**(60.2)**	**(27.6)**	**(83.1)**	**(60.2)**	**(27.6)**
Network maintenance, leased lines, site rent and energy	(26.2)	(29.0)	10.6	(58.7)	(62.0)	5.7
Advertising and promotion expenses	(50.8)	(49.1)	(3.3)	(50.8)	(49.1)	(3.3)
Customer relations costs	(16.4)	(15.0)	(8.0)	(16.4)	(15.0)	(8.0)
Office and points of sale maintenance	(4.7)	(3.8)	(19.8)	(11.8)	(11.1)	(5.3)
IT expenses	(7.8)	(7.4)	(5.4)	(7.8)	(7.4)	(5.4)
People related costs - cars, trainings and other	(4.8)	(4.9)	0.2	(4.8)	(4.9)	0.2
Finance and legal services	(4.1)	(3.6)	(11.4)	(4.1)	(3.6)	(11.4)
Advisory services provided by shareholders	(9.4)	(8.2)	(12.8)	(9.4)	(8.2)	(12.8)
Other external services	(12.0)	(11.7)	(2.3)	(12.0)	(11.7)	(2.3)
External services	**(136.2)**	**(132.7)**	**(2.6)**	**(175.7)**	**(173.1)**	**(1.5)**
Taxes and fees	**(14.4)**	**(15.7)**	**8.5**	**(14.4)**	**(15.7)**	**8.5**
General and administrative expenses	**(233.7)**	**(208.5)**	**(10.8)**	**(273.3)**	**(248.9)**	**(8.9)**
General and administrative expenses excluding retention programs valuation and special bonuses and advisory services provided by shareholders	**(193.1)**	**(191.3)**	**(0.9)**	**(232.6)**	**(231.8)**	**(0.3)**

Total general and administrative expenses decreased by PLN 25.2 million, or 10.8%, from PLN 233.7 million for the three-month period ended June 30, 2015 to PLN 208.5 million for the three-month period ended June 30, 2016, mainly due to decreased employee expenses partially offset by the increased network maintenance, leased lines and energy costs as well as taxes and fees.

Excluding the impact of decrease in retention programs valuation and costs of special bonuses of PLN 22.3 million, decrease in cost of advisory services provided by shareholders of PLN 1.2 million, general and administrative expenses decreased only by PLN 1.7 million, or 0.9%, from PLN 193.1 million for the three-month period ended June 30, 2015 to PLN 191.3 million for the three-month period ended June 30, 2016.

Under the Historical Financial Statements total general and administrative expenses decreased by PLN 24.3 million, or 8.9%, from PLN 273.3 million for the three-month period ended June 30, 2015 to PLN 248.9 million for the three-month period ended June 30, 2016, mainly due to decreased employee expenses partially offset by the increased network maintenance, leased lines, site rent and energy costs as well as taxes and fees.

The difference in total general and administrative expenses 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 June 30, 2016 decreased by PLN 0.6 million, or 1.2%, compared to the three-month period ended June 30, 2015 due to lower estimated costs of annual bonuses.

Under the New Financial Statements there was no change in salaries and social security for the three-month period ended June 30, 2015 and for the three-month period ended June 30, 2016 compared to the Historical Financial Statements.

External services

External services costs decreased by PLN 3.5 million, or 2.6%, from PLN 136.2 million for the three-month period ended June 30, 2015 to PLN 132.7 million for the three-month period ended June 30, 2016. This decline was primarily due to decrease in advertising and promotion expenses of PLN 1.7 million and decrease in customer relations costs of PLN 1.3 million partially offset by increase in costs of network maintenance, leased lines and energy of PLN 2.8 million due to higher costs of energy.

Under the Historical Financial Statements external services costs decreased by PLN 2.6 million, or 1.5%, from PLN 175.7 million for the three-month period ended June 30, 2015 to PLN 173.1 million for the three-month period ended June 30, 2016. This decline was primarily due to decrease in advertising and promotion expenses of PLN 1.7 million and decrease in customer relations costs of PLN 1.3 million partially offset by increase in costs of network maintenance, leased lines, site rent and energy of PLN 3.4 million due to higher costs of energy.

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 1.2 million, or 8.5%, from PLN 14.4 million for the three-month period ended June 30, 2015 to PLN 15.7 million for the three-month period ended June 30, 2016, primarily due to higher fees for use of frequencies due to purchase of the frequencies in the 800 MHz and 2600 MHz bands.

Under the New Financial Statements there was no change in taxes and fees for the three-month period ended June 30, 2015 and for the three-month period ended June 30, 2016 compared to the Historical Financial Statements.

Depreciation and amortization

Depreciation and amortization increased by PLN 14.2 million, or 9.9%, from PLN 142.9 million for the three-month period ended June 30, 2015 to PLN 157.0 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase in amortization of intangibles of PLN 26.6 million mostly due to amortization charges of 800 MHz and 2600 MHz frequencies partially offset by decrease in depreciation of property, plant and equipment of PLN 13.2 million resulting from reviewed and adjusted fixed assets' residual values and useful lives.

Under the Historical Financial Statements depreciation and amortization increased by PLN 34.0 million, or 9.5%, from PLN 358.9 million for the three-month period ended June 30, 2015 to PLN 392.9 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets of PLN 20.2 million as a result of higher SAC acquisition/retention cost capitalized, increase in amortization of telecommunication licenses of PLN 28.6 million mostly due to amortization charges of 800 MHz and 2600 MHz frequencies partially offset by decrease in depreciation of fixed assets of PLN 12.5 million resulting from reviewed and adjusted fixed assets' residual values and useful lives.

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 under IFRS 16.

Other Operating Income and Other Operating Costs

Other operating income decreased by PLN 18.2 million, or 50.1%, from PLN 36.2 million for the three-month period ended June 30, 2015 to PLN 18.1 million for the three-month period ended June 30, 2016. Higher other operating income in the three-month period ended June 30, 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 as well as from exchange rate gains of PLN 10.6 million.

Under the Historical Financial Statements other operating income decreased by PLN 20.7 million, or 60.6%, from PLN 34.2 million for the three-month period ended June 30, 2015 to PLN 13.4 million for the three-month period ended June 30, 2016. Higher other operating income in the three-month period ended June 30, 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 as well as from exchange rate gains of PLN 10.6 million.

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 32.2 million, or 182.6%, for the same period under review. This increase resulted primarily from increase of costs of provisions mainly resulting from early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million.

Under the Historical Financial Statements other operating costs increased by PLN 26.4 million, or 134.3%, from PLN 19.7 million for the three-month period ended June 30, 2015 to PLN 46.1 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase of costs of provisions mainly resulting from early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 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 under IFRS 15.

Finance Income and Cost

	Three-month period ended			Three-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Interest income	1.6	5.1	214.2	3.9	9.8	150.8
Interest expense	(79.7)	(85.3)	7.0	(64.8)	(70.6)	9.0
Exchange rate losses	(106.3)	(157.1)	47.7	(104.0)	(153.4)	47.6
Net gain on finance assets at fair value through profit or loss	4.0	28.5	622.6	4.0	28.5	622.6
Financial income and costs	**(180.5)**	**(208.8)**	**15.7**	**(160.9)**	**(185.8)**	**15.4**

Interest income

Interest income increased by PLN 3.5 million, or 214.2%, from PLN 1.6 million for the three-month period ended June 30, 2015 to PLN 5.1 million for the three-month period ended June 30, 2016. This increase resulted mainly from 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 Historical Financial Statements interest income increased by PLN 5.9 million, or 150.8%, from PLN 3.9 million for the three-month period ended June 30, 2015 to PLN 9.8 million for the three-month period ended June 30, 2016. This increase resulted mainly from 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 under IFRS 15.

Interest expense

Interest expense increased by PLN 5.6 million, or 7.0%, from PLN 79.7 million for the three-month period ended June 30, 2015 to PLN 85.3 million for the three-month period ended June 30, 2016. Higher interest expense in the three-month period ended June 30, 2016 resulted from higher interests charged on Notes due to stronger depreciation of PLN against EUR in the three-month period ended June 30, 2016, compared to the three-month period ended June 30, 2015.

Under the Historical Financial Statements interest expense increased by PLN 5.8 million, or 9.0%, from PLN 64.8 million for the three-month period ended June 30, 2015 to PLN 70.6 million for the three-month period ended June 30, 2016. Higher interest expense in the three-month period ended June 30, 2016 resulted from higher interests charged on Notes due to stronger depreciation of PLN against EUR in the three-month period ended June 30, 2016, compared to the three-month period ended June 30, 2015.

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

Exchange rate losses

Exchange rate losses increased by PLN 50.8 million, or 47.7%, from PLN 106.3 million for the three-month period ended June 30, 2015 to PLN 157.1 million for the three-month period ended June 30, 2016. This increase resulted mainly from the

valuation of the EUR-denominated debt due to stronger depreciation of PLN against EUR in the three-month period ended June 30, 2016, compared to the three-month period ended June 30, 2015.

Under the Historical Financial Statements exchange rate losses increased by PLN 49.5 million, or 47.6%, from PLN 104.0 million for the three-month period ended June 30, 2015 to PLN 153.4 million for the three-month period ended June 30, 2016. This increase resulted mainly from the valuation of the EUR-denominated debt due to stronger depreciation of PLN against EUR in the three-month period ended June 30, 2016, compared to the three-month period ended June 30, 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 on finance assets at fair value through profit or loss

The gain 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.

Liquidity and Capital Resources

Liquidity

Cash flows

	Three-month period ended			Three-month period ended		
	June 30, 2015	June 30, 2016		June 30, 2015	June 30, 2016	
	Unaudited	Unaudited	Change %	Unaudited	Unaudited	Change %
(PLN in millions)	**New**	**New**		**Historical**	**Historical**	
Profit before income tax	**106.7**	**80.9**	**(24.2)**	**104.3**	**88.8**	**(14.8)**
Depreciation and amortization	142.9	157.0	9.9	358.9	392.9	9.5
Changes in contract costs (net)	(16.8)	(2.1)	(87.4)	-	-	-
Interest expense (net)	78.1	80.2	2.7	60.9	60.9	(0.1)
Gain on valuation of finance assets	(4.0)	(28.5)	622.6	(4.0)	(28.5)	622.6
Foreign exchange (gains)/losses	93.6	157.1	67.8	91.2	153.4	68.2
Gain on disposal of non-current assets	(0.8)	(3.4)	311.5	(0.6)	(0.7)	22.8
Impairment of non-current assets	0.0	0.2	267.4	13.9	10.4	(25.0)
Change in provisions and retention programs liabilities	11.5	8.9	(22.6)	11.5	8.9	(22.6)
Changes in working capital and other, excluding deposits paid to UKE	(12.0)	(111.1)	826.9	(41.9)	(127.0)	203.3
Change in contract assets	(45.2)	2.5	-	-	-	-
Change in contract liabilities	(2.9)	(8.7)	201.6	-	-	-
Interest received	0.1	0.4	219.3	2.4	4.7	96.1
Income tax paid	(0.5)	(0.2)	(64.6)	(0.5)	(0.2)	(64.6)
Net cash provided by operating activities, excluding deposits paid to UKE	**350.8**	**333.2**	**(5.0)**	**596.2**	**563.6**	**(5.5)**
Deposits paid to UKE	(135.2)	-	(100.0)	(135.2)	-	(100.0)
Net cash provided by operating activities	**215.6**	**333.2**	**54.6**	**461.0**	**563.6**	**22.3**
Proceeds from sale of non-current assets	1.8	1.1	(37.2)	1.8	1.1	(37.2)
Purchase of fixed assets and intangibles and prepayments for assets under construction	(103.2)	(97.6)	(5.4)	(389.0)	(370.0)	(4.9)
Net cash used in investing activities	**(101.4)**	**(96.5)**	**(4.8)**	**(387.2)**	**(368.8)**	**(4.7)**
Proceeds from finance liabilities	(0.0)	175.0	-	(0.0)	175.0	-
Repayment of finance liabilities and relating finance costs	(52.3)	(417.9)	699.4	(11.9)	(376.0)	3,053.7
Net cash used in financing activities	**(52.3)**	**(242.9)**	**364.6**	**(11.9)**	**(201.0)**	**1,585.8**
Net change in cash and cash equivalents	**61.9**	**(6.2)**	**-**	**61.9**	**(6.2)**	**-**
Effect of exchange rate change on cash and cash equivalents	12.7	0.0	(99.7)	12.7	0.0	(99.7)
Cash and cash equivalents at the beginning of the period	**774.7**	**(126.4)**	**-**	**774.7**	**(126.4)**	**-**
Cash and cash equivalents at the end of the period	**849.3**	**(132.6)**	**-**	**849.3**	**(132.6)**	**-**

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 117.6 million, or 54.6%, from PLN 215.6 million for the three-month period ended June 30, 2015 to PLN 333.2 million for the three-month period ended June 30, 2016. In the three-month period ended June 30, 2015, the Group paid PLN 0.0135.2 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 17.6 million, or 5.0%, from PLN 350.8 million for the three-month period ended June 30, 2015 to PLN 333.2 million for the three-month period ended June 30, 2016 primarily due to decrease in the profit before income tax by PLN 25.9 million from PLN 106.7 million to PLN 80.9 million.

Under the Historical Financial Statements net cash provided by operating activities increased by PLN 102.6 million, or 22.3%, from PLN 461.0 million for the three-month period ended June 30, 2015 to PLN 563.6 million for the three-month period ended June 30, 2016. In the three-month period ended June 30, 2015, the Group paid PLN 0.0135.2 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 32.6 million, or 5.5%, from PLN 596.2 million for the three-month period ended June 30, 2015 to PLN 563.6 million for the three-month period ended June 30, 2016 primarily due to decrease in the profit before income tax by PLN 15.5 million from PLN 104.3 million to PLN 88.8 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' and IFRS 16 'Leases'.

Net cash used in investing activities

Net cash used in investing activities decreased by PLN 4.9 million, or 4.8%, from PLN 101.4 million for the three-month period ended June 30, 2015 to PLN 96.5 million for the three-month period ended June 30, 2016 despite high capital expenditures relating to 800 MHz and 2600 MHz network rollout due to better payment terms relating to financing of the development of the network.

Under the Historical Financial Statements net cash used in investing activities decreased by PLN 18.3 million, or 4.7%, from PLN 387.2 million for the three-month period ended June 30, 2015 to PLN 368.8 million for the three-month period ended June 30, 2016 due to lower purchases of fixed assets and intangibles.

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

Net cash used in financing activities

Net cash used in financing activities increased by PLN 190.6 million, or 364.6%, from PLN 52.3 million for the three-month period ended June 30, 2015 to PLN 242.9 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase in repayment of finance liabilities and relating finance costs from PLN 52.3 million for the three-month period ended June 30, 2015 to PLN 417.9 million for the three-month period ended June 30, 2016 mainly due to repayment of Revolving Credit Facility in the amount of PLN 365.0 million partially offset by increase in proceeds from finance liabilities of PLN 175.0 million due to funds drawn from Revolving Credit Facility in the amount of 175.0 million.

Under the Historical Financial Statements net cash used in financing activities increased by PLN 189.1 million from PLN 11.9 million for the three-month period ended June 30, 2015 to PLN 201.0 million for the three-month period ended June 30, 2016. This increase resulted primarily from increase in repayment of finance liabilities and relating finance costs from PLN 11.9 million for the three-month period ended June 30, 2015 to PLN 376.0 million for the three-month period ended June 30, 2016 mainly due to repayment of Revolving Credit Facility in the amount of PLN 365.0 million partially offset by increase in proceeds from finance liabilities of PLN 175.0 million due to funds drawn from Revolving Credit Facility in the amount of 175.0 million.

The difference compared to the Historical Financial Statements was due to the adoption of the new standard IFRS 16 'Leases'.

Certain other contractual commitments

Operating leases

Under the Historical Financial Statements we present operating leases relating to contracts for long-term point of sale rentals and office space rentals, space for base stations and space for telecommunications cabinets at the collocation centers. Under the New Financial Statements they are capitalized and presented as right-of-use assets.

For details regarding operating leases please refer to Note 30.1 to our Historical 2Q 2016 Financial Statements included elsewhere in this Report.

Frequency licenses

We have certain investment obligations in relation to our licenses.

800 MHz frequency 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 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.

2600 MHz frequency 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.

For details regarding our other licenses acquired in previous periods please refer to Note 34 to our New 2Q 2016 Financial Statements and at Note 30 to our Historical 2Q 2016 Financial Statements included elsewhere in this Report.

Contingent liabilities

We have certain contingent liabilities which are discussed at Note 35 to our New 2Q 2016 Financial Statements and at Note 31 to our Historical 2Q 2016 Financial Statements included elsewhere in this Report.

Off-Balance Sheet Arrangements

As of June 30, 2016, we had no off-balance sheet arrangements.

Qualitative and Quantitative Information on Market Risks

Our activities expose us to a variety of market risks including currency, interest rate, credit and liquidity risks. Our overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. 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.

The following sections discuss our significant exposure to market risk, however we do not address other risks that we face in the normal course of business, including country risk and legal risk.

Currency risk

Following the Refinancing and Recapitalization, substantially all of our borrowings are denominated in euro (other than indebtedness under the Floating Rate Senior Secured Notes, Millennium Revolving Credit Facility, Overdraft Facility in Bank Zachodni WBK S.A. and our finance leases drawn in zloty). Amounts under the Revolving Credit Facility can also be drawn in zloty. Certain of our operating costs are in euros and other currencies other than zloty. Currency risk relates to the volatility of cash flows (in respect of zloty) arising from fluctuations in the exchange rate of the zloty against other currencies, and the adverse effect of movements in exchange rates on revenues (in respect of zloty).

Our currency risk is regularly monitored by our senior management who decide if they will take actions, such as entering into derivatives, to protect against currency risk. We do not have, and, as of the date of this Report, do not intend to enter into,

currency derivatives to manage this risk and so we will not be protected from increases in the value of the euro relative to the zloty. However, we have the option to enter into currency derivative transactions under the terms of the Senior Secured Notes Indenture and Senior Notes Indenture.

Interest rate risk

The Group is exposed to cash flow interest rate risk related to short- and long-term borrowing facilities. The Group's historical interest bearing liabilities were based mainly on floating interest rates.

As the Notes (other than the Floating Rate Senior Secured Notes) have a fixed interest rate, our interest rates risk going forward will primarily be limited to amounts drawn under the Revolving Credit Facility, the Floating Rate Senior Secured Notes and other available working capital facilities.

We did not hedge or otherwise seek to reduce interest rate risk as of June 30, 2016. We currently do not envisage entering into any transactions to hedge any potential exposure to changes in interest rates. However, we have the option to enter into interest rate derivative transactions under the terms of the Senior Secured Notes Indenture and Senior Notes Indenture.

Credit risk

A substantial part of the Group's receivables consists of billing receivables. The Group follows certain principles and procedures to limit the risks connected with billing receivables. These procedures include: verification of the credit quality of potential subscribers before signing the contract, payment monitoring, sending payment reminders, credit limits and debt collection.

In respect of the Group's cash, the Group's cash is deposited only with high credit quality financial institutions.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and managing guaranteed equity increases. Going forward, our main sources of liquidity will be cash generated through operations as well as amounts available under our Revolving Credit Facility, under Millennium Revolving Credit Facility, under Overdraft Facility in Bank Zachodni WBK S.A. and other working capital facilities which we may enter into in accordance with the Senior Secured Notes Indenture and Senior Notes Indenture.

The table below presents the maturity of bank loans, bonds, leases and other debt in contractual values (i.e. excluding the impact of nominal expenses incurred in relation to the loan and the liability), increased by projected value of interest payments under the New Financial Statements. Values are not discounted. The Group has also entered into the Revolving Credit Facility Agreement, which provides for a Revolving Credit Facility in the amount of PLN 400 million, which was fully available as of June 30, 2016. The Group also has revolving credit line agreements with Bank Millennium S.A. for the amount of PLN 50 million and with Bank Zachodni WBK S.A. for the amount of PLN 150 million. The nominal amounts outstanding under the above credit facilities as of June 30, 2016, were PLN 48.5 million and PLN 113.9 million respectively. The amounts of bank loans which are not drawn, are not shown below.

June 30, 2016, unaudited PLN in millions	**Liabilities payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	162.4	-	-	162.4
Notes	252.9	5,076.4	-	5,329.3
Lease	181.5	525.7	416.0	1,123.2
Other debt	1.2	1.5	-	2.6
	598.0	**5,603.6**	**416.0**	**6,617.6**

All trade payables are due within one year from the end of the reporting period. All other non-current liabilities are due within over 5 years from the end of the reporting period.

The table below presents the respective financial information under the Historical Financial Statements as of June 30, 2016.

June 30, 2016, unaudited				
PLN in millions		**Liabilities payable within:**		
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	162.4	-	-	162.4
Notes	252.9	5,076.4	-	5,329.3
Finance lease	22.4	17.1	-	39.5
Other debt	1.2	1.5	-	2.6
	438.9	**5,095.0**	**-**	**5,533.8**

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.

Critical Accounting Policies, Estimates and Judgments

General

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised as well as in any future periods affected.

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.

The Group has certain critical accounting estimates which it applies and these are discussed at Note 2.30 to our New 2Q 2016 Financial Statements and at Note 3.7 to our Historical 2Q 2016 Financial Statements included elsewhere in this Report.

ANNEX A
BRIEF DESCRIPTION OF THE MATERIAL DIFFERENCES IN THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS BETWEEN THE PIK NOTES ISSUER AND THE PARENT

This Annex to the Report is provided by the management of Play Topco S.A. as required by section 4.03 (a) (2) (e) of the indenture that governs the Senior PIK Toggle Notes.

Play Topco S.A. was incorporated under the laws of Luxembourg on July 17, 2014. On August 6, 2014, Play Topco S.A. became owner of 100% shares in Play Holdings 1 S. à r. l., which in turn holds 100% shares in Play Holdings 2 S. à r. l. The incorporation of Play Topco S.A. did not result in any change of economic substance of the Parent and its subsidiaries (including the Company).

Only for the purpose of this Annex A "**we**," "**us**," "**our**" or "**ourselves**" refers to the PIK Notes Issuer Group.

EBITDA reconciliation

The tables below presents reconciliation of EBITDA and Adjusted EBITDA of Play Topco S.A. and Play Holdings 2 S. à r. l. as presented in the Historical Financial Statements for the six-month period ended June 30, 2016 and for the three-month period ended June 30, 2016.

Six-Month Period Ended June 30, 2016, PLN in millions, unaudited

	Play Holdings 2 consolidated	**Play Holdings 1**	**Play Topco**	**Play Topco bridge**	**Play Topco consolidated**
	(a)	(b)	(c)	(b) + (c) = (d)	(a) + (d)
Operating revenue	**2,921.5**	**-**	**-**	**-**	**2,921.5**
Direct costs	(1,036.0)				(1,036.0)
General and administrative expenses	(466.3)	(0.1)	(0.8)	(0.9)	(467.2)
Depreciation and amortization	(768.5)				(768.5)
Other operating income	30.1				30.1
Other operating costs	(80.2)	-	0.1	0.1	(80.1)
Operating profit	**600.6**	**(0.1)**	**(0.7)**	**(0.7)**	**599.9**
Depreciation and amortization	768.5				768.5
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(548.5)				(548.5)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	21.8				21.8
EBITDA	**842.4**	**(0.1)**	**(0.7)**	**(0.7)**	**841.7**
Costs of advisory services provided by shareholders	16.0				16.0
Valuation of retention programs adjustment and costs of special bonuses	(14.5)				(14.5)
Other one off operating costs	42.9	-	-	-	42.9
Adjusted EBITDA	**886.9**	**(0.1)**	**(0.7)**	**(0.7)**	**886.1**

Three-Month Period Ended June 30, 2016, PLN in millions, unaudited

	Play Holdings 2 consolidated	Play Holdings 1	Play Topco	Play Topco bridge	Play Topco consolidated
	(a)	(b)	(c)	(b) + (c) = (d)	(a) + (d)
Operating revenue	**1,480.7**	**-**	**-**	**-**	**1,480.7**
Direct costs	(531.7)				(531.7)
General and administrative expenses	(248.9)	(0.0)	(0.4)	(0.5)	(249.4)
Depreciation and amortization	(392.9)				(392.9)
Other operating income	13.4				13.4
Other operating costs	(46.1)	-	-	-	(46.1)
Operating profit	**274.6**	**(0.0)**	**(0.4)**	**(0.5)**	**274.1**
Depreciation and amortization	392.9				392.9
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(272.3)				(272.3)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	10.3				10.3
EBITDA	**405.4**	**(0.0)**	**(0.4)**	**(0.5)**	**404.9**
Costs of advisory services provided by shareholders	8.2				8.2
Valuation of retention programs adjustment and costs of special bonuses	8.9				8.9
Other one off operating costs	26.8	-	-	-	26.8
Adjusted EBITDA	**449.4**	**(0.0)**	**(0.4)**	**(0.5)**	**448.9**

Net debt reconciliation

On August 6, 2014 Play Topco S.A. issued €415,000,000 $7^{3}/_{4}$% / $8^{1}/_{2}$% Senior PIK Toggle Notes due 2020. The net proceeds of the issuance were distributed to the shareholders of Play Topco S.A.

The following table presents consolidated capitalization of Play Topco S.A. as of June 30, 2016.

Consolidated Capitalization of Play Topco S.A.
As at June 30, 2016, unaudited

PLAY HOLDINGS 2 S.à r.l	**PLN in millions**	**EUR in millions[1]**	**xLHA Adjusted EBITDA[2]**
Cash and cash equivalents[3]	(132.6)	(30.0)	-0.07x
Finance Leases	38.0	8.6	0.02x
Other debt	2.6	0.6	0.00x
Senior Secured Notes	3,409.3	770.4	1.92x
of which EUR fixed rate Notes[4]	*3,278.2*	*740.8*	*1.85x*
of which PLN floating rate Notes[4]	*131.1*	*29.6*	*0.07x*
Secured debt	3,449.9	779.6	1.95x
Net secured debt	**3,582.5**	**809.5**	**2.02x**
Senior Unsecured Notes[4]	1,227.0	277.3	0.69x
Total debt	4,677.0	1,056.8	2.64x
Net debt	**4,809.5**	**1,086.8**	**2.71x**

PLAY TOPCO S.A.	**PLN in millions**	**EUR in millions[1]**	**xLHA Adjusted EBITDA[5]**
PIK notes[6]	1,884.4	425.8	**1.06x**
Total debt	6,561.4	1,482.6	**3.70x**
Net debt	**6,694.0**	**1,512.6**	**3.78x**

(1) Currency exchange rate as of June 30, 2016 1 EUR = 4.4255 PLN;

(2) LHA Historical Adjusted EBITDA of PLAY HOLDINGS 2 S.à r.l. as of June 30, 2016 of PLN 1,773.7 million;

(3) Including overdrafts: PLN 113.9 million in Bank Zachodni WBK S.A. and PLN 48.5 in Bank Millennium S.A.;

(4) Including accrued interest: EUR 600 million 5¹/₄% Fixed Rate Senior Secured Notes due 2019 – PLN 57.7 million / EUR 13.0 million of accrued interest; EUR 125 million 5¹/₄% Fixed Rate Senior Secured Notes due 2020 – PLN 12.0 million / EUR 2.7 million of accrued interest; PLN 130 million Floating Rate Senior Secured Notes due 2019 –PLN 1.1 million of accrued interest; EUR 270 million 6¹/₂% Senior Notes due 2019 – PLN 32.1 million / EUR 7.3 million of accrued interest.

(5) LHA Adjusted EBITDA of PLAY TOPCO S.A. as of June 30, 2016 of PLN 1,772.2 million, calculated as sum of Adjusted EBITDA for the three-month period ended March 31, 2016 of PLN 437.2 million and Adjusted EBITDA for the three-month period ended June 30, 2016 of PLN 448.9 million, multiplied by two

(6) EUR 415 million 7¾% / 8½% Senior PIK Toggle Notes due 2020 including EUR 10.8 million / PLN 47.8 million of accrued interest

Cash interest reconciliation

Six-Month Period Ended June 30, 2016, PLN in millions, unaudited

	Play Holdings 2 consolidated	Play Holdings 1	Play Topco	Play Topco bridge	Play Topco consolidated
	(a)	(b)	(c)	(b) + (c) = (d)	(a) + (d)
Cash interest expense	**135.4**	**-**	**80.3**	**80.3**	**215.7**

Three-Month Period Ended June 30, 2016, PLN in millions, unaudited

	Play Holdings 2 consolidated	Play Holdings 1	Play Topco	Play Topco bridge	Play Topco consolidated
	(a)	(b)	(c)	(b) + (c) = (d)	(a) + (d)
Cash interest expense	**66.8**	**-**	**41.1**	**41.1**	**107.8**

ANNEX B

RECONCILIATION OF HISTORICAL AND NEW ADJUSTED EBITDA

The below is a reconciliation between Adjusted EBITDA under our Historical 2Q 2016 Financial Statements under the old presentation and Adjusted EBITDA under our New 2Q 2016 Financial Statements with the new presentation.

	Six-month period ended		Twelve-month period ended
	June 30, 2015	June 30, 2016	June 30, 2016
(PLN in millions)	Unaudited	Unaudited	Unaudited
Adjusted EBITDA under Historical Financial Statements	**697.2**	**886.9**	**1,733.3**
IFRS 16 Leases - adjustments	**83.0**	**87.3**	**171.4**
IFRS 15 Revenue from contracts with customers - adjustments	**74.6**	**(16.6)**	**(16.2)**
Service revenue adjustment	(441.7)	(472.0)	(952.7)
Sales of goods adjustment	498.9	481.9	979.2
Capitalization of commissions	207.0	183.6	372.0
Amortization and impairment of commissions	(165.5)	(182.9)	(360.0)
Impairment of contract asset	(24.2)	(27.2)	(54.7)
Adjusted EBITDA under New Financial Statements	**854.7**	**957.5**	**1,888.5**

ANNEX C
GLOSSARY OF TECHNICAL TERMS

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

1800 MHz	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 2G and 4G LTE mobile network technologies.
2100 MHz	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 3G mobile network technologies.
2G	Second generation cellular telecom networks commercially launched on the GSM standard in Europe.
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+).
4G	Fourth 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 (these speeds exceed those available for 3G).
900 MHz	A frequency band, used particularly in Europe and Asia Pacific. In Europe, typically employed for 2G and 3G mobile network technologies.
Airtime	Time spent communicating using a handset.
All-net	Within all networks.
Bit	The primary unit of electronic, digital data, representing 1 binary digit (a “1” or a “0.”)
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).
BTS	Base Transceiver Station. A radio transmitter/receiver of GSM network, provides communication between mobile and remaining part of network.
Byte	The byte is a unit of digital information in computing and telecommunications that most commonly consists of eight bits.
CAGR	Compound Annual Growth Rate. The year over year growth rate of a metric over a specified period of time.
Call termination	The handing off of a voice call from the network upon which the call was initiated to the network upon which the intended recipient is currently residing. This usually gives rise to MTRs.
CIT Act	The Polish Corporate Income Tax Act of February 15, 1992 (consolidated text in Dz. U. of 2011, No. 74, Item 397, as amended).
Companies Code	The Polish Companies Code of September 15, 2000 (Dz. U. of 2000, No. 94, Item 1037, as amended).
Competition Act	The Polish Act on the Protection of Competition and Consumers of February 16, 2007 (Dz. U. of 2007, No 50, Item 331, as amended).
coverage	We define coverage, unless otherwise indicated, as the area in which cellular radio signal is strong enough to provide normal operation of a standard user handset, modem or other device.
CSO	The Central Statistical Office of Poland (Główny Urząd Statystyczny).

Devices .... Handsets, modems, routers, MCDs (Mobile Computing Devices, *e.g.*, tablets, laptops, netbooks) and other equipment sold to subscribers.

DSL, xDSL................................ Digital Subscriber Line. Access technology that allows voice and high- speed data to be sent simultaneously over local exchange copper wires. DSL technologies are also called xDSL, where "x" is a substitute of the first letter of certain technology covered by DSL technologies, including ADSL, HDSL, SDSL, CDSL, RADSL, VDSL, IDSL or other technologies.

EDGE...................................... Enhanced Data rates for GSM Evolution. Technology of data transmission for 2G network allowing for speed up to 384 Kbps (thus faster than basic GPRS and slower than 3G).

Ethernet .... Standard for 10 Mbps local area networks.

Frequency .... One of the parameters of radio waves, usually understood as a location on the radio frequency spectrum, the capacity of which is limited.

GB .... Gigabyte. Unit of measurement of the volume of data. Equal to 1,024 MB (Megabytes) or 1,073,741,824 B (bytes).

Gb... Gigabit. Unit of measurement of the volume of data. Equal to 1,024 Mb (Megabits) or 1,073,741,824 b (bits).

Gbps .... Gigabits per second. Measurement of the transmission speed of units of data (gigabits) over a network.

GDP .... Gross Domestic Product.

GPRS .... General Packet Radio Service. Packet Data transmission customarily used for 2G networks, which allows for a transmission with the speed up to 57.6 Kbps.

GSM....................................... Global System for Mobile Communications. A pan-European standard for digital mobile telephony which provides a much higher capacity than traditional analog telephones as well as diversified services (*e.g.* voice, messaging and data) and a greater transmission security through information.

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.

LAN .... Local Area Network.

LTE .... Long-Term Evolution. A set of enhancements to UMTS, designed to increase the capacity and speed of mobile telephone networks according to the standard developed by 3GPP consortium. Intended as a successor of UMTS thus frequently referred to as "4G" or "4th generation." Some of the key assumptions of the system are: (i) data transmission at speeds faster than 3G; (ii) ready for new service types; (iii) architecture simplified with comparison to 3G; and (iv) provides open interfaces.

MB .... Megabit. Unit of measurement of the volume of data. Equal to 1,048,576 b (bits).

Mb .... Megabytes. Megabyte. Unit of measurement of the volume of data received or sent over a network. Equal to 1,048,576 B (bytes).

Mbps .... Megabits per second. Measurement of the transmission speed of units of data (megabits) over a network.

MHz .... Megahertz.

MMS .... Multimedia Messaging Service.

MNO .... Mobile Network Operator. A provider of wireless services with its own reserved frequency spectrum and wireless network infrastructure.

MNP .... Mobile Number Portability. The migration of a subscriber from one network to another network while keeping the same telephone number.

Mobile Broadband.................... Wireless internet access through a portable (USB, or WiFi) or built-in modem, used with laptop tablet or other mobile device.

MTR .... Mobile Termination Rate. A voice, or SMS or MMS, as applicable termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The MTR is usually subject to regulatory limits.

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.

NBP .... The National Bank of Poland, being the central bank of Poland.

Netia .... Netia S.A. with its registered office in in Warsaw, Poland, a Polish telecommunications operator operating under the Netia brand.

On-net .... Within the given telecommunication network.

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

Penetration .... In general, we define penetration as the ratio of reported SIM cards that have access to mobile telecommunications network services to the number of persons constituting the entire population of the country. With respect to smartphones we define the smartphone penetration as the ratio of subscribers who use smartphones compared to the total base of our active subscribers. The penetration ratio is expressed as a percentage.

Plus .... Polkomtel sp. z o.o. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the Plus brand.

Pure mobile broadband access. Mobile broadband access via a dongle.

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.

Smartphones .... We define smartphones as handsets with a touchscreen or qwerty keypad working on an open operating system that enables access to an application store such as Android, iOS, Blackberry, Windows Mobile, Bada or Symbian S60.

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.

SoHo...................................... Small office/Home office. Legal persons, organizational units which have no legal personality and natural persons conducting business activities and employing no more than nine (9) employees.

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

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

Telecommunications Law......... Act on Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).

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

TP S.A.................................... Telekomunikacja Polska S.A. with its registered office in Warsaw, Poland, a Polish telecom operator, currently Orange Polska S.A.

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).

UOKiK President .... The President of the Office for Competition and Consumer Protection.

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

UKE President......................... The President of the Office of Electronic Communications.

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

USSD...................................... Unstructured Supplementary Service Data. Allows for the transmission of information via a GSM network. Contrasting with SMS, it offers real time connection during a session. A USSD message can be up to 182 alphanumeric characters in length.

VAS .... Value-Added Services. All services provided on mobile networks beyond standard voice calls.

WiMAX................................... Worldwide Interoperability for Microwave Access. A wireless network standard with the maximum capacity of approximately 75 Mbps.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated financial statements of the Parent prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 as at and for the six-month period ended June 30, 2016.......... F-2

Interim condensed consolidated financial statements of the Parent prepared in accordance with IFRS as adopted by EU as at and for the six-month period ended June 30, 2016.......... F-66

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 six-month period
ended June 30, 2016

PLAY

Index to the consolidated financial statements

Interim condensed consolidated statement of financial position F-5
Interim condensed consolidated statement of comprehensive income F-6
Interim condensed consolidated statement of changes in equity F-7
Interim condensed consolidated statement of cash flows F-8
Notes F-9
1. The Company and the Play Group F-9
2. Summary of significant accounting policies F-10
2.1 Basis of preparation F-10
2.2 Changes in accounting policies F-12
2.3 Consolidation F-19
2.4 Foreign currency translation F-19
2.4.1 Functional and presentation currency F-19
2.4.2 Transactions and balances F-19
2.5 Property, plant and equipment F-20
2.6 Right-of-use assets and lease liabilities F-21
2.7 Intangible assets F-23
2.7.1 Licenses F-23
2.7.2 Computer software costs F-23
2.7.3 Goodwill F-23
2.7.4 Intangible assets under construction F-23
2.8 Contract costs F-23
2.9 Impairment of non-financial assets F-24
2.10 Inventories F-24
2.11 Trade and other receivables F-24
2.12 Contract assets F-25
2.13 Prepaid expenses F-25
2.14 Cash and cash equivalents in statement of financial position F-25
2.15 Cash and cash equivalents in statement of cash flows F-25
2.16 Retirement benefits F-25
2.17 Retention programs F-25
2.18 Financial liabilities F-26
2.19 Embedded derivatives F-26
2.20 Trade liabilities F-26
2.21 Provisions F-26
2.22 Deferred income F-27
2.23 Contract liabilities F-27
2.24 Revenue F-27
2.25 Interest income F-28
2.26 Current income tax F-28
2.27 Deferred income tax F-28
2.28 Financial risk management F-29
2.28.1 Liquidity risk F-29
2.29 Fair value estimation F-29
2.30 Critical accounting estimates and judgments F-30
2.30.1 Valuation of the liabilities relating to retention programs F-30
2.30.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date F-30
2.30.3 Valuation of early redemption options F-30
2.30.4 Valuation of the assets retirement obligation provision F-32
2.30.5 Deferred tax F-32
2.30.6 Impairment of Play Group's long-lived assets F-32
2.30.7 Deferred charges - distribution costs of prepaid products F-33
2.30.8 Impairment of billing receivables F-33
2.30.9 Significant judgments and estimates relating to application of IFRS 15 ...... F-33
2.30.10 Significant judgments and estimates relating to application of IFRS 16 ...... F-34
2.31 Segment reporting F-35

3. Property, plant and equipment F-36
4. Right-of-use assets F-38
5. Intangible assets F-40
6. Assets under construction F-42
7. Contract costs F-42
8. Long term receivables – debt securities F-43
9. Other long-term receivables F-43
10. Finance assets at fair value through profit or loss F-44
11. Inventories F-45
12. Trade and other receivables F-46
13. Contract assets F-46
14. Prepaid expenses F-47
15. Cash and cash equivalents F-47
16. Shareholders' equity F-47
17. Finance liabilities F-48
17.1 Notes F-48
17.1.1 EUR 5.25% Senior Secured Notes due 2019 ..... F-48
17.1.2 PLN Floating Rate Senior Secured Notes due 2019 ..... F-49
17.1.3 EUR 6.50% Senior Notes due 2019 ..... F-49
17.1.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015 ..... F-49
17.2 Bank loans F-50
17.2.1 Revolving Credit Facility F-50
17.2.2 Bank Zachodni WBK loan F-50
17.2.3 Millennium Bank loan F-50
17.3 Leases F-51
17.4 Assets pledged as security for finance liabilities F-51
18. Provisions F-52
19. Retention programs liabilities F-52
20. Trade and other payables F-54
21. Accruals F-54
22. Deferred income F-54
23. Operating revenue F-55
24. Interconnection, roaming and other service costs F-56
25. Contract costs, net F-56
26. General and administrative expenses F-57
27. Depreciation and amortization F-57
28. Other operating income and other operating costs F-58
29. Finance income and finance costs F-58
30. Taxation F-59
31. Cash and cash equivalents presented in statement of cash flows F-60
32. Changes in working capital and other F-61
33. Cash flows relating to finance liabilities F-61
34. Commitments F-62
34.1 2100 MHz and 900 MHz license requirements F-62
34.2 1800 MHz license requirements F-62
34.3 800 MHz license requirements F-62
34.4 2600 MHz license requirements F-62
35. Contingencies and legal proceedings F-62
35.1 Tax contingent liability F-62
35.2 Universal service liability to Orange Polska S.A. F-63
35.3 Legal and regulatory proceedings F-63
36. Related party transactions F-65
36.1 Transactions with Shareholders and with entities related via Shareholders F-65
36.2 Remuneration of Management and Supervisory Board F-65
37. Events after the reporting period F-65

Interim condensed consolidated statement of financial position

	Notes	June 30, 2016 Unaudited See Note 2.2	December 31, 2015 See Note 2.2
ASSETS			
Non-current assets			
Property, plant and equipment	3	991,239	907,747
Right-of-use assets	4	719,160	767,924
Intangible assets	5	2,730,513	1,126,772
Assets under construction	6	498,078	393,536
Contract costs	7	310,656	309,944
Long term receivables - debt securities	8	238,292	153,441
Other long term receivables	9	11,327	11,134
Finance assets at fair value through profit or loss	10	36,324	19,219
Deferred tax asset	30	128,604	184,146
Total non-current assets		**5,664,193**	**3,873,863**
Current assets			
Inventories	11	270,789	212,209
Trade and other receivables	12	1,050,250	876,894
Contract assets	13	999,863	1,000,880
Prepaid expenses	14	23,593	41,771
Cash and cash equivalents	15	29,869	1,556,801
Total current assets		**2,374,364**	**3,688,555**
TOTAL ASSETS		**8,038,557**	**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		(4,837,520)	(5,013,619)
Total equity		**806,723**	**630,624**
Non-current liabilities			
Long-term finance liabilities	17	5,140,521	4,996,618
Long-term provisions	18	50,332	46,472
Long-term retention programs liabilities	19	137,492	163,040
Deferred tax liability	30	325	36
Other non-current liabilities		10,990	11,379
Total non-current liabilities		**5,339,660**	**5,217,545**
Current liabilities			
Short-term finance liabilities	17	443,168	277,245
Trade and other payables	20	1,007,116	976,949
Contract liabilities		21,056	22,322
Current income tax payable		80,228	61,296
Accruals	21	31,047	68,539
Short-term provisions	18	958	996
Short-term retention programs liabilities	19	31,668	22,294
Deferred income	22	276,933	284,608
Total current liabilities		**1,892,174**	**1,714,249**
TOTAL LIABILITIES AND EQUITY		**8,038,557**	**7,562,418**

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

Interim condensed consolidated statement of comprehensive income

	Notes	Six-month period ended June 30, 2016 Unaudited See Note 2.2	Three-month period ended June 30, 2016 Unaudited See Note 2.2	Six-month period ended June 30, 2015 Unaudited See Note 2.2	Three-month period ended June 30, 2015 Unaudited See Note 2.2
Operating revenue	23	**2,931,413**	**1,488,797**	**2,583,389**	**1,329,827**
Service revenue		2,174,316	1,107,225	1,939,528	1,002,980
Sales of goods and other revenue		757,097	381,572	643,861	326,847
Operating expenses		**(2,267,376)**	**(1,167,393)**	**(2,080,862)**	**(1,061,218)**
Interconnection, roaming and other services costs	24	(717,076)	(368,090)	(630,430)	(324,013)
Contract costs, net	25	(202,516)	(103,062)	(174,943)	(87,062)
Cost of goods sold		(664,202)	(330,718)	(541,602)	(273,551)
General and administrative expenses	26	(385,536)	(208,515)	(444,551)	(233,742)
Depreciation and amortization	27	(298,046)	(157,008)	(289,336)	(142,850)
Other operating income	28	**36,610**	**18,079**	**41,637**	**36,235**
Other operating costs	28	**(85,617)**	**(49,838)**	**(35,515)**	**(17,636)**
Operating profit		**615,030**	**289,645**	**508,649**	**287,208**
Finance income	29	25,819	33,621	77,382	5,566
Finance costs	29	(339,082)	(242,407)	(151,777)	(186,058)
Profit before income tax		**301,767**	**80,859**	**434,254**	**106,716**
Income tax charge	30	(125,668)	(41,635)	(89,802)	(19,659)
Net profit for the period		**176,099**	**39,224**	**344,452**	**87,057**
Other comprehensive income for the period		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**176,099**	**39,224**	**344,452**	**87,057**

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	-	-	176,099	176,099	
As at June 30, 2016, unaudited	**52**	**5,644,191**	**(4,837,520)**	**806,723**	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	-	-	344,452	344,452	
As at June 30, 2015, unaudited	**52**	**5,635,996**	**(5,219,445)**	**416,603**	16

Interim condensed consolidated statement of cash flows

	Notes	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
		Unaudited	**Unaudited**
		See Note 2.2	**See Note 2.2**
Profit before income tax		**301,767**	**434,254**
Depreciation and amortization		298,046	289,336
Changes in contract costs (net)		(712)	(41,521)
Interest expense (net)		163,455	149,509
Gain on valuation of finance assets		(17,105)	(21,062)
Foreign exchange (gains)/losses		166,898	(59,563)
Gain on disposal of non-current assets		(4,352)	(1,506)
Impairment of non-current assets		1,984	122
Change in provisions and retention programs liabilities		(15,951)	32,522
Changes in working capital and other	32	(310,481)	(383,842)
Change in contract assets		1,017	(87,771)
Change in contract liabilities		(1,266)	(3,007)
Cash provided by operating activities		**583,300**	**307,471**
Interest received		77	376
Income tax paid		(51,472)	(618)
Net cash provided by operating activities		**531,905**	**307,229**
Proceeds from sale of non-current assets		3,719	2,599
Proceeds from loans given		-	27
Purchase of fixed assets and intangibles and prepayments for assets under construction		(1,926,290)	(216,723)
Purchase of debt securities (Notes issued by Play Topco S.A.)		(69,733)	(75,199)
Net cash used in investing activities		**(1,992,304)**	**(289,296)**
Proceeds from finance liabilities	33	365,000	543,772
Repayment of finance liabilities and relating finance costs	33	(593,995)	(215,665)
Net cash provided by/(used in) financing activities		**(228,995)**	**328,107**
Net change in cash and cash equivalents		**(1,689,394)**	**346,040**
Effect of exchange rate change on cash and cash equivalents		15	5,511
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	**(132,578)**	**849,332**

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 six-month period ended June 30, 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 June 30, 2016	**As at December 31, 2015**
Subsidiaries held directly and indirectly:				
Play Holdings 3 S. à r. l.	Luxembourg	Holding	merged with Play Holdings 2	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 June 30, 2016. 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; 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 six-month period ended June 30, 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. six-month period ended June 30, 2016 that were authorized for issuance on August 4, 2016 ("Historical 2Q16 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 0.

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 August 23, 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 2Q16 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] in the tables below) 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.

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 2Q 16 Financial Statements as at and for the six-month period ended June 30, 2016.

STATEMENT OF FINANCIAL POSITION	**June 30, 2016 Historical 2Q16 FS**	**Change**	**Ref.**	**June 30, 2016**	**December 31, 2015 Historical 2Q16 FS**	**Change**	**Ref.**	**December 31, 2015**
ASSETS								
Non-current assets								
Property, plant and equipment	1,055,353	(64,114)	IFRS 16 [A]	991,239	993,083	(85,336)	IFRS 16 [A]	907,747
Right-of-use assets	-	719,160	IFRS 16 [B]	719,160	-	767,924	IFRS 16 [B]	767,924
Intangible assets	3,843,844	(1,113,331)	IFRS 15 [1]	2,730,513	2,241,951	(1,115,179)	IFRS 15 [1]	1,126,772
Assets under construction	498,078	-		498,078	393,536	-		393,536
Contract costs	-	310,656	IFRS 15 [2]	310,656	-	309,944	IFRS 15 [2]	309,944
Long term receivables - debt securities	238,292	-		238,292	153,441	-		153,441
Other long term receivables	11,327	-		11,327	11,134	-		11,134
Finance assets at fair value through profit or loss	36,324	-		36,324	19,219	-		19,219
Deferred tax asset	121,121	7,483		128,604	181,935	2,211		184,146
Total non-current assets	**5,804,339**	**(140,146)**		**5,664,193**	**3,994,299**	**(120,436)**		**3,873,863**
Current assets								
Inventories	270,789	-		270,789	212,209	-		212,209
Trade and other receivables	1,215,676	(165,426)	IFRS 15 [4]	1,050,250	1,017,269	(140,375)	IFRS 15 [4]	876,894
Contract assets	-	999,863	IFRS 15 [5]	999,863	-	1,000,880	IFRS 15 [5]	1,000,880
Prepaid expenses	25,761	(2,168)		23,593	44,304	(2,533)		41,771
Cash and cash equivalents	29,869	-		29,869	1,556,801	-		1,556,801
Total current assets	**1,542,095**	**832,269**		**2,374,364**	**2,830,583**	**857,972**		**3,688,555**
TOTAL ASSETS	**7,346,434**	**692,123**		**8,038,557**	**6,824,882**	**737,536**		**7,562,418**

	June 30, 2016			June 30, 2016	December 31, 2015			December 31, 2015
	Historical 2Q16 FS	**Change**	**Ref.**		**Historical 2Q16 FS**	**Change**	**Ref.**	
EQUITY AND LIABILITIES								
Capital and reserves attributable to shareholders of the Company								
Share capital	52	-		52	52	-		52
Share premium	5,644,191	-		5,644,191	5,644,191	-		5,644,191
Retained losses	(4,805,624)	(31,896)		(4,837,520)	(5,004,186)	(9,433)		(5,013,619)
Total equity	**838,619**	**(31,896)**		**806,723**	**640,057**	**(9,433)**		**630,624**
Non-current liabilities								
Long-term finance liabilities	4,518,271	622,250	IFRS 16 [C]	5,140,521	4,353,543	643,075	IFRS 16 [C]	4,996,618
Long-term provisions	50,332	-		50,332	46,472	-		46,472
Long-term retention programs liabilities	137,492	-		137,492	163,040	-		163,040
Deferred tax liability	325	-		325	36	-		36
Other non-current liabilities	10,990	-		10,990	11,379	-		11,379
Total non-current liabilities	**4,717,410**	**622,250**		**5,339,660**	**4,574,470**	**643,075**		**5,217,545**
Current liabilities								
Short-term finance liabilities	287,853	155,315	IFRS 16 [C]	443,168	120,617	156,628	IFRS 16 [C]	277,245
Trade and other payables	1,018,266	(11,150)		1,007,116	987,345	(10,396)		976,949
Contract liabilities	-	21,056	IFRS 15 [6]	21,056	-	22,322	IFRS 15 [6]	22,322
Current income tax payable	80,228	-		80,228	61,296	-		61,296
Accruals	31,047	-		31,047	68,539	-		68,539
Short-term provisions	958	-		958	996	-		996
Short-term retention programs liabilities	31,668	-		31,668	22,294	-		22,294
Deferred income	340,385	(63,452)	IFRS 15 [7]	276,933	349,268	(64,660)	IFRS 15 [7]	284,608
Total current liabilities	**1,790,405**	**101,769**		**1,892,174**	**1,610,355**	**103,894**		**1,714,249**
TOTAL LIABILITIES AND EQUITY	**7,346,434**	**692,123**		**8,038,557**	**6,824,882**	**737,536**		**7,562,418**

STATEMENT OF COMPREHENSIVE INCOME	**Six-month period ended June 30, 2016**			**Six-month period ended June 30, 2016**	**Six-month period ended June 30, 2015**			**Six-month period ended June 30, 2015**
	Historical 2Q16 FS	**Change**	**Ref.**		**Historical 2Q16 FS**	**Change**	**Ref.**	
Operating revenue	**2,921,526**	**9,887**		**2,931,413**	**2,526,155**	**57,234**		**2,583,389**
Service revenue	2,646,355	(472,039)	IFRS 15 [8]	2,174,316	2,381,221	(441,693)	IFRS 15 [8]	1,939,528
Sales of goods and other revenue	275,171	481,926	IFRS 15 [8]	757,097	144,934	498,927	IFRS 15 [8]	643,861
Operating expenses	**(2,270,761)**	**3,385**		**(2,267,376)**	**(2,051,196)**	**(29,666)**		**(2,080,862)**
Interconnection, roaming and other services costs	(717,076)	-		(717,076)	(630,430)	-		(630,430)
Other subscriber acquisition and retention costs not eligible for capitalization	(47,437)	47,437	IFRS 15 [9]		(36,672)	36,672	IFRS 15 [9]	
Contract costs, net	-	(202,516)	IFRS 15 [10]	(202,516)	-	(174,943)	IFRS 15 [10]	(174,943)
Cost of goods sold	(271,484)	(392,718)	IFRS 15 [11]	(664,202)	(146,318)	(395,284)	IFRS 15 [11]	(541,602)
General and administrative expenses	(466,290)	80,754	IFRS 16 [D]	(385,536)	(523,404)	78,853	IFRS 16 [D]	(444,551)
Depreciation and amortization, including:	(768,474)	470,428		(298,046)	(714,372)	425,036		(289,336)
Amortization of subscriber acquisition and retention costs assets	(128,952)	128,952	IFRS 15 [12]	-	(482,131)	482,131	IFRS 15 [12]	-
Depreciation of right-of-use assets	-	(73,089)	IFRS 16 [E]	(73,089)	-	(74,833)	IFRS 16 [E]	(74,833)
Other operating income	30,055	6,555		36,610	37,532	4,105		41,637
Other operating costs	(80,220)	(5,397)		(85,617)	(36,395)	880		(35,515)
Operating profit	**600,600**	**14,430**		**615,030**	**476,096**	**32,553**		**508,649**
Finance income	34,483	(8,664)		25,819	81,152	(3,770)		77,382
Finance costs	(305,581)	(33,501)	IFRS 16 [F]	(339,082)	(121,804)	(29,973)	IFRS 16 [F]	(151,777)
Profit before income tax	**329,502**	**(27,735)**		**301,767**	**435,444**	**(1,190)**		**434,254**
Income tax charge	(130,940)	5,272		(125,668)	(90,028)	226		(89,802)
Net profit for the period	**198,562**	**(22,463)**		**176,099**	**345,416**	**(964)**		**344,452**
Total comprehensive income for the period	**198,562**	**(22,463)**		**176,099**	**345,416**	**(964)**		**344,452**

STATEMENT OF COMPREHENSIVE INCOME	**Three-month period ended June 30, 2016**			**Three-month period ended June 30, 2016**	**Three-month period ended June 30, 2015**			**Three-month period ended June 30, 2015**
	Historical 2Q16 FS	**Change**	**Ref.**		**Historical 2Q16 FS**	**Change**	**Ref.**	
Operating revenue	**1,480,720**	**8,077**		**1,488,797**	**1,298,500**	**31,327**		**1,329,827**
Service revenue	1,338,831	(231,606)	IFRS 15 [8]	1,107,225	1,224,996	(222,016)	IFRS 15 [8]	1,002,980
Sales of goods and other revenue	141,889	239,683	IFRS 15 [8]	381,572	73,504	253,343	IFRS 15 [8]	326,847
Operating expenses	**(1,173,459)**	**6,066**		**(1,167,393)**	**(1,047,752)**	**(13,466)**		**(1,061,218)**
Interconnection, roaming and other services costs	(368,090)	-		(368,090)	(324,013)	-		(324,013)
Other subscriber acquisition and retention costs not eligible for capitalization	(24,374)	24,374	IFRS 15 [9]		(18,470)	18,470	IFRS 15 [9]	
Contract costs, net	-	(103,062)	IFRS 15 [10]	(103,062)	-	(87,062)	IFRS 15 [10]	(87,062)
Cost of goods sold	(139,201)	(191,517)	IFRS 15 [11]	(330,718)	(73,166)	(200,385)	IFRS 15 [11]	(273,551)
General and administrative expenses	(248,932)	40,417	IFRS 16 [D]	(208,515)	(273,252)	39,510	IFRS 16 [D]	(233,742)
Depreciation and amortization, including:	(392,862)	235,854		(157,008)	(358,851)	216,001		(142,850)
Amortization of subscriber acquisition and retention costs assets	(68,161)	68,161	IFRS 15 [12]	-	(244,716)	244,716	IFRS 15 [12]	-
Depreciation of right-of-use assets	-	(37,035)	IFRS 16 [E]	(37,035)	-	(36,269)	IFRS 16 [E]	(36,269)
Other operating income	**13,443**	**4,636**		**18,079**	**34,161**	**2,074**		**36,235**
Other operating costs	**(46,098)**	**(3,740)**		**(49,838)**	**(19,671)**	**2,035**		**(17,636)**
Operating profit	**274,606**	**15,039**		**289,645**	**265,238**	**21,970**		**287,208**
Finance income	38,295	(4,674)		33,621	7,838	(2,272)		5,566
Finance costs	(224,053)	(18,354)	IFRS 16 [F]	(242,407)	(168,742)	(17,316)	IFRS 16 [F]	(186,058)
Profit before income tax	**88,848**	**(7,989)**		**80,859**	**104,334**	**2,382**		**106,716**
Income tax charge	(43,154)	1,519		(41,635)	(19,207)	(452)		(19,659)
Net profit for the period	**45,694**	**(6,470)**		**39,224**	**85,127**	**1,930**		**87,057**
Other comprehensive income for the period	**-**	**-**		**-**	**-**	**-**		**-**
Total comprehensive income for the period	**45,694**	**(6,470)**		**39,224**	**85,127**	**1,930**		**87,057**

STATEMENT OF CASH FLOW	Six-month period ended June 30, 2016 Historical 2Q16 FS	Change	Ref.	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015 Historical 2Q16 FS	Change	Ref.	Six-month period ended June 30, 2015
Profit before income tax	**329,502**	**(27,735)**		**301,767**	**435,444**	**(1,190)**		**434,254**
Depreciation and amortization	768,474	(470,428)	IFRS 15 [12], IFRS 16 [E]	298,046	714,372	(425,036)	IFRS 15 [12], IFRS 16 [E]	289,336
Changes in contract costs (net)	-	(712)	IFRS 15 [2]	(712)	-	(41,521)	IFRS 15 [2]	(41,521)
Interest expense (net)	124,963	38,492	IFRS 16 [F]	163,455	114,635	34,874	IFRS 16 [F]	149,509
Gain on valuation of finance assets	(17,105)	-		(17,105)	(21,062)	-		(21,062)
Foreign exchange (gains)/losses	163,225	3,673		166,898	(58,432)	(1,131)		(59,563)
Gain on disposal of non-current assets	(1,603)	(2,749)		(4,352)	(992)	(514)		(1,506)
Impairment of non-current assets	23,812	(21,828)	IFRS 15 [1]	1,984	25,167	(25,045)	IFRS 15 [1]	122
Change in provisions and retention programs liabilities	(15,951)	-		(15,951)	32,522	-		32,522
Changes in working capital and other	(335,239)	24,758		(310,481)	(447,530)	63,688		(383,842)
Change in contract assets	-	1,017	IFRS 15 [5]	1,017	-	(87,771)	IFRS 15 [5]	(87,771)
Change in contract liabilities	-	(1,266)	IFRS 15 [6]	(1,266)	-	(3,007)	IFRS 15 [6]	(3,007)
Cash provided by operating activities	**1,040,078**	**(456,778)**		**583,300**	**794,124**	**(486,653)**		**307,471**
Interest received	8,357	(8,280)		77	5,277	(4,901)		376
Income tax paid	(51,472)	-		(51,472)	(618)	-		(618)
Net cash provided by operating activities	**996,963**	**(465,058)**		**531,905**	**798,783**	**(491,554)**		**307,229**
Proceeds from sale of non-current assets	3,719	-		3,719	2,599	-		2,599
Proceeds from loans given	-	-		-	27	-		27
Purchase of fixed assets and intangibles and prepayments for assets under construction	(2,474,796)	548,506	IFRS 15 [1]	(1,926,290)	(791,799)	575,076	IFRS 15 [1]	(216,723)
Purchase of debt securities (Notes issued by Play Topco S.A.)	(69,733)	-		(69,733)	(75,199)	-		(75,199)
Net cash used in investing activities	**(2,540,810)**	**548,506**		**(1,992,304)**	**(864,372)**	**575,076**		**(289,296)**
Proceeds from finance liabilities	365,000	-		365,000	543,772	-		543,772
Repayment of finance liabilities and relating finance costs	(510,547)	(83,448)	IFRS 16 [C]	(593,995)	(132,143)	(83,522)	IFRS 16 [C]	(215,665)
Net cash provided by/(used in) financing activities	**(145,547)**	**(83,448)**		**(228,995)**	**411,629**	**(83,522)**		**328,107**
Net change in cash and cash equivalents	**(1,689,394)**	**-**		**(1,689,394)**	**346,040**	**-**		**346,040**
Effect of exchange rate change on cash and cash equivalents	15	-		15	5,511	-		5,511
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	**(132,578)**	**-**		**(132,578)**	**849,332**	**-**		**849,332**

STATEMENT OF CHANGES IN EQUITY	Six-month period ended June 30, 2016 Historical 2Q16 FS	Change	Ref.	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015 Historical 2Q16 FS	Change	Ref.	Six-month period ended June 30, 2015
Share capital opening balance	52	-		52	52	-		52
Share capital closing balance	**52**	**-**		**52**	**52**	**-**		**52**
Share premium opening balance	5,644,191	-		5,644,191	5,635,996	-		5,635,996
Share premium closing balance	**5,644,191**	**-**		**5,644,191**	**5,635,996**	**-**		**5,635,996**
Retained losses opening balance	(5,004,186)	(9,433)		(5,013,619)	(5,604,550)	40,653		(5,563,897)
Net profit for the period	198,562	(22,463)		176,099	345,416	(964)		344,452
Retained losses closing balance	**(4,805,624)**	**(31,896)**		**(4,837,520)**	**(5,259,134)**	**39,689**		**(5,219,445)**
Total equity opening balance	640,057	(9,433)		630,624	31,498	40,653		72,151
Net profit for the period	198,562	(22,463)		176,099	345,416	(964)		344,452
Total equity closing balance	**838,619**	**(31,896)**		**806,723**	**376,914**	**39,689**		**416,603**

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	**June 30, 2016**	**December 31, 2015**
EUR	4.4255	4.2615
GBP	5.3655	5.7862
USD	3.9803	3.9011
XDR	5.5703	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.

June 30, 2016, unaudited

	Liabilities payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	162,447	-	-	162,447
Notes	252,890	5,076,381	-	5,329,271
Lease	181,517	525,687	416,023	1,123,227
Other debt	1,156	1,490	-	2,646
	598,010	**5,603,558**	**416,023**	**6,617,591**

December 31, 2015

	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**

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 June 30, 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 June 30, 2016 has changed in comparison to December 31, 2015.

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

	June 30, 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 June 30, 2016 and relating costs for the six-month period ended June 30, 2016 would be higher by PLN 26,204 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%**	**4.39%**	**+0.25%**	**+0.50%**
Option fair value	33,093	26,711	20,563	14,484	8,475
Impact on profit before tax	12,531	6,149	-	(6,079)	(12,088)
Risk free rate	**-0.00%**	**-0.00%**	**0.00%**	**+0.50%**	**+1.00%**
Option fair value	20,563	20,563	20,563	20,288	20,002
Impact on profit before tax	0	0	-	(275)	(560)

Early redemption option embedded in Senior Secured Notes:

Risk factor	**decrease**		**Actual (base)**	**increase**	
Credit spread	**-0.50%**	**-0.25%**	**4.98%**	**+0.25%**	**+0.50%**
Option fair value	28,046	19,530	15,761	13,074	10,423
Impact on profit before tax	12,284	3,769	-	(2,688)	(5,338)
Risk free rate	**-0.00%**	**-0.00%**	**0.00%**	**+1.00%**	**+2.00%**
Option fair value	15,761	15,761	15,761	15,308	14,860
Impact on profit before tax	0	0	-	(453)	(901)

Actual (base) values of risk factors are presented as at June 30, 2016. Actual value for risk free rate is presented as average rate of quoted yields (only those above zero) for full yearly periods from June 30, 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 June 30, 2016 the assets retirement obligation provision was calculated using discount rate of 2.66% (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 June 30, 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 June 30, 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 June 30, 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.

<u>Significant financing component</u>
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,
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):

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Operating profit	**615**	**290**	**509**	**287**
Add depreciation and amortization	298	157	289	143
Add advisory services provided by shareholders	16	8	16	9
Add valuation of retention programs and special bonuses	(14)	9	52	31
Add one-off taxes and fees	-	-	1	1
Add one-off finance and legal services	2	1	1	1
Add one-off cost/(reversal) of provisions	20	20	(11)	(11)
Add cost on valuation of cash denominated in EUR	-	-	(4)	(12)
Add one-off impairment of overdue receivables	13	-	-	-
Add one-off other operating costs	8	6	2	1
Adjusted EBITDA	**958**	**491**	**855**	**452**

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	Motor vehicles	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	-	21,258	17,568	137,604	345	6,824	183,599
Disposals	-	(2,616)	(2,892)	(60,355)	-	(697)	(66,560)
As at June 30, 2016, unaudited	**46**	**815,046**	**116,222**	**982,330**	**345**	**66,225**	**1,980,214**
Accumulated depreciation							
As at January 1, 2016	4	360,362	88,999	471,981	-	34,082	955,428
Charge	-	14,169	6,275	70,951	-	4,610	96,005
Transfers and reclassifications	-	-	(297)	3,061	296	(609)	2,451
Disposals	-	(1,368)	(2,849)	(60,037)	-	(655)	(64,909)
As at June 30, 2016, unaudited	**4**	**373,163**	**92,128**	**485,956**	**296**	**37,428**	**988,975**
Net book value as at June 30, 2016, unaudited	**42**	**441,883**	**24,094**	**496,374**	**49**	**28,797**	**991,239**

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 six-month period ended June 30, 2016 the Group has not capitalized any interest expense or exchange rate differences.

	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	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	-	53,579	2,948	104,755	-	8,718	170,000
Disposals	-	(974)	(13,815)	(115,666)	-	(762)	(131,217)
As at June 30, 2015, unaudited	**46**	**744,442**	**100,726**	**915,127**	**-**	**57,572**	**1,817,913**
Accumulated depreciation							
As at January 1, 2015	4	274,028	90,719	516,700	-	37,328	918,779
Charge	-	43,837	6,376	73,780	-	4,143	128,136
Charge from asset retirement obligation	-	(525)	-	-	-	-	(525)
Disposals	-	(209)	(13,815)	(115,365)	-	(729)	(130,118)
As at June 30, 2015, unaudited	**4**	**317,171**	**82,827**	**475,115**	**-**	**40,742**	**915,859**
Net book value as at June 30, 2015, unaudited	**42**	**427,271**	**17,899**	**440,012**	**-**	**16,830**	**902,054**

During the six-month period ended June 30, 2015 the Group has not capitalized any interest expense or exchange rate differences.

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	Right-of-Use: Other fixed assets	Total
Cost							
As at January 1, 2016	113,374	1,104,525	89,116	92,219	26,097	-	1,425,331
Additions	4,273	34,469	-	2,835	-	-	41,577
Asset retirement obligation	-	3,190	-	-	-	-	3,190
Transfers and reclassifications	-	-	(8,893)	(6,257)	2,654	718	(11,778)
Disposals	(709)	(24,267)	(554)	(4,484)	(3,874)	-	(33,888)
As at June 30, 2016, unaudited	**116,938**	**1,117,917**	**79,669**	**84,313**	**24,877**	**718**	**1,424,432**
Accumulated depreciation							
As at January 1, 2016	35,875	501,646	44,821	61,681	13,384	-	657,407
Charge	4,596	48,529	9,904	5,515	3,539	32	72,115
Charge from asset retirement obligation	-	1,061	-	-	-	-	1,061
Transfers and reclassifications	-	-	297	(3,061)	(296)	609	(2,451)
Disposals	(220)	(13,777)	(537)	(4,465)	(3,861)	-	(22,860)
As at June 30, 2016, unaudited	**40,251**	**537,459**	**54,485**	**59,670**	**12,766**	**641**	**705,272**
Net book value as at June 30, 2016, unaudited	**76,687**	**580,458**	**25,184**	**24,643**	**12,111**	**77**	**719,160**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 1,722 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 5,064 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	Right-of-Use: Other fixed assets	Total
Cost							
As at January 1, 2015	98,159	973,753	63,478	106,064	27,121	-	1,268,575
Asset retirement obligation	-	5,309	-	-	-	-	5,309
Transfers and reclassifications	-	(584)	4,159	31	2,301	-	5,907
Disposals	(5)	(12,189)	(12)	(5,532)	(1,937)	-	(19,675)
As at June 30, 2015, unaudited	**106,030**	**1,022,150**	**67,625**	**104,055**	**27,485**	**-**	**1,327,345**
Accumulated depreciation							
As at January 1, 2015	27,382	418,451	25,359	62,839	15,231	-	549,262
Charge	4,097	46,858	7,515	12,039	3,447	-	73,956
Charge from asset retirement obligation	-	876	-	-	-	-	876
Transfers and reclassifications	-	(40)	453	-	-	-	413
Disposals	-	(8,921)	(12)	(5,459)	(1,921)	-	(16,313)
As at June 30, 2015, unaudited	**31,479**	**457,224**	**33,315**	**69,419**	**16,757**	**-**	**608,194**
Net book value as at June 30, 2015, unaudited	**74,551**	**564,926**	**34,310**	**34,636**	**10,728**	**-**	**719,151**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 1,639 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 5,944 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	-	11,932	-	4,160	16,092
Disposals	-	(3)	-	-	(3)
As at June 30, 2016, unaudited	**2,779,955**	**793,537**	**238,301**	**25,786**	**3,837,579**
Accumulated amortization					
As at January 1, 2016	380,388	582,856	-	13,041	976,285
Charge	84,924	42,535	-	1,493	128,952
Disposals	-	(3)	-	-	(3)
As at June 30, 2016, unaudited	**465,312**	**625,388**	**-**	**14,534**	**1,105,234**
Accumulated impairment					
As at January 1, 2016	-	-	-	-	-
Impairment charge	-	-	-	1,832	1,832
As at June 30, 2016, unaudited	**-**	**-**	**-**	**1,832**	**1,832**
Net book value as at June 30, 2016, unaudited	**2,314,643**	**168,149**	**238,301**	**9,420**	**2,730,513**

The transfers recorded during six-month period ended June 30, 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 June 30, 2016 the carrying value of the 2100 MHz license was PLN 141,970 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 June 30, 2016 the carrying value of the 900 MHz license was PLN 108,849 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 June 30, 2016 the carrying value of the 1800 MHz license was PLN 394,965 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 June 30, 2016 the carrying value of the 800 MHz license was PLN 1,452,919 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 June 30, 2016 the carrying value of the 2600 MHz license was PLN 215,940 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	-	13,276	-	441	13,717
As at June 30, 2015, unaudited	**1,061,522**	**778,177**	**238,301**	**18,375**	**2,096,375**
Accumulated amortization					
As at January 1, 2015	309,688	497,586	-	13,748	821,022
Charge	35,350	50,510	-	1,031	86,891
As at June 30, 2015, unaudited	**345,038**	**548,096**	**-**	**14,779**	**907,913**
Net book value as at June 30, 2015, unaudited	**716,484**	**230,081**	**238,301**	**3,596**	**1,188,462**

6. Assets under construction

Cost	Six-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited
As at January 1	395,385	286,447
Additions	292,698	234,871
Radio network	205,221	141,557
Core network and network operations center	31,415	25,192
IT	42,449	33,534
Other capital expenditures	13,613	34,588
Transfers and reclassifications	(187,913)	(189,624)
Disposals	(684)	(50)
As at June 30	**499,486**	**331,644**
Accumulated impairment		
As at January 1	1,849	981
Impairment charge	151	134
Utilization of impairment provision	(592)	-
As at June 30	**1,408**	**1,115**
Net book value as at June 30	**498,078**	**330,529**

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 which amounted to PLN nil as at June 30, 2016 and PLN 12,504 as at June 30, 2015.

7. Contract costs

Cost	Six-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited
As at January 1	605,668	484,039
Additions	183,649	207,007
Disposals	(176,893)	(144,973)
As at June 30	**612,424**	**546,073**
Accumulated amortization		
As at January 1	295,724	226,925
Charge (including impairment)	179,535	165,486
Disposals (including impairment)	(173,491)	(144,973)
As at June 30	**301,768**	**247,438**
Net book value as at June 30	**310,656**	**298,635**

8. Long term receivables – debt securities

	June 30, 2016 Unaudited	December 31, 2015
Long term receivables - debt securities		
EUR 8.22% Bonds due in 2020	238,292	153,441
	238,292	**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 8.23% as at June 30, 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

	June 30, 2016 Unaudited	December 31, 2015
Long-term receivables	12,202	12,106
Impairment of long-term receivables	(875)	(972)
	11,327	**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).

	June 30, 2016 Unaudited	December 31, 2015
Senior Secured Notes	20,563	8,580
Senior Notes	15,761	10,639
	36,324	**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 June 30, 2016, unaudited	20,563	15,761	36,324
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2016, unaudited	**11,983**	**5,122**	**17,105**
Valuation as at January 1, 2015	38,948	18,663	57,611
Valuation as at June 30, 2015, unaudited	61,321	17,352	78,673
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2015, unaudited	**22,373**	**(1,311)**	**21,062**

11. Inventories

	June 30, 2016 Unaudited	**December 31, 2015**
Goods for resale	213,475	166,643
Goods in dealers' premises	42,997	34,611
Prepaid deliveries	23,797	18,158
Impairment of goods for resale	(9,480)	(7,203)
	270,789	**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:

	Six-month period ended June 30, 2016 Unaudited	**Six-month period ended June 30, 2015 Unaudited**
Beginning of period	**7,203**	**6,503**
- charged to income statement	3,835	1,919
- utilized	(1,558)	(401)
End of period	**9,480**	**8,021**

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

12. Trade and other receivables

	June 30, 2016 Unaudited	**December 31, 2015**
Trade receivables	1,167,793	967,401
Impairment of trade receivables	(120,247)	(92,970)
Trade receivables (net)	**1,047,546**	**874,431**
VAT and other government receivables	2,371	2,161
Other receivables	333	302
Other receivables (net)	**2,704**	**2,463**
	1,050,250	**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:

	Six-month period ended June 30, 2016 Unaudited	**Six-month period ended June 30, 2015 Unaudited**
Beginning of period	**92,970**	**84,945**
- charged to income statement	27,277	7,403
End of period	**120,247**	**92,348**

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

	June 30, 2016 Unaudited	**December 31, 2015**
Distribution and selling costs	8,894	9,612
Security deposits paid to UKE	-	20,000
Other	14,699	12,159
	23,593	**41,771**

As of June 30, 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 six-month period ended June 30, 2016.

15. Cash and cash equivalents

	June 30, 2016 Unaudited	**December 31, 2015**
Petty cash	448	493
Balances deposited with banks:		
Current accounts	27,339	1,555,745
Term deposits with original maturity of less than 90 days	1,435	10
Other cash assets	647	553
	29,869	**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 June 30, 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

	June 30, 2016 Unaudited	December 31, 2015
Long-term finance liabilities		
Long-term notes liabilities	4,500,094	4,333,232
Long-term leases	638,948	663,386
Other debt	1,479	-
	5,140,521	**4,996,618**
Short-term finance liabilities		
Short-term bank loans	162,447	-
Short-term notes liabilities	102,928	99,234
Short-term leases	176,654	178,011
Other debt	1,139	-
	443,168	**277,245**
	5,583,689	**5,273,863**

17.1 Notes

	June 30, 2016 Unaudited	December 31, 2015
Long-term notes liabilities		
EUR 5.25% Senior Secured Notes due 2019	2,627,227	2,525,394
PLN Floating Rate Senior Secured Notes due 2019	128,903	128,546
EUR 6.5% Senior Notes due 2019	1,181,065	1,135,512
2015 EUR 5.25% Senior Secured Notes due 2019	562,899	543,780
	4,500,094	**4,333,232**
Short-term notes liabilities		
Accrued interest related to notes	102,928	99,234
	102,928	**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 28,073 thousand as at June 30, 2016 (PLN 31,506 thousand as at December 31, 2015). The effective interest rate was 5.77% as at June 30, 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 1,097 thousand as at June 30, 2016 (PLN 1,454 thousand as at December 31, 2015). The effective interest rate was 5.72% as at June 30, 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 13,821 thousand as at June 30, 2016 (PLN 15,092 thousand as at December 31, 2015). The effective interest rate was 7.04% as at June 30, 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 9,712 thousand as at June 30, 2016 (PLN 11,091 as at December 31, 2015). The effective interest rate was 4.57% as at June 30, 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

	June 30, 2016 Unaudited	December 31, 2015
Short-term bank loans		
Bank loan - Bank Zachodni WBK	113,915	-
Bank loan - Bank Millennium	48,532	-
	162,447	**-**

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

	June 30, 2016 Unaudited	December 31, 2015
Long-term lease liabilities		
Telecommunication sites	523,309	536,813
Points of sale	32,706	35,657
Dark fiber optic cable	14,817	16,475
Collocation centers	19,537	20,163
Offices & Warehouse	31,882	33,967
Computers and telecommunication equipment	12,414	15,300
Motor vehicles	4,283	5,011
	638,948	**663,386**
Short-term lease liabilities		
Telecommunication sites	106,919	108,415
Points of sale	24,500	24,914
Dark fiber optic cable	9,641	9,992
Collocation centers	6,276	5,690
Offices & Warehouse	7,980	7,617
Computers and telecommunication equipment	15,682	16,128
Motor vehicles	5,656	5,255
	176,654	**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. before merger with Play Holdings 2 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. before merger with Play Holdings 2 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

	June 30, 2016 Unaudited	**December 31, 2015**
Assets retirement provision	41,854	38,255
Other long-term provisions	8,478	8,217
Short-term provisions	958	996
	51,290	**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	3,714	480	20,433	**24,627**
Decrease:	(115)	(219)	(20,471)	**(20,805)**
- reversal of provisions	(115)	(219)	(38)	**(372)**
- utilization	-	-	(20,433)	**(20,433)**
As at June 30, 2016, unaudited	**41,854**	**8,478**	**958**	**51,290**

	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	5,762	163	28	**5,953**
Decrease:	(314)	(10,873)	(704)	**(11,891)**
- reversal of provisions	(314)	(10,848)	-	**(11,162)**
- utilization	-	(25)	(704)	**(729)**
As at June 30, 2015, unaudited	**37,088**	**11,173**	**977**	**49,238**

19. Retention programs liabilities

During the six-month period ended June 30, 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 years ended December 31, 2015, December 31, 2014 and December 31, 2013 issued on August 19, 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:

	Six-month period ended June 30, 2016	**Six-month period ended June 30, 2015**	
	VDP Plan 3	VDP Plan 2	VDP Plan 3
As at January 1	**20,443,338**	**12,085,617**	**-**
Granted during the period	-	-	20,240,000
Granted in prior periods (correction)	-	70,601	-
Forfeited during the period	(659,033)	-	-
As at June 30	**19,784,305**	**12,156,218**	**20,240,000**
Exercisable at June 30	-	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	-	(1,709)
Changes in valuation during the period	(14,465)	-
Transferred during the period	(11,083)	11,083
As at June 30, 2016, unaudited	**137,492**	**31,668**
Vested at June 30, 2016	118,687	31,495

	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	-	(8,937)
Changes in valuation during the period	52,550	212
Transferred during the period	(9,214)	9,214
As at June 30, 2015, unaudited	**139,038**	**14,702**
Vested at June 30, 2015	116,850	14,702

20. Trade and other payables

	June 30, 2016 Unaudited	December 31, 2015
Trade payables	648,742	670,060
Investment payables	285,771	194,600
Government payables	68,033	109,613
Employee payables	67	35
Other	4,503	2,641
	1,007,116	**976,949**

21. Accruals

Accruals include accruals for bonuses and unused holidays.

22. Deferred income

	June 30, 2016 Unaudited	December 31, 2015
Airtime from pre-paid products	122,510	140,908
Fees related to post-paid contracts	154,423	143,700
	276,933	**284,608**

23. Operating revenue

Total operating revenue corresponds to the revenue from contracts with customers.

	Six-month period ended June 30, 2016 Unaudited	**Three-month period ended June 30, 2016 Unaudited**	**Six-month period ended June 30, 2015 Unaudited**	**Three-month period ended June 30, 2015 Unaudited**
Service revenue	**2,174,316**	**1,107,225**	**1,939,528**	**1,002,980**
Usage revenue	1,661,788	843,403	1,525,916	786,705
Interconnection revenue	512,528	263,822	413,612	216,275
Sales of goods and other revenue	**757,097**	**381,572**	**643,861**	**326,847**
	2,931,413	**1,488,797**	**2,583,389**	**1,329,827**

	Six-month period ended June 30, 2016 Unaudited	**Three-month period ended June 30, 2016 Unaudited**	**Six-month period ended June 30, 2015 Unaudited**	**Three-month period ended June 30, 2015 Unaudited**
Usage revenue by category				
Retail contract revenue	1,288,064	652,077	1,186,541	607,278
Retail prepaid revenue	320,166	162,023	307,413	159,555
Other revenue	53,558	29,303	31,962	19,872
	1,661,788	**843,403**	**1,525,916**	**786,705**

	Six-month period ended June 30, 2016 Unaudited	**Three-month period ended June 30, 2016 Unaudited**	**Six-month period ended June 30, 2015 Unaudited**	**Three-month period ended June 30, 2015 Unaudited**
Retail usage revenue by type of customer				
Residential	**1,238,671**	**626,973**	**1,138,815**	**585,463**
- Postpaid	*712,288*	*360,464*	*639,756*	*327,123*
- Prepaid	*292,620*	*148,163*	*283,532*	*147,361*
- Mix	*88,508*	*45,858*	*77,603*	*41,217*
- Play Internet	*139,649*	*69,523*	*134,124*	*67,564*
- Fixed	*5,605*	*2,964*	*3,800*	*2,198*
Business	**369,559**	**187,127**	**355,139**	**181,370**
- Postpaid	*369,559*	*187,127*	*355,139*	*181,370*
	1,608,230	**814,100**	**1,493,954**	**766,833**

	Six-month period ended June 30, 2016 Unaudited	**Three-month period ended June 30, 2016 Unaudited**	**Six-month period ended June 30, 2015 Unaudited**	**Three-month period ended June 30, 2015 Unaudited**
Revenue recognized in the reporting periods that was included in the contract liability balance at the beginning of the period	13,786	2,572	17,265	4,074

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.

	June 30, 2016 Unaudited	December 31, 2015
Transaction price allocated to the remaining performance obligation		
2016	1,085,027	1,536,445
2017	721,700	321,201
2018	64,036	8,154
2019	1,419	-
	1,872,182	**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

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Interconnection costs	(562,811)	(286,948)	(477,301)	(247,517)
National roaming/network sharing	(81,360)	(42,145)	(76,091)	(38,224)
Other services costs	(72,905)	(38,997)	(77,038)	(38,272)
	(717,076)	**(368,090)**	**(630,430)**	**(324,013)**

25. Contract costs, net

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Contract costs incurred	(203,228)	(105,176)	(216,464)	(103,852)
Contract costs capitalized	183,649	91,604	207,007	101,213
Amortization and impairment of contract costs	(182,937)	(89,490)	(165,486)	(84,423)
	(202,516)	**(103,062)**	**(174,943)**	**(87,062)**

26. General and administrative expenses

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Employee benefits	**(88,514)**	**(60,176)**	**(153,530)**	**(83,140)**
Salaries	(89,844)	(44,923)	(88,114)	(45,535)
Social security	(13,135)	(6,359)	(12,959)	(6,365)
Special bonuses	-	50	388	-
Retention programs	14,465	(8,944)	(52,845)	(31,240)
External services	**(264,920)**	**(132,680)**	**(263,353)**	**(136,168)**
Network maintenance, leased lines, site rent and energy	(57,492)	(28,982)	(51,204)	(26,216)
Advertising and promotion expenses	(98,283)	(49,119)	(99,315)	(50,775)
Customer relations costs	(30,336)	(15,044)	(32,489)	(16,353)
Office and points of sale maintenance	(7,316)	(3,778)	(8,119)	(4,709)
IT expenses	(15,243)	(7,359)	(15,456)	(7,777)
People related costs - cars, trainings and other	(8,149)	(4,850)	(8,843)	(4,841)
Finance and legal services	(8,451)	(3,630)	(8,151)	(4,095)
Advisory services provided by shareholders	(16,020)	(8,222)	(16,058)	(9,434)
Other external services	(23,630)	(11,696)	(23,718)	(11,968)
Taxes and fees	**(32,102)**	**(15,659)**	**(27,668)**	**(14,434)**
	(385,536)	**(208,515)**	**(444,551)**	**(233,742)**

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 six-month period ended June 30, 2016 and the six-month period ended June 30, 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

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Depreciation and amortization				
Depreciation of property, plant and equipment	(96,005)	(51,812)	(127,611)	(64,997)
Amortization of intangibles	(128,952)	(68,161)	(86,892)	(41,584)
Depreciation of right-of-use assets	(73,089)	(37,035)	(74,833)	(36,269)
	(298,046)	**(157,008)**	**(289,336)**	**(142,850)**

28. Other operating income and other operating costs

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Other operating income				
Income from early contract termination	15,594	6,466	13,707	6,892
Gain on disposal of non-current assets	4,352	3,395	1,506	825
Reversal of provisions	-	-	10,850	10,848
Exchange rate gains	-	-	1,081	10,619
Income from subleasing of right-of-use assets	3,806	1,925	3,591	1,806
Interest income on trade receivables and cash	4,839	1,555	5,423	2,386
Other miscellaneous operating income	8,019	4,738	5,479	2,859
	36,610	**18,079**	**41,637**	**36,235**
Other operating costs				
Impairment of other non-current assets	(1,984)	(169)	(122)	(46)
Impairment of contract assets	(24,604)	(11,633)	(24,442)	(12,551)
Bad debt	(29,596)	(9,004)	(10,736)	(4,891)
Other miscellaneous operating costs	(26,754)	(26,388)	(215)	(148)
Exchange rate losses	(2,679)	(2,644)	-	-
	(85,617)	**(49,838)**	**(35,515)**	**(17,636)**

29. Finance income and finance costs

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Finance income				
Interest income	8,714	5,077	2,268	1,616
Net gain on finance assets at fair value through profit or loss	17,105	28,544	21,062	3,950
Exchange rate gains	-	-	54,052	-
	25,819	**33,621**	**77,382**	**5,566**
Finance costs				
Interest expense, including:	(172,169)	(85,311)	(151,777)	(79,725)
- on lease liabilities	*(29,828)*	*(14,690)*	*(29,973)*	*(14,935)*
Exchange rate losses	(166,913)	(157,096)	-	(106,333)
	(339,082)	**(242,407)**	**(151,777)**	**(186,058)**

30. Taxation

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Current tax charge	(69,837)	(65,551)	(6,292)	(2,813)
Deferred tax benefit/(charge)	(55,831)	23,916	(83,510)	(16,846)
Income tax charge	**(125,668)**	**(41,635)**	**(89,802)**	**(19,659)**

Reconciliation between tax base resulting from accounting profit and income tax charge:

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Profit before income tax	**301,767**	**80,859**	**434,254**	**106,716**
Tax calculated at tax rates applicable to profit (19%)	(57,336)	(15,363)	(82,508)	(20,276)
Effect of difference between tax rates in Luxembourg and in Poland	(2,381)	(3,271)	(3,329)	(1,086)
Expenses not subject to tax	(40,957)	(33,011)	(6,379)	(2,432)
Income not subject to tax	9,094	7,020	12,918	4,926
Previous years tax income included in current year accounting profit	-	-	13	22
Adjustments relating to previous years tax	(28,373)	-	(15,729)	(593)
Change in unrecognized deferred tax asset arising from tax losses	(425)	2,170	5,283	(178)
Taxable (income) / costs not included in accounting profit, net	(5,290)	820	-	-
Minimum Luxembourg income tax	-	-	(71)	(42)
Income tax charge	**(125,668)**	**(41,635)**	**(89,802)**	**(19,659)**

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 June 30, 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.

	June 30, 2016 Unaudited	December 31, 2015
Temporary differences:		
net deductible timing differences	674,720	906,564
unutilized tax loss carry-forwards	15,569	69,305
	690,289	**975,869**
Potential deferred income tax net asset arising from:		
net deductible timing differences	128,094	172,235
unutilized tax loss carry-forwards	4,449	13,863
	132,543	**186,098**
Recognized deferred income tax assets	**128,604**	**184,146**
Recognized deferred income tax liability	**(325)**	**(36)**
Not recognized deferred income tax assets	**4,264**	**1,988**

As at June 30, 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.

	June 30, 2016 Unaudited	June 30, 2015 Unaudited
Cash and cash equivalents in statement of financial position	29,869	849,532
Restricted cash	-	(200)
Bank overdrafts	(162,447)	-
Cash and cash equivalents in statement of cash flows	**(132,578)**	**849,332**

32. Changes in working capital and other

	Six-month period ended June 30, 2016	**Six-month period ended June 30, 2015**
	Unaudited	**Unaudited**
(Increase)/decrease of inventories	(58,580)	3,986
Increase of receivables	(173,357)	(357,158)
(Increase)/decrease of prepaid expenses	4,178	(5,118)
Decrease of payables excluding investment payables	(36,968)	(14,895)
Decrease of accruals	(37,497)	(26,013)
Increase/(decrease) of deferred income	(7,675)	11,845
(Increase)/decrease of long term receivables	(193)	3,139
Increase/(decrease) of other non-current liabilities	(389)	372
	(310,481)	**(383,842)**

33. Cash flows relating to finance liabilities

	Six-month period ended June 30, 2016 Unaudited	**Six-month period ended June 30, 2015 Unaudited**
Proceeds from finance liabilities		
loans	365,000	-
notes	-	543,772
	365,000	**543,772**
Repayment of finance liabilities and relating finance costs		
loans	(369,989)	(2,001)
- principal	*(365,000)*	-
- interests	*(3,416)*	-
- other	*(1,573)*	*(2,001)*
notes	(127,447)	(113,962)
- principal	-	-
- interests	*(127,447)*	*(107,475)*
- other	-	*(6,487)*
leases	(96,559)	(99,702)
	(593,995)	**(215,665)**

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 June 30, 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

	June 30, 2016	December 31, 2015
	Unaudited	
Long term receivables - debt securities	238,292	153,441
Other long term receivables	25	24
Trade receivables	63	286
Trade and other payables	8,723	1,678

	Six-month period ended June 30, 2016	Three-month period ended June 30, 2016	Six-month period ended June 30, 2015	Three-month period ended June 30, 2015
	Unaudited	Unaudited	Unaudited	Unaudited
Advisory services provided by shareholders	(16,020)	(8,222)	(16,058)	(9,434)
Other operating income	373	108	-	-
Recharge of operating costs	70	25	-	-
Other operating costs	(46)	(19)	-	-
Interest income	8,638	5,048	2,062	1,532

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 six-month period ended June 30, 2016 amounted to PLN 4,449 thousand (PLN 4,449 thousand for the six-month period ended June 30, 2015).

Cost of remuneration of members of Supervisory Board of P4 incurred during the six-month period ended June 30, 2016 amounted to PLN 1,254 thousand (for the six-month period ended June 30, 2015 PLN 1,157 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 21,202 thousand for the six-month period ended June 30, 2016 and cost of PLN 46,847 thousand for the six-month period ended June 30, 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 by February 1, 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 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 as adopted by the European Union

As at and for the six-month period ended June 30, 2016

PLAY

Index to the interim condensed consolidated financial statements

Interim condensed consolidated statement of financial position F-69
Interim condensed consolidated statement of comprehensive income F-70
Interim condensed consolidated statement of changes in equity F-71
Interim condensed consolidated statement of cash flows F-72
Notes F-73
1. The Company and the Play Group F-73
2. Subsidiaries of the Company F-73
3. Summary of significant accounting policies F-74
3.1 Basis of preparation F-74
3.2 New standards, interpretations and amendments to existing standards F-75
3.3 Consolidation F-77
3.4 Foreign currency translation F-77
3.4.1 Functional and presentation currency F-77
3.4.2 Transactions and balances F-77
3.5 Financial risk management F-78
3.5.1 Liquidity risk F-78
3.6 Fair value estimation F-79
3.7 Critical accounting estimates and judgments F-79
3.7.1 Valuation of the liabilities relating to retention programs F-79
3.7.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date F-80
3.7.3 Valuation of early redemption options F-80
3.7.4 Valuation of the assets retirement obligation provision F-82
3.7.5 Valuation of the installment sales receivables F-82
3.7.6 Deferred tax F-82
3.7.7 Impairment of Play Group's long-lived assets F-82
3.7.8 Subscriber acquisition and retention costs (SAC) F-83
3.7.9 Revenues and cost of sales of mobile devices transferred to dealers F-83
3.7.10 Deferred charges - distribution costs of prepaid products F-83
3.7.11 Impairment of billing receivables F-83
3.8 Changes in presentation F-84
3.9 Segment reporting F-85
4. Property, plant and equipment F-86
5. Intangible assets F-88
6. Assets under construction F-91
7. Long term receivables – debt securities F-91
8. Other long-term receivables F-92
9. Finance assets at fair value through profit or loss F-92
10. Inventories F-93
11. Trade and other receivables F-94
12. Prepaid expenses F-95
13. Cash and cash equivalents F-95
14. Shareholders' equity F-95
15. Finance liabilities F-96
15.1 Notes F-96
15.1.1 EUR 5.25% Senior Secured Notes due 2019 .... F-96
15.1.2 PLN Floating Rate Senior Secured Notes due 2019 .... F-97
15.1.3 EUR 6.50% Senior Notes due 2019 .... F-97
15.1.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015 .... F-97
15.2 Bank loans F-98
15.2.1 Revolving Credit Facility F-98
15.2.2 Bank Zachodni WBK loan F-98
15.2.3 Millennium Bank loan F-98
15.3 Finance lease liabilities F-99
15.4 Assets pledged as security for finance liabilities F-99
16. Provisions F-99

17. Retention programs liabilities F-100
18. Trade and other payables F-101
19. Accruals F-101
20. Deferred income F-102
21. Operating revenue F-102
22. Direct costs F-102
23. General and administrative expenses F-103
24. Other operating income and other operating costs F-104
25. Finance income and finance costs F-104
26. Taxation F-105
27. Cash and cash equivalents presented in statement of cash flows F-106
28. Changes in working capital and other F-107
29. Cash flows relating to finance liabilities F-107
30. Commitments F-108
30.1 Operating lease commitments F-108
30.2 2100 MHz and 900 MHz license requirements F-108
30.3 1800 MHz license requirements F-108
30.4 800 MHz license requirements F-108
30.5 2600 MHz license requirements F-108
31. Contingencies and legal proceedings F-109
31.1 Tax contingent liability F-109
31.2 Universal service liability to Orange Polska S.A. F-109
31.3 Legal and regulatory proceedings F-110
32. Related party transactions F-111
32.1 Transactions with Shareholders and with entities related via Shareholders F-111
32.2 Remuneration of Management and Supervisory Board F-111
33. Events after the reporting period F-111

Interim condensed consolidated statement of financial position

	Notes	June 30, 2016 Unaudited	December 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,055,353	993,083
Intangible assets	5	3,843,844	2,241,951
Assets under construction	6	498,078	393,536
Long term receivables - debt securities	7	238,292	153,441
Other long term receivables	8	11,327	11,134
Finance assets at fair value through profit or loss	9	36,324	19,219
Deferred tax asset	26	121,121	181,935
Total non-current assets		**5,804,339**	**3,994,299**
Current assets			
Inventories	10	270,789	212,209
Trade and other receivables	11	1,215,676	1,017,269
Current income tax receivables		-	-
Prepaid expenses	12	25,761	44,304
Cash and cash equivalents	13	29,869	1,556,801
Total current assets		**1,542,095**	**2,830,583**
TOTAL ASSETS		**7,346,434**	**6,824,882**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	14	52	52
Share premium	14	5,644,191	5,644,191
Retained losses		(4,805,624)	(5,004,186)
Total equity		**838,619**	**640,057**
Non-current liabilities			
Long-term finance liabilities	15	4,518,271	4,353,543
Long-term provisions	16	50,332	46,472
Long-term retention programs liabilities	17	137,492	163,040
Deferred tax liability	26	325	36
Other non-current liabilities		10,990	11,379
Total non-current liabilities		**4,717,410**	**4,574,470**
Current liabilities			
Short-term finance liabilities	15	287,853	120,617
Trade and other payables	18	1,018,266	987,345
Current income tax payable		80,228	61,296
Accruals	19	31,047	68,539
Short-term provisions	16	958	996
Short-term retention programs liabilities	17	31,668	22,294
Deferred income	20	340,385	349,268
Total current liabilities		**1,790,405**	**1,610,355**
TOTAL LIABILITIES AND EQUITY		**7,346,434**	**6,824,882**

Interim condensed consolidated statement of comprehensive income

	Notes	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Operating revenue	21	**2,921,526**	**1,480,720**	**2,526,155**	**1,298,500**
Direct costs	22	(1,035,997)	(531,665)	(813,420)	(415,649)
General and administrative expenses	23	(466,290)	(248,932)	(523,404)	(273,252)
Depreciation and amortization		(768,474)	(392,862)	(714,372)	(358,851)
Other operating income	24	30,055	13,443	37,532	34,161
Other operating costs	24	(80,220)	(46,098)	(36,395)	(19,671)
Operating profit		**600,600**	**274,606**	**476,096**	**265,238**
Finance income	25	34,483	38,295	81,152	7,838
Finance costs	25	(305,581)	(224,053)	(121,804)	(168,742)
Profit before income tax		**329,502**	**88,848**	**435,444**	**104,334**
Income tax charge	26	(130,940)	(43,154)	(90,028)	(19,207)
Net profit for the period		**198,562**	**45,694**	**345,416**	**85,127**
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		**198,562**	**45,694**	**345,416**	**85,127**

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

Current period:

	Attributable to the Company's shareholders				
	Share capital	**Share premium**	**Retained losses**	**Total equity**	**Notes**
As at January 1, 2016	**52**	**5,644,191**	**(5,004,186)**	**640,057**	
Net profit for the period	-	-	198,562	198,562	
As at June 30, 2016, unaudited	**52**	**5,644,191**	**(4,805,624)**	**838,619**	14

Comparative period:

	Attributable to the Company's shareholders				
	Share capital	**Share premium**	**Retained losses**	**Total equity**	**Notes**
As at January 1, 2015	**52**	**5,635,996**	**(5,604,550)**	**31,498**	
Net profit for the period	-	-	345,416	345,416	
As at June 30, 2015, unaudited	**52**	**5,635,996**	**(5,259,134)**	**376,914**	14

Interim condensed consolidated statement of cash flows

	Notes	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
		Unaudited	Unaudited
Profit before income tax		**329,502**	**435,444**
Depreciation and amortization		768,474	714,372
Interest expense (net)		124,963	114,635
Gain on valuation of finance assets		(17,105)	(21,062)
Foreign exchange (gains)/losses		163,225	(58,432)
Gain on disposal of non-current assets		(1,603)	(992)
Impairment of non-current assets		23,812	25,167
Change in provisions and retention programs liabilities		(15,951)	32,522
Changes in working capital and other	28	(335,239)	(447,530)
Cash provided by operating activities		**1,040,078**	**794,124**
Interest received		8,357	5,277
Income tax paid		(51,472)	(618)
Net cash provided by operating activities		**996,963**	**798,783**
Proceeds from sale of non-current assets		3,719	2,599
Proceeds from loans given		-	27
Purchase of fixed assets and intangibles and prepayments for assets under construction		(2,474,796)	(791,799)
Purchase of debt securities (Notes issued by Play Topco S.A.)		(69,733)	(75,199)
Net cash used in investing activities		**(2,540,810)**	**(864,372)**
Proceeds from finance liabilities	29	365,000	543,772
Repayment of finance liabilities	29	(377,272)	(15,219)
Paid finance costs relating to finance liabilities	29	(133,275)	(116,924)
Net cash provided by/(used in) financing activities		**(145,547)**	**411,629**
Net change in cash and cash equivalents		**(1,689,394)**	**346,040**
Effect of exchange rate change on cash and cash equivalents		15	5,511
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	27	**(132,578)**	**849,332**

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.

2. Subsidiaries of the Company

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 June 30, 2016	As at December 31, 2015
Subsidiaries held directly and indirectly:				
Play Holdings 3 S. à r. l.	Luxembourg	Holding	merged with Play Holdings 2	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”.

3. Summary of significant accounting policies

3.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" endorsed by the European Union.

The accounting policies applied in these interim condensed consolidated financial statements are consistent with the policies applied in the consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries as at and for the year ended December 31, 2015 and described therein, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2016 as described in Note 3.2.

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.

These interim condensed consolidated financial statements were approved for issuance by the Management Board of the Company on August 4, 2016.

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

The interim condensed 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 as adopted by the European Union requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed below and in Note 3.7.

Going concern

The interim condensed 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 interim condensed 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.

3.2 *New standards, interpretations and amendments to existing standards*

The Group has adopted the following new standards, amendments to standards and interpretations for the six-month period ended June 30, 2016:

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the six-month period ended June 30, 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
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	-	Assessment completed – please see below
IFRS 16: 'Leases'	January 13, 2016	January 1, 2019	Not endorsed yet	-	Assessment completed – please see below

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 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 Unrealised 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 assessed the impact of IFRS 15 'Revenue from contracts with customers' and of IFRS 16 'Leases' on its financial statements.

IFRS 15 Adjustments

For mobile devices sold in bundled packages, the Group currently limits revenue to the amount that is not contingent on the provision of future telecommunications services. That is 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) will be allocated to all products and services – e.g. mobile devices and mobile telecommunications services – based on their relative stand-alone selling prices. This will result in a shift from service revenue to revenue from sales of goods and creation of contract assets, which will include also some items previously presented as trade and other receivables. IFRS 15 requires also reclassification of some items currently presented in deferred income to contract liabilities. Contract liabilities will be then netted off against contract assets on a contract-by-contract basis. The subscriber acquisition and retention costs, comprising sales commissions as well as handset subsidies, are currently capitalized and recognized as intangible assets and amortized in depreciation and amortization. Under IFRS 15 the Group will capitalize solely costs of commissions paid to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized costs of commissions will constitute "contract cost" asset and will be depreciated on a straight-line basis in the operating expenses in the "contract costs, net" line.

IFRS 16 Adjustments

Under current accounting standard IAS 17 'Lease' the Group is required to classify its leases as either finance leases or operating leases and to account for those two types of leases differently. Leases classified as a finance lease (mostly vehicles or computers) are recognized as property, plant and equipment. Rent costs of leases classified as operating leases are expensed. Under the new standard IFRS 16 'Leases', the Group will implement a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group will recognize 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 use of leased assets, currently presented in general and administrative expenses will be capitalized and depreciated in depreciation and amortization. The discount on lease liability will be periodically unwound into finance costs. Assets currently classified as finance lease agreements as well as asset retirement obligation relating to leased property will be reclassified from property, plant and equipment to right-of-use assets.

3.3 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.

3.4 Foreign currency translation

3.4.1 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 interim condensed 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.

3.4.2 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	**June 30, 2016**	**December 31, 2015**
EUR	4.4255	4.2615
GBP	5.3655	5.7862
USD	3.9803	3.9011
XDR	5.5703	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.

3.5 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.

3.5.1 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.

June 30, 2016, unaudited

	Liabilities payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	162,447	-	-	162,447
Notes	252,890	5,076,381	-	5,329,271
Finance lease	22,365	17,116	-	39,481
Other debt	1,156	1,490	-	2,646
	438,858	**5,094,987**	**-**	**5,533,845**

December 31, 2015

	Liabilities payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Notes	243,905	5,015,574	-	5,259,479
Finance lease	22,626	20,887	-	43,513
	266,531	**5,036,461**	**-**	**5,302,992**

3.6 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 3.7.1 and 3.7.3 respectively.

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

3.7 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.

3.7.1 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 June 30, 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 June 30, 2016 has changed in comparison to December 31, 2015.

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

	June 30, 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 June 30, 2016 and relating costs for the six-month period ended June 30, 2016 would be higher by PLN 26,204 thousand.

3.7.2 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.

3.7.3 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%**	**4.39%**	**+0.25%**	**+0.50%**
Option fair value	33,093	26,711	20,563	14,484	8,475
Impact on profit before tax	12,531	6,149	-	(6,079)	(12,088)
Risk free rate	**-0.00%**	**-0.00%**	**0.00%**	**+0.50%**	**+1.00%**
Option fair value	20,563	20,563	20,563	20,288	20,002
Impact on profit before tax	0	0	-	(275)	(560)

Early redemption option embedded in Senior Secured Notes:

Risk factor	**decrease**		**Actual (base)**	**increase**	
Credit spread	**-0.50%**	**-0.25%**	**4.98%**	**+0.25%**	**+0.50%**
Option fair value	28,046	19,530	15,761	13,074	10,423
Impact on profit before tax	12,284	3,769	-	(2,688)	(5,338)
Risk free rate	**-0.00%**	**-0.00%**	**0.00%**	**+1.00%**	**+2.00%**
Option fair value	15,761	15,761	15,761	15,308	14,860
Impact on profit before tax	0	0	-	(453)	(901)

Actual (base) values of risk factors are presented as at June 30, 2016. Actual value for risk free rate is presented as average rate of quoted yields (only those above zero) for full yearly periods from June 30, 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.

3.7.4 Valuation of the assets retirement obligation provision

As at June 30, 2016 the assets retirement obligation provision was calculated using discount rate of 2.66% (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 fixed 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.

3.7.5 Valuation of the installment sales receivables

In the six-month period ended June 30, 2016, the Group has continued to offer installment sales plans for sales of handsets and mobile computing devices. Installment receivables are discounted using current market interest rates applicable for similar transactions.

3.7.6 Deferred tax

As part of the process of preparing the interim condensed 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.

3.7.7 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 June 30, 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 June 30, 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.

3.7.8 Subscriber acquisition and retention costs (SAC)

Costs to acquire or retain subscribers who enter into a fixed term contract are capitalized if the criteria for recognition of intangible assets are met. To verify if it is probable that expected future economic benefits flowing from the customers to the Group exceed the SAC asset's carrying value, the Group estimates the current value of projected future benefits using the pre-tax discount rate equal 10.09% (10.09% as at December 31, 2015), calculated according to IAS 36 "Impairment of Assets".

Useful life and amortization rate of SAC assets relating to 'mix' contracts (contracts for a fixed value / number of top-ups) are estimated as an average contract term based on historical data.

3.7.9 Revenues and cost of sales of mobile devices transferred to dealers

Revenues and related costs regarding handsets and other devices sold without telecommunications service agreements are recognized immediately in statement of comprehensive income in the amount that represents the Group's assumption about the proportion of such sales in total sales of devices to dealers.

Once a year the Group estimates the period that lapses for most of handsets and other devices between the date of transfer of a device from P4 to a dealer and the date of activation of telecommunications services, in relation to which the device was handed out to end customer. If during a period estimated according to this method no service is activated in relation to the device transferred, relating revenue and cost of sales are recognized in statement of comprehensive income, taking into account the assumed amount that has already been recognized in the statement of comprehensive income immediately after the transfer of devices to dealers.

3.7.10 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.

3.7.11 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 June 30, 2016 remained on a level comparable to the level used in comparative period.

3.8 Changes in presentation

The following voluntary changes in accounting policies in relation to presentation of certain items in the balance sheet have been made to the opening balances of as at December 31, 2015:

[1] The Group has changed the presentation of advance payments for handsets deliveries from prepaid expenses to inventories. Such changed presentation better reflects the nature of such advance payments.

[2] 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 (under "Goods in dealers' premises"). 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 (the latter in case the consideration had been paid in advance of dealer's sales to end customer). Such changed presentation better reflects the nature of the relation of the Group with dealers who act as agents.

Impact of changes in presentation on consolidated statement of financial position is presented below:

STATEMENT OF FINANCIAL POSITION	**December 31, 2015 Previous report**	**Change**		**December 31, 2015 Restated**
ASSETS				
Inventories	159,440	52,769	[1], [2]	212,209
Trade and other receivables	1,055,011	(37,742)	[2]	1,017,269
Prepaid expenses	97,073	(52,769)	[1], [2]	44,304
Total current assets	**2,868,325**	**(37,742)**		**2,830,583**
TOTAL ASSETS	**6,862,624**	**(37,742)**		**6,824,882**
EQUITY AND LIABILITIES				
Trade and other payables	982,729	4,616	[2]	987,345
Deferred income	391,626	(42,358)	[2]	349,268
Total current liabilities	**1,648,097**	**(37,742)**		**1,610,355**
TOTAL LIABILITIES AND EQUITY	**6,862,624**	**(37,742)**		**6,824,882**

3.9 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):

	Six-month period ended June 30, 2016	**Three-month period ended June 30, 2016**	**Six-month period ended June 30, 2015**	**Three-month period ended June 30, 2015**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Operating profit	**601**	**275**	**476**	**265**
Add depreciation and amortization	768	393	714	359
Reverse SAC and SRC capitalization	(549)	(272)	(575)	(286)
Add impairment of SAC/SRC asset	22	10	25	14
Add advisory services provided by shareholders	16	8	16	9
Add valuation of retention programs and special bonuses	(14)	9	52	31
Add one-off taxes and fees	-	-	1	1
Add one-off finance and legal services	2	1	1	1
Add one-off cost/(reversal) of provisions	20	20	(11)	(11)
Add cost on valuation of cash denominated in EUR	-	-	(4)	(12)
Add one-off impairment of overdue receivables	13	-	-	-
Add one-off other operating costs	8	6	2	1
Adjusted EBITDA	**887**	**449**	**697**	**374**

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.

4. Property, plant and equipment

	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2016	46	828,990	190,662	942,545	26,097	60,098	2,048,438
Asset retirement obligation	-	3,190	-	-	-	-	3,190
Transfers and reclassifications	-	21,259	8,675	131,346	2,999	7,542	171,821
Disposals	-	(2,706)	(3,446)	(60,355)	(3,874)	(697)	(71,078)
As at June 30, 2016, unaudited	**46**	**850,733**	**195,891**	**1,013,536**	**25,222**	**66,943**	**2,152,371**
Accumulated depreciation							
As at January 1, 2016	4	368,563	133,820	505,502	13,384	34,082	1,055,355
Charge	-	14,170	16,179	71,403	3,539	4,642	109,933
Charge from asset retirement obligation	-	1,061	-	-	-	-	1,061
Disposals	-	(1,392)	(3,386)	(60,037)	(3,861)	(655)	(69,331)
As at June 30, 2016, unaudited	**4**	**382,402**	**146,613**	**516,868**	**13,062**	**38,069**	**1,097,018**
Net book value as at June 30, 2016, unaudited	**42**	**468,331**	**49,278**	**496,668**	**12,160**	**28,874**	**1,055,353**

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 six-month period ended June 30, 2016 the Group has not capitalized any interest expense or exchange rate differences.

As at June 30, 2016 the net book value of computers or telecommunications equipment and motor vehicles recognized under finance leases amounted to PLN 43,613 thousand and PLN 12,112 thousand respectively. These amounts represent used assets as well as assets under construction.

	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2015	46	718,563	175,071	964,390	27,121	49,616	1,934,807
Asset retirement obligation	-	5,309	-	-	-	-	5,309
Transfers and reclassifications	-	52,995	7,107	104,786	2,301	8,718	175,907
Disposals	-	(974)	(13,827)	(116,585)	(1,937)	(762)	(134,085)
As at June 30, 2015, unaudited	**46**	**775,893**	**168,351**	**952,591**	**27,485**	**57,572**	**1,981,938**
Accumulated depreciation							
As at January 1, 2015	4	280,402	116,078	544,169	15,231	37,328	993,212
Charge	-	37,814	13,891	79,172	3,447	4,143	138,467
Charge from asset retirement obligation	-	6,374	-	-	-	-	6,374
Disposals	-	(209)	(13,827)	(116,284)	(1,921)	(729)	(132,970)
As at June 30, 2015, unaudited	**4**	**324,381**	**116,142**	**507,057**	**16,757**	**40,742**	**1,005,083**
Net book value as at June 30, 2015, unaudited	**42**	**451,512**	**52,209**	**445,534**	**10,728**	**16,830**	**976,855**

During the six-month period ended June 30, 2015 the Group has not capitalized any interest expense or exchange rate differences.

As at June 30, 2015 net book value of computers or telecommunications equipment and motor vehicles recognized under finance leases amounted to PLN 52,337 thousand and PLN 10,727 thousand respectively. These amounts represent used assets as well as assets under construction.

5. Intangible assets

Current period:

	Telecommunications licenses	Computer and network software	Goodwill	SAC assets	Other intangible assets	Total
Cost						
As at January 1, 2016	1,061,522	781,608	238,301	2,179,137	30,094	4,290,662
Additions	1,718,433	-	-	548,509	-	2,266,942
Transfers and reclassifications	-	11,932	-	-	4,160	16,092
Disposals	-	(3)	-	(448,972)	-	(448,975)
As at June 30, 2016, unaudited	**2,779,955**	**793,537**	**238,301**	**2,278,674**	**34,254**	**6,124,721**
Accumulated amortization						
As at January 1, 2016	380,388	582,856	-	988,879	21,457	1,973,580
Charge	84,924	42,535	-	528,518	1,503	657,480
Charge correction resulted from reversal of impairment charge	-	-	-	894	-	894
Disposals	-	(3)	-	(423,911)	-	(423,914)
As at June 30, 2016, unaudited	**465,312**	**625,388**	**-**	**1,094,380**	**22,960**	**2,208,040**
Accumulated impairment						
As at January 1, 2016	-	-	-	75,131	-	75,131
Impairment charge	-	-	-	20,934	1,832	22,766
Utilization of impairment charge	-	-	-	(25,060)	-	(25,060)
As at June 30, 2016, unaudited	**-**	**-**	**-**	**71,005**	**1,832**	**72,837**
Net book value as at June 30, 2016, unaudited	**2,314,643**	**168,149**	**238,301**	**1,113,289**	**9,462**	**3,843,844**

Disposals comprise mainly subscriber acquisition and retention costs relating to telecommunications contracts terminated during the period. The transfers recorded during six-month period ended June 30, 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 June 30, 2016 the carrying value of the 2100 MHz license was PLN 141,970 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 June 30, 2016 the carrying value of the 900 MHz license was PLN 108,849 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 June 30, 2016 the carrying value of the 1800 MHz license was PLN 394,965 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 June 30, 2016 the carrying value of the 800 MHz license was PLN 1,452,919 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 June 30, 2016 the carrying value of the 2600 MHz license was PLN 215,940 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.

Comparative period:

	Telecommunications licenses	Computer and network software	Goodwill	SAC assets	Other intangible assets	Total
Cost						
As at January 1, 2015	1,061,522	764,901	238,301	1,949,731	26,402	4,040,857
Additions	-	-	-	575,076	-	575,076
Transfers and reclassifications	-	13,276	-	-	441	13,717
Disposals	-	-	-	(466,133)	-	(466,133)
As at June 30, 2015, unaudited	**1,061,522**	**778,177**	**238,301**	**2,058,674**	**26,843**	**4,163,517**
Accumulated amortization						
As at January 1, 2015	309,688	497,586	-	868,527	21,315	1,697,116
Charge	35,350	50,510	-	482,131	1,538	569,529
Charge correction resulted from reversal of impairment charge	-	-	-	1,095	-	1,095
Disposals	-	-	-	(437,234)	-	(437,234)
As at June 30, 2015, unaudited	**345,038**	**548,096**	**-**	**914,519**	**22,853**	**1,830,506**
Accumulated impairment						
As at January 1, 2015	-	-	-	84,507	-	84,507
Impairment charge	-	-	-	23,950	-	23,950
Utilization of impairment charge	-	-	-	(28,899)	-	(28,899)
As at June 30, 2015, unaudited	**-**	**-**	**-**	**79,558**	**-**	**79,558**
Net book value as at June 30, 2015, unaudited	**716,484**	**230,081**	**238,301**	**1,064,597**	**3,990**	**2,253,453**

6. Assets under construction

	Six-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited
Cost		
As at January 1	395,385	286,447
Additions	292,698	234,871
Radio network	205,221	141,557
Core network and network operations center	31,415	25,192
IT	42,449	33,534
Other capital expenditures	13,613	34,588
Transfers and reclassifications	(187,913)	(189,624)
Disposals	(684)	(50)
As at June 30	**499,486**	**331,644**
Accumulated impairment		
As at January 1	1,849	981
Impairment charge	151	134
Utilization of impairment provision	(592)	-
As at June 30	**1,408**	**1,115**
Net book value as at June 30	**498,078**	**330,529**

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.

7. Long term receivables – debt securities

	June 30, 2016 Unaudited	December 31, 2015
Long term receivables - debt securities		
EUR 8.22% Bonds due in 2020	238,292	153,441
	238,292	**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 8.23% as at June 30, 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.

8. Other long-term receivables

	June 30, 2016 Unaudited	December 31, 2015
Long-term receivables	12,202	12,106
Impairment of long-term receivables	(875)	(972)
	11,327	**11,134**

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

9. 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 3.7.2 and Note 3.7.3).

	June 30, 2016 Unaudited	December 31, 2015
Senior Secured Notes	20,563	8,580
Senior Notes	15,761	10,639
	36,324	**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 was 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 was 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 June 30, 2016, unaudited	20,563	15,761	36,324
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2016, unaudited	**11,983**	**5,122**	**17,105**
Valuation as at January 1, 2015	38,948	18,663	57,611
Valuation as at June 30, 2015, unaudited	61,321	17,352	78,673
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2015, unaudited	**22,373**	**(1,311)**	**21,062**

10. Inventories

	June 30, 2016 Unaudited	**December 31, 2015**
Goods for resale	213,475	166,643
Goods in dealers' premises	42,997	34,611
Prepaid deliveries	23,797	18,158
Impairment of goods for resale	(9,480)	(7,203)
	270,789	**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:

	Six-month period ended June 30, 2016 Unaudited	**Six-month period ended June 30, 2015 Unaudited**
Beginning of period	**7,203**	**6,503**
- charged to income statement	3,835	1,919
- utilized	(1,558)	(401)
End of period	**9,480**	**8,021**

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

11. Trade and other receivables

	June 30, 2016 Unaudited	**December 31, 2015**
Trade receivables	1,335,611	1,112,098
Impairment of trade receivables	(122,639)	(97,292)
Trade receivables (net)	**1,212,972**	**1,014,806**
VAT and other government receivables	2,371	2,161
Other receivables	333	302
Other receivables (net)	**2,704**	**2,463**
	1,215,676	**1,017,269**

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:

	Six-month period ended June 30, 2016 Unaudited	**Six-month period ended June 30, 2015 Unaudited**
Beginning of period	**97,292**	**87,596**
- charged to income statement	25,347	9,124
End of period	**122,639**	**96,720**

The amount charged to income statement in the six-month period ended June 30, 2016 comprises a one -off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12,735 thousand due to unfavorable court ruling.

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

12. Prepaid expenses

	June 30, 2016 Unaudited	December 31, 2015
Distribution and selling costs	8,894	9,612
Security deposits paid to UKE	-	20,000
Other	16,867	14,692
	25,761	**44,304**

As of June 30, 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 six-month period ended June 30, 2016.

13. Cash and cash equivalents

	June 30, 2016 Unaudited	December 31, 2015
Petty cash	448	493
Balances deposited with banks:		
Current accounts	27,339	1,555,745
Term deposits with original maturity of less than 90 days	1,435	10
Other cash assets	647	553
	29,869	**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 15.2.

14. 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 June 30, 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.

15. Finance liabilities

	June 30, 2016 Unaudited	December 31, 2015
Long-term finance liabilities		
Long-term notes liabilities	4,500,094	4,333,232
Long-term finance lease	16,698	20,311
Other debt	1,479	-
	4,518,271	**4,353,543**
Short-term finance liabilities		
Short-term bank loans	162,447	-
Short-term notes liabilities	102,928	99,234
Finance lease	21,339	21,383
Other debt	1,139	-
	287,853	**120,617**
	4,806,124	**4,474,160**

15.1 Notes

	June 30, 2016 Unaudited	December 31, 2015
Long-term notes liabilities		
EUR 5.25% Senior Secured Notes due 2019	2,627,227	2,525,394
PLN Floating Rate Senior Secured Notes due 2019	128,903	128,546
EUR 6.5% Senior Notes due 2019	1,181,065	1,135,512
2015 EUR 5.25% Senior Secured Notes due 2019	562,899	543,780
	4,500,094	**4,333,232**
Short-term notes liabilities		
Accrued interest related to notes	102,928	99,234
	102,928	**99,234**

15.1.1 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 15.2.

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 28,073 thousand as at June 30, 2016 (PLN 31,506 thousand as at December 31, 2015). The effective interest rate was 5.77% as at June 30, 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.

15.1.2 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 15.2.

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 1,097 thousand as at June 30, 2016 (PLN 1,454 thousand as at December 31, 2015). The effective interest rate was 5.72% as at June 30, 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.

15.1.3 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 14.

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 13,821 thousand as at June 30, 2016 (PLN 15,092 thousand as at December 31, 2015). The effective interest rate was 7.04% as at June 30, 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.

15.1.4 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 9,712 thousand as at June 30, 2016 (PLN 11,091 as at December 31, 2015). The effective interest rate was 4.57% as at June 30, 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.

15.2 Bank loans

	June 30, 2016 Unaudited	December 31, 2015
Short-term bank loans		
Bank loan - Bank Zachodni WBK	113,915	-
Bank loan - Bank Millennium	48,532	-
	162,447	**-**

15.2.1 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.

15.2.2 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 31, 2017. 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.

15.2.3 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.

15.3 Finance lease liabilities

The maturity of future minimum lease payments under finance lease (contractual undiscounted cash flows) is presented in Note 3.5.1.

All leasing liabilities presented as long-term are payable later than one year and not later than five years.

No contingent rents resulting from finance lease agreements were recognized as an expense and there were no subleases of property, plant and equipment leased under finance lease agreements during the six-month period ended June 30, 2016 and the six-month period ended June 30, 2015.

15.4 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. before merger with Play Holdings 2 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. before merger with Play Holdings 2 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.).

16. Provisions

	June 30, 2016 Unaudited	December 31, 2015
Assets retirement provision	41,854	38,255
Other long-term provisions	8,478	8,217
Short-term provisions	958	996
	51,290	**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	3,714	480	20,433	**24,627**
Decrease:	(115)	(219)	(20,471)	**(20,805)**
- reversal of provisions	(115)	(219)	(38)	**(372)**
- utilization	-	-	(20,433)	**(20,433)**
As at June 30, 2016, unaudited	**41,854**	**8,478**	**958**	**51,290**

	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	5,762	163	28	**5,953**
Decrease:	(314)	(10,873)	(704)	**(11,891)**
- reversal of provisions	(314)	(10,848)	-	**(11,162)**
- utilization	-	(25)	(704)	**(729)**
As at June 30, 2015, unaudited	**37,088**	**11,173**	**977**	**49,238**

17. Retention programs liabilities

During the six-month period ended June 30, 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:

	Six-month period ended June 30, 2016	**Six-month period ended June 30, 2015**	
	VDP Plan 3	VDP Plan 2	VDP Plan 3
As at January 1	**20,443,338**	**12,085,617**	**-**
Granted during the period	-	-	20,240,000
Granted in prior periods (correction)	-	70,601	-
Forfeited during the period	(659,033)	-	-
As at June 30	**19,784,305**	**12,156,218**	**20,240,000**
Exercisable at June 30	-	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	-	(1,709)
Changes in valuation during the period	(14,465)	-
Transferred during the period	(11,083)	11,083
As at June 30, 2016, unaudited	**137,492**	**31,668**
Vested at June 30, 2016	118,687	31,495

	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	-	(8,937)
Changes in valuation during the period	52,550	212
Transferred during the period	(9,214)	9,214
As at June 30, 2015, unaudited	**139,038**	**14,702**
Vested at June 30, 2015	116,850	14,702

18. Trade and other payables

	June 30, 2016 Unaudited	**December 31, 2015**
Trade payables	659,892	680,456
Investment payables	285,771	194,600
Government payables	68,033	109,613
Employee payables	67	35
Other	4,503	2,641
	1,018,266	**987,345**

19. Accruals

Accruals include accruals for bonuses and unused holidays.

20. Deferred income

	June 30, 2016 Unaudited	December 31, 2015
Airtime from pre-paid products	122,485	141,686
Fees related to post-paid contracts	180,508	175,277
Activation fees	37,392	32,305
	340,385	**349,268**

21. Operating revenue

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Service revenue	**2,646,355**	**1,338,831**	**2,381,221**	**1,224,996**
Usage revenue	2,133,827	1,075,009	1,967,609	1,008,721
Retail contract revenue	1,738,217	872,621	1,605,919	818,408
Retail prepaid revenue	320,166	162,023	307,412	159,553
Other revenue	75,444	40,365	54,277	30,759
Interconnection revenue	512,528	263,822	413,612	216,275
Sales of goods and other revenue	**275,171**	**141,889**	**144,934**	**73,504**
	2,921,526	**1,480,720**	**2,526,155**	**1,298,500**

22. Direct costs

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Interconnection costs	(562,811)	(286,948)	(477,301)	(247,517)
National roaming/network sharing	(81,360)	(42,145)	(76,091)	(38,224)
Subscriber acquisition and retention costs not eligible for capitalization	(47,437)	(24,374)	(36,672)	(18,470)
Cost of goods sold	(271,484)	(139,201)	(146,318)	(73,166)
Other direct costs	(72,905)	(38,997)	(77,038)	(38,272)
	(1,035,997)	**(531,665)**	**(813,420)**	**(415,649)**
Subscriber acquisition and retention costs incurred in the period and recognized as intangible assets:				
Subscriber acquisition costs, net	(327,009)	(155,126)	(334,730)	(162,680)
Subscriber retention costs, net	(268,937)	(141,567)	(277,018)	(141,557)
Subscriber acquisition and retention costs capitalized	548,509	272,319	575,076	285,767
	(47,437)	**(24,374)**	**(36,672)**	**(18,470)**

23. General and administrative expenses

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Employee benefits	**(88,514)**	**(60,176)**	**(153,530)**	**(83,140)**
Salaries	(89,844)	(44,923)	(88,114)	(45,535)
Social security	(13,135)	(6,359)	(12,959)	(6,365)
Special bonuses	-	50	388	-
Retention programs	14,465	(8,944)	(52,845)	(31,240)
External services	**(345,674)**	**(173,097)**	**(342,206)**	**(175,678)**
Network maintenance, leased lines, site rent and energy	(123,471)	(62,029)	(115,901)	(58,669)
Advertising and promotion expenses	(98,283)	(49,119)	(99,315)	(50,775)
Customer relations costs	(30,336)	(15,044)	(32,489)	(16,353)
Office and points of sale maintenance	(22,091)	(11,148)	(22,275)	(11,766)
IT expenses	(15,243)	(7,359)	(15,456)	(7,777)
People related costs - cars, trainings and other	(8,149)	(4,850)	(8,843)	(4,841)
Finance and legal services	(8,451)	(3,630)	(8,151)	(4,095)
Advisory services provided by shareholders	(16,020)	(8,222)	(16,058)	(9,434)
Other external services	(23,630)	(11,696)	(23,718)	(11,968)
Taxes and fees	**(32,102)**	**(15,659)**	**(27,668)**	**(14,434)**
	(466,290)	**(248,932)**	**(523,404)**	**(273,252)**

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 six-month period ended June 30, 2016 and the six-month period ended June 30, 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.

24. Other operating income and other operating costs

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Other operating income				
Income from early contract termination	15,594	6,466	13,707	6,892
Gain on disposal of non-current assets	1,603	683	992	556
Reversal of provisions	-	-	10,850	10,848
Exchange rate gains	-	-	1,081	10,619
Interest income on trade receivables and cash	4,839	1,555	5,423	2,386
Other miscellaneous operating income	8,019	4,739	5,479	2,860
	30,055	**13,443**	**37,532**	**34,161**
Other operating costs				
Impairment of SAC asset	(21,828)	(10,260)	(25,045)	(13,851)
Impairment of other non-current assets	(1,984)	(169)	(122)	(46)
Bad debt	(26,975)	(6,636)	(11,013)	(5,626)
Other miscellaneous operating costs	(26,754)	(26,389)	(215)	(148)
Exchange rate losses	(2,679)	(2,644)	-	-
	(80,220)	**(46,098)**	**(36,395)**	**(19,671)**

25. Finance income and finance costs

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Finance income				
Interest income	17,378	9,751	7,169	3,888
Net gain on finance assets at fair value through profit or loss	17,105	28,544	21,062	3,950
Exchange rate gains	-	-	52,921	-
	34,483	**38,295**	**81,152**	**7,838**
Finance costs				
Interest expense, including:	(142,341)	(70,621)	(121,804)	(64,790)
- on finance liabilities valued at fixed rate	*(132,247)*	*(65,377)*	*(114,565)*	*(61,463)*
- on finance liabilities valued at variable rate	*(9,571)*	*(4,963)*	*(6,785)*	*(3,126)*
Exchange rate losses	(163,240)	(153,432)	-	(103,952)
	(305,581)	**(224,053)**	**(121,804)**	**(168,742)**

26. Taxation

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Current tax charge	(69,837)	(65,551)	(6,292)	(2,813)
Deferred tax benefit/(charge)	(61,103)	22,397	(83,736)	(16,394)
Income tax charge	**(130,940)**	**(43,154)**	**(90,028)**	**(19,207)**

Reconciliation between tax base resulting from accounting profit and income tax charge:

	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited	Six-month period ended June 30, 2015 Unaudited	Three-month period ended June 30, 2015 Unaudited
Profit before income tax	**329,502**	**88,848**	**435,444**	**104,334**
Tax calculated at tax rates applicable to profit (19%)	(62,605)	(16,881)	(82,734)	(19,823)
Effect of difference between tax rates in Luxembourg and in Poland	(2,381)	(3,271)	(3,329)	(1,086)
Expenses not subject to tax	(40,960)	(33,012)	(6,379)	(2,432)
Income not subject to tax	9,094	7,020	12,918	4,926
Previous years tax income included in current year accounting profit	-	-	13	22
Adjustments relating to previous years tax	(28,373)	-	(15,729)	(594)
Change in unrecognized deferred tax asset arising from tax losses	(425)	2,170	5,283	(178)
Taxable (income) / costs not included in accounting profit, net	(5,290)	820	-	-
Minimum Luxembourg income tax	-	-	(71)	(42)
Income tax charge	**(130,940)**	**(43,154)**	**(90,028)**	**(19,207)**

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 June 30, 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.

	June 30, 2016 Unaudited	December 31, 2015
Temporary differences:		
net deductible timing differences	635,336	894,927
unutilized tax loss carry-forwards	15,569	69,305
	650,905	**964,232**
Potential deferred income tax net asset arising from:		
net deductible timing differences	120,611	170,024
unutilized tax loss carry-forwards	4,449	13,863
	125,060	**183,887**
Recognized deferred income tax assets	**121,121**	**181,935**
Recognized deferred income tax liability	**(325)**	**(36)**
Not recognized deferred income tax assets	**4,264**	**1,988**

As at June 30, 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.

27. 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.

	June 30, 2016 Unaudited	June 30, 2015 Unaudited
Cash and cash equivalents in statement of financial position	29,869	849,532
Restricted cash	-	(200)
Bank overdrafts	(162,447)	-
Cash and cash equivalents in statement of cash flows	**(132,578)**	**849,332**

28. Changes in working capital and other

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	Unaudited	**Unaudited**
(Increase)/decrease of inventories	(58,580)	3,986
Increase of receivables	(198,024)	(421,426)
(Increase)/decrease of prepaid expenses	4,543	(7,946)
Decrease of payables excluding investment payables	(36,221)	(10,656)
Decrease of accruals	(37,492)	(26,015)
Increase/(decrease) of deferred income	(8,883)	11,016
(Increase)/decrease of long term receivables	(193)	3,139
Increase/(decrease) of other non-current liabilities	(389)	372
	(335,239)	**(447,530)**

29. Cash flows relating to finance liabilities

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	Unaudited	**Unaudited**
Proceeds from finance liabilities		
loans	365,000	-
notes	-	543,772
	365,000	**543,772**
Repayment of finance liabilities		
loans	(365,000)	-
finance lease	(12,272)	(15,219)
	(377,272)	**(15,219)**
Paid finance costs relating to finance liabilities		
- interest	***(131,702)***	***(108,436)***
loans	(3,416)	-
notes	(127,447)	(107,475)
finance lease	(839)	(961)
- other finance costs	***(1,573)***	***(8,488)***
loans	(1,573)	(2,001)
notes	-	(6,487)
	(133,275)	**(116,924)**

30. Commitments

30.1 Operating lease commitments

The future minimum payments payable under non-cancellable operating leases were as follows:

	June 30, 2016 Unaudited	**December 31, 2015**
Liabilities payable within:		
Not later than 1 year	159,152	160,504
Later than 1 year and not later than 5 years	508,571	517,331
Later than 5 years	416,023	433,931
	1,083,746	**1,111,766**

The operating leases relate to: contracts for long-term point of sale rentals and office space rentals, space for base stations and space for telecommunications cabinets at the collocation centers.

30.2 2100 MHz and 900 MHz license requirements

As of the date of issuance of these interim condensed 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.

30.3 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 interim condensed consolidated financial statements, the Group has fulfilled all these obligations.

30.4 800 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.

30.5 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.

31. Contingencies and legal proceedings

31.1 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.

31.2 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 interim condensed 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.

31.3 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 June 30, 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.

32. Related party transactions

32.1 Transactions with Shareholders and with entities related via Shareholders

	June 30, 2016	**December 31, 2015**
	Unaudited	
Long term receivables - debt securities	238,292	153,441
Other long term receivables	25	24
Trade receivables	63	286
Trade and other payables	8,723	1,678

	Six-month period ended June 30, 2016	**Three-month period ended June 30, 2016**	**Six-month period ended June 30, 2015**	**Three-month period ended June 30, 2015**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Advisory services provided by shareholders	(16,020)	(8,222)	(16,058)	(9,434)
Other operating income	373	108	-	-
Recharge of operating costs	70	25	-	-
Other operating costs	(46)	(19)	-	-
Interest income	8,638	5,048	2,062	1,532

32.2 Remuneration of Management and Supervisory Board

Cost of remuneration (including accrued bonuses) of members of Management Boards of Group entities incurred for the six-month period ended June 30, 2016 amounted to PLN 4,449 thousand (PLN 4,449 thousand for the six-month period ended June 30, 2015).

Cost of remuneration of members of Supervisory Board of P4 incurred during the six-month period ended June 30, 2016 amounted to PLN 1,254 thousand (for the six-month period ended June 30, 2015 PLN 1,157 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 17). The valuation of the programs resulted in income of PLN 21,202 thousand for the six-month period ended June 30, 2016 and cost of PLN 46,847 thousand for the six-month period ended June 30, 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.

33. 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, 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 interim condensed consolidated financial statements.