Quarterly Report

for the quarter ended June 30, 2014

Play Holdings 2 S.à r.l.

August 21, 2014

TABLE OF CONTENTS

TABLE OF CONTENTS i

INTRODUCTION ii

INDUSTRY, MARKET AND SUBSCRIBER DATA iii

DEFINITIONS viii

PRESENTATION OF FINANCIAL INFORMATION xi

FORWARD-LOOKING STATEMENTS xiii

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, 2014 11

ANNEX A BRIEF DESCRIPTION OF THE MATERIAL DIFFERENCES IN THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS BETWEEN THE PIK ISSUER AND THE PARENT AND A STATEMENT OF THE PIK ISSUER'S TOTAL DEBT, EBITDA AND CASH INTEREST EXPENSE ON A CONSOLIDATED BASIS A-1

ANNEX B GLOSSARY OF TECHNICAL TERMS B-1

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014 ..... F-1

INTRODUCTION

Play Holdings 2 S.à r.l.

This is the Report of Play Holdings 2 S.à r.l. (the “**Parent**”), 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, the parent company of P4 Sp. z o.o. (“**Play**”).

The Parent is a guarantor of the following notes:

(a) €600,000,000 $5^1/_4$% 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 Issuer**”), 5, rue Guillaume Kroll, L-1882 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 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 Issuer and the Parent and a statement of the PIK 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:

- The Statistical Office of the European Communities ("**Eurostat**");
- 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 2013; unless otherwise indicated, the EC's data should be read as references to the EC's thematic portal, European Commission Information Society;
- The World Bank Group (the "**World Bank**").

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 dated January 24, 2014. 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 (outbound), unit SAC, unit SRC, 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.
prepaid subscribers	We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value.
reported subscriber base...............	We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base.
active subscriber base	We define active subscriber base as the sum of the number of contract subscribers and active prepaid subscribers at the end of a given period. Our active prepaid subscribers are defined as the number of prepaid subscribers who had used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or used or data transmission (and excluding certain other services)).
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

Term	*Usage by Play*
	• 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.
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 where 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.

Term	*Usage by Play*
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 ("average revenue per user")	We define ARPU (or "average revenue per user") as service revenue divided by the average subscriber base in a given period. When presented in this Report, unless otherwise stated, ARPU is calculated based on the average active subscriber base. 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. In our definition of ARPU, 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 activation fees, roaming services rendered to subscribers of other international networks and transit of traffic services. Unless otherwise stated, we calculate ARPU net of any VAT payable.
ARPU (outbound)..........................	We define ARPU (outbound) as total service revenue excluding charges for incoming traffic (interconnection revenue), divided by the average active subscriber base, in a given period. As mentioned above, in our definition of ARPU we do not take into account activation fees, roaming services rendered to subscribers of other international networks and transit of traffic services. We present ARPU (outbound) both for our total subscriber base as well as separately for prepaid and contract subscribers. Unless otherwise stated, we present ARPU (outbound) on a blended basis as the sum of service revenue for contract and prepaid tariff plans divided by the number of months and further divided by the average active subscriber base, in a given period.
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 (by default average active subscriber base, unless otherwise stated) 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.

Term	*Usage by Play*
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.
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.
subscriber retention costs	We define subscriber retention costs as the total costs relating to the contract subscribers renewing their contracts in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device; and (ii) commission costs paid to dealers and our own sales force.
unit SRC	We define unit SRC as the subscriber retention costs 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 B beginning on page B-1.

"Alior".......................................	Alior Bank S.A.
"Alior Bank Loan"	The loan provided by Alior which was repaid in full within the Refinancing and Recapitalization.
"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.
"Company" or "Play"................	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, which account is controlled by the Escrow Agent and secured on a first-priority basis in favor of the Senior Notes Trustee for the benefit of the holders of the Senior Notes.
"Escrow Agent".........................	Citibank, N.A., London Branch.
"Escrow Agreement".................	The agreement dated January 31, 2014 among the Senior Notes Issuer, the Escrow Agent and the Senior Notes Trustee relating to the Escrow Account in which €170.0 million of the net proceeds of the Senior Notes are deposited pending the satisfaction of certain conditions, as described in more detail under "Description of Senior Notes—Escrow Proceeds; Special Mandatory Redemption" section of the Offering Memorandum dated January 24, 2014.
"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 600,000,000 $5^1/_4$% Fixed Rate Senior Secured Notes due 2019 issued within the Refinancing and Recapitalization.
"Floating Rate Senior Secured Notes"....................................	The PLN 130,000,000 Floating Rate Senior Secured Notes due 2019 issued within the Refinancing and Recapitalization.
"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 giving *pro forma* effect to 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 5, rue Guillaume Kroll, L-1882 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 Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.

"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"Millennium Revolving Credit Facility"	Revolving credit line agreement between the Group and Bank Millennium S.A.
"P4BIS"	Glenmore Investments Sp. z o.o., with its registered office at Marszałkowska 142, 00-061 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 429787.
"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 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.
"PIK Issuer"	Play Topco S.A., a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.
"PLN" or "zloty"	Polish zloty, the lawful currency of Poland.
"Refinancing and Recapitalization"	Refers collectively to the issue on January 31, 2014 of EUR 600,000,000 5¼% Senior Secured Notes due 2019, PLN 130,000,000 Floating Rate Senior Secured Notes due 2019, EUR 270,000,000 6½% Senior Notes due 2019, the entry into the Revolving Credit Facility and the application of proceeds therefrom to the repayment of CDB and Alior debt, payments of certain amounts to shareholders of the Parent as well as other use of proceeds as described under "Use of Proceeds" section of the Offering Memorandum dated January 24, 2014.
"Revolving Credit Facility"	PLN 400,000,000 multi-currency revolving facility provided pursuant to an agreement dated 24 January 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.
"Senior Notes"	The $6^1/_2$% senior notes due 2019 issued within the Refinancing and Recapitalization.
"Senior Note Guarantors"	Collectively, the Parent, HoldCo 3, P4BIS, the Company, the Senior Secured Notes Issuer and Play Brand Management Limited.
"Senior Notes Indenture"	The indenture governing the Senior Notes dated as of the Issue Date among, *inter alia*, 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 5, rue Guillaume Kroll, L-1882 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 July 30, 2014 by the PIK Issuer
"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, P4BIS, the Company, the Senior Notes Issuer and Play Brand Management Limited.
"Senior Secured Notes Indenture"	The indenture governing the Senior Secured Notes dated as of the Issue Date among, *inter alia*, the Senior Secured Notes Issuer, the Senior Secured Note Guarantors, the Senior Secured Notes Trustee and the Security Agent.
"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 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.

"Senior Secured Notes Trustee".	Citibank, N.A., London Branch, as trustee for the holders of the Senior Secured Notes.
"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.

PRESENTATION OF FINANCIAL INFORMATION

General

The financial information contained in our consolidated financial results which are contained herein have been prepared in accordance with International Financial Reporting Standards (**"IFRS**") as adopted by the European Union.

The financial information included elsewhere in this Report is not intended to comply with the SEC's reporting requirements.

IFRS differs 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 Senior Secured Notes and Senior Notes dated January 24, 2014 (as a holder of the Senior Secured Notes or the Senior Notes), the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (as a holder of the Senior PIK Toggle Notes) and this Report and the financial information contained in this Report. You should consult your own professional advisors for an understanding of the differences between IFRS, 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 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.

Financial information for the twelve-month period ended June 30, 2014, is taken by adding the financial information for the six-month period ended June 30, 2014, to the financial information for the twelve month period ended December 31, 2013, and deducting the financial information for the six-month period ended June 30, 2013.

The financial information presented in this Report is presented in zloty. For your convenience, we have translated certain zloty amounts for the twelve month period ended June 30, 2014 in this Report into euro. The exchange rate for the convenience translations is PLN 4.1609 per €1.00 which was the National Bank Exchange Rate per euro as of June 30, 2014. You should not view such translations as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.

Non-IFRS Measures

We have included certain non-IFRS financial measures in this Report, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, LHA Adjusted EBITDA, MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin and certain financial ratios.

We define EBITDA as operating profit/(loss) for the period *plus* depreciation and amortization *minus* capitalized subscriber acquisition costs and subscriber retention costs *plus* impairment of subscriber acquisition costs assets and subscriber retention costs assets.

We define Adjusted EBITDA as EBITDA *plus* costs of advisory services provided by shareholders, cost/(income) resulting from valuation of retention programs and certain one-off items.

While the amounts included in EBITDA and Adjusted EBITDA have been derived from our unaudited interim condensed consolidated financial statements, EBITDA and Adjusted EBITDA is not a financial measure calculated in accordance with IFRS.

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 has limitations as an analytical tool. 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 does not reflect any cash requirements for such replacements;

- EBITDA and Adjusted EBITDA does 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 Adjusted EBITDA for the quarter ended March 31, 2014 *plus* Adjusted EBITDA the quarter ended June 30, 2014, 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. We compensate for these limitations by relying primarily on our IFRS results and using non-IFRS measures only supplementally.

We also present MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin under "Management's Discussion and Analysis of Financial Condition and Results of Operations—General regulatory environment." MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin represent our operating revenues, Adjusted EBITDA and Adjusted EBITDA margin, respectively, further adjusted to eliminate the effect of regulatory changes in Mobile Termination Rates ("**MTR**") in order to present our financial performance on a constant basis during the periods presented. These adjustments eliminate the effect of both the asymmetry in the MTRs that we benefited from until January 1, 2013, as well as the further reduction in MTRs for all MNOs, in two steps, with effect from January 1, 2013 and then July 1, 2013. The adjustments are made by applying the current MTR, which since July 1, 2013 has been PLN 0.0429 per minute for domestic voice and PLN 0.05 for domestic SMS to all prior periods, as if such MTR had been in effect in each such period. As the MTR last changed in July 1, 2013, results for the six months ended June 30, 2014 did not require any adjustment. The MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin presented in this Report have not been prepared in accordance with IFRS, and neither the adjustments to the historical financial information nor the resulting financial information has been audited or reviewed in accordance with applicable auditing standards.

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 are not exhaustive. We urge you to read the sections of this Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" as well as "Risk Factors" in the Offering Memorandum of the Senior Secured Notes and Senior Notes dated January 24, 2014 (as a holder of the Senior Secured Notes or the Senior Notes) and the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (as a holder of the Senior PIK 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

On July 8, 2014, the EUR 170.0 million of proceeds of the Senior Notes that were deposited in an escrow account on the issue date of the Senior Notes plus accrued interest were released in connection with an M&A transaction.

On July 8, 2014, the Company distributed EUR 168.3 million of share premium to its shareholders.

On July 29, 2014, the Parent published a supplemental report to provide updates on recent trading and operational results, among other matters. The supplemental report contained certain preliminary results for the six month period ended June 30, 2014. Such information is superseded by the final results for the six month period ended June 30, 2014 published herein. The supplemental report is available to recipients of this Report.

On August 6, 2014, Play Topco S.A. became owner of 100% shares in Play Holdings 1 S. à r. l. 50.3% shares in Play Topco S.A. are owned by Tollerton Investments Limited and 49.7% shares in Play Topco S.A. are owned by NTP Limited.

On August 6, 2014, Play Topco S.A. issued EUR 415.0 million $7^{3}/_{4}\%$ / $8^{1}/_{2}\%$ Senior PIK Toggle Notes due 2020. The Group is not guarantor of these notes.

The Group has not identified any events after the reporting period other than those described above that should be disclosed in the Report.

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 flow of the Group set forth below as of and for the six-month period ended June 30, 2014 and June 30, 2013 have been derived from the unaudited interim condensed consolidated financial statements of the Group as of and for the six-month period ended June 30, 2014, prepared in accordance with IFRS and included elsewhere in this Report. Due to the fact that the contribution of shares in P4 Sp. z o.o. to Play Holdings 2 S. à r. l. was not a business combination and did not result in any change of economic substance of the Group, the unaudited interim condensed consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries are a continuation of the existing consolidated financial statements of P4 Sp. z o.o. and its subsidiaries.

The unaudited interim condensed consolidated financial statements were prepared on a basis consistent with the audited financial statements for the year ended December 31, 2013 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 presented in this Report is presented in Polish zloty in millions. For your convenience, we have translated certain zloty amounts for the twelve month period ended June 30, 2014 in this Report into euro. The exchange rate for the convenience translations is PLN 4.1609 per €1.00, which was the National Bank of Poland’s exchange rate per euro as of June 30, 2014. You should not view such translations as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.

Consolidated Statement of Comprehensive Income

	Six-month period ended		Twelve-month period ended	
	June 30, 2013	June 30, 2014	June 30, 2014	
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
	Unaudited			
Operating revenue	**1,803.8**	**2,040.7**	**3,957.2**	**951.1**
Direct costs	(677.0)	(646.5)	(1,284.7)	(308.7)
General and administrative expenses	(447.6)	(520.5)	(921.6)	(221.5)
Depreciation and amortization	(548.8)	(600.3)	(1,189.7)	(285.9)
Other operating income	20.0	22.0	48.2	11.6
Other operating costs	(36.8)	(24.1)	(74.7)	(17.9)
Operating profit	**113.6**	**271.3**	**534.8**	**128.5**
Finance income	11.7	60.1	70.3	16.9
Finance costs	(157.7)	(171.9)	(156.9)	(37.7)
Profit/(Loss) before income tax	**(32.4)**	**159.5**	**448.3**	**107.7**
Income tax benefit/(charge)	(26.3)	151.2	122.1	29.3
Net profit/(loss) for the period	**(58.7)**	**310.7**	**570.4**	**137.1**
Other comprehensive income for the period	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**(58.7)**	**310.7**	**570.4**	**137.1**

Consolidated Statement of Financial Position

	June 30, 2014	December 31, 2013
	(PLN in millions)	
	Unaudited	
ASSETS		
Non-current assets		
Property, plant and equipment	797.1	747.7
Intangible assets	2,115.4	2,147.2
Assets under construction	410.4	342.7
Prepayments for assets under construction	2.6	1.9
Long term receivables	13.3	13.1
Finance assets at fair value through profit or loss	23.2	-
Deferred tax asset	356.5	187.6
Non-current assets	**3,718.5**	**3,440.1**
Current assets		
Inventories	109.8	125.8
Trade and other receivables	714.9	708.9
Current income tax receivables	0.6	0.6
Prepaid expenses	70.7	55.4
Cash and cash equivalents	285.4	307.5
Other finance assets	707.5	-
Current assets	**1,888.9**	**1,198.2**
TOTAL ASSETS	**5,607.4**	**4,638.3**
EQUITY AND LIABILITIES		
Capital and reserves attributable to shareholders of the Company		
Share capital	0.1	-
Share premium	6,334.0	-
Retained losses	(5,780.2)	-
Total equity	**553.9**	**-**
Non-current liabilities		
Long-term finance liabilities	3,701.9	2,016.0
Long-term provisions	48.6	49.1
Long-term retention programs liabilities	96.9	71.6
Deferred tax liability	4.6	1.6
Other non-current liabilities	10.7	11.5
Non-current liabilities	**3,862.7**	**2,149.7**
Current liabilities		
Short-term finance liabilities	118.1	482.3
Trade and other payables	691.8	670.1
Current income tax payable	14.3	0.1
Accruals	29.0	65.5
Short-term provisions	1.5	1.5
Short-term retention programs liabilities	31.0	-
Deferred income	305.1	307.9
Current liabilities	**1,190.8**	**1,527.3**
TOTAL LIABILITIES AND EQUITY	**5,607.4**	**3,677.1**
Net assets attributable to shareholders of P4 Sp. z o.o.	**-**	**961.2**

Consolidated Statement of Cash Flows

	Six-month period ended June 30, 2013 (PLN in millions)	Six-month period ended June 30, 2014 (PLN in millions)
	Unaudited	
Profit/(Loss) before income tax	**(32.4)**	**159.5**
Depreciation and amortization	548.8	600.3
Interest expense (net)	34.2	140.9
Gain on valuation of finance assets	-	(16.3)
Foreign exchange (gains)/losses	125.5	(6.2)
Gain on disposal of non-current assets	(1.3)	(3.5)
Impairment of non-current assets	27.8	14.9
Change in provisions and retention programs liabilities	19.9	50.9
Changes in working capital and other	37.1	(26.1)
Cash provided by operating activities	**759.6**	**914.3**
Interest received	11.3	8.7
Income tax paid	(0.2)	(0.4)
Net cash provided by operating activities	**770.6**	**922.6**
Proceeds from sale of non-current assets	1.8	4.3
Purchase of fixed assets and intangibles and prepayments for assets under construction	(1,081.9)	(686.9)
Loans given	-	(0.1)
Transfer to other finance assets	-	(720.3)
Net cash used in investing activities	**(1,080.0)**	**(1,402.9)**
Proceeds from finance liabilities	611.3	3,816.0
Distribution of share premium	-	(718.1)
Repayment of finance liabilities	(259.1)	(2,516.9)
Paid finance costs relating to finance liabilities	(46.6)	(123.0)
Transfers from restricted cash	-	134.7
Transfers to restricted cash	(5.8)	-
Net cash provided by financing activities	**299.8**	**592.7**
Net change in cash and cash equivalents	**(9.6)**	**112.4**
Effect of exchange rate change on cash and cash equivalents	0.1	0.2
Cash and cash equivalents at the beginning of the period	**122.4**	**172.6**
Cash and cash equivalents at the end of the period	**112.8**	**285.1**

Other Operating, Financial and Pro Forma Financial Information

	Six-month period ended		Twelve-month period ended	
	June 30, 2013	June 30, 2014	June 30, 2014	
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
	Unaudited			
Adjusted EBITDA[(1)]	293.1	507.7	921.7	221.5
Adjusted EBITDA margin (%)[(1)]	16.2	24.9	23.3	
Total cash capital expenditures[(2)]	652.0	214.0	418.5	100.6
of which license acquisition costs	498.0	-	-	-
Operating cash flows[(3)]	139.0	293.7	503.2	120.9
Free cash flow before financing and non-recurring items[(4)]	175.2	257.3	478.0	114.9

(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 allows us to readily view operating trends and identify strategies to improve operating performance as well as assisting 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:

- We define EBITDA as operating profit/(loss) for the period *plus* depreciation and amortization *minus* capitalized subscriber acquisition costs and subscriber retention costs *plus* impairment of subscriber acquisition costs assets and subscriber retention costs assets.
- We define Adjusted EBITDA as EBITDA *plus* costs of advisory services provided by shareholders, cost/(income) resulting from valuation of retention programs and certain one-off items.
- We define Adjusted EBITDA margin as Adjusted EBITDA divided by operating revenue in the applicable period.

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

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

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

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

EBITDA and Adjusted EBITDA reconciliation

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, 2013	June 30, 2014	June 30, 2014	
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
	Unaudited			
Operating profit	**113.6**	**271.3**	**534.8**	**128.5**
Depreciation and amortization	548.8	600.3	1,189.7	285.9
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(428.0)	(468.6)	(918.1)	(220.6)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	28.2	17.5	43.7	10.5
EBITDA	**262.6**	**420.4**	**850.1**	**204.3**
Costs of advisory services provided by shareholders	10.3	10.8	18.3	4.4
Valuation of retention programs adjustment and costs of special bonuses	20.2	74.8	37.0	8.9
Other one off operating costs	-	1.8	16.3	3.9
Adjusted EBITDA	**293.1**	**507.7**	**921.7**	**221.5**

(a) Under our 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 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. A discussion of our accounting policy relating to capitalized subscriber acquisition costs and subscriber retention costs is discussed in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies, Estimates and Judgments—Recognition of revenue and costs relating to subscriber acquisition and retention."

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

(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. In the year ended December 31, 2013 some retention program agreements were terminated and replaced with special bonuses. Cost of special bonuses is added back to our Adjusted EBITDA.

(e) Other one-off operating costs for the six-month period ended June 30, 2014 comprised finance and legal services relating to Group Refinancing and Recapitalization as well as Group restructuring of PLN 2.1 million, one-off civil law activities tax of PLN 7.2 million on sale of 10.02% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to Glenmore Investments Sp. z o.o., income resulting from decrease of provision for a potential liability towards Competition and Consumer Protection Office (UOKIK) of PLN 4.8 million and income from reversal of impairment of non-current assets of PLN 2.7 million.

EBITDA and Adjusted EBITDA reconciliation for the three-month periods ended March 31, 2014 and June 30, 2014:

	Three-month period ended		Total
	March 31, 2014	**June 30, 2014**	
	(PLN in millions)	**(PLN in millions)**	**(PLN in millions)**
		Unaudited	
Operating profit	**118.4**	**152.9**	**271.3**
Depreciation and amortization	291.4	308.9	600.3
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(219.3)	(249.3)	(468.6)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	6.1	11.4	17.5
EBITDA	**196.5**	**223.9**	**420.4**
Costs of advisory services provided by shareholders	5.2	5.6	10.8
Valuation of retention programs and costs of special bonuses	33.5	41.3	74.8
Other one off operating costs	3.2	(1.4)	1.8
Adjusted EBITDA	**238.3**	**269.4**	**507.7**

For the purposes of this Report, we define LHA Adjusted EBITDA as Adjusted EBITDA of PLN 238.3 million for the three-month period ended March 31, 2014 *plus* Adjusted EBITDA of PLN 269.4 million for the three-month period ended June 30, 2014, multiplied by two. LHA Adjusted EBITDA amounted to PLN 1,015.5 million.

Effects of MTR-adjustment to revenues, costs and Adjusted EBITDA:

	Six-month period ended June 30,	
	2013	**2014**
	(PLN in millions)	**(PLN in millions)**
Operating Revenues	**1,803.8**	**2,040.7**
Of which interconnection revenues	*300.4*	*288.5*
Interconnection revenues at current MTR	*200.5*	*288.5*
Adjustment to interconnection revenues to reflect current MTR(1)	***(99.9)***	***-***
MTR-Adjusted Revenues(1)	**1,703.9**	**2,040.7**
Adjusted EBITDA	293.1	507.7
Of which interconnection costs	*(374.6)*	*(353.7)*
Interconnection costs at current MTR	*(255.7)*	*(353.7)*
Adjustment to interconnection costs to reflect current MTR(1)	***118.9***	***-***
MTR-Adjusted EBITDA(1)	**312.1**	**507.7**
MTR-Adjusted EBITDA Margin(1)	**18.3%**	**24.9%**

(1) Six-month period ended June 30, 2013 has been adjusted to reflect current domestic voice MTR and domestic SMS MTR in effect since July 1, 2013. The adjustments aid comparability between periods by normalizing the reduction in MTRs for all operators during the period, where applicable. As the MTR were last changed on July 1, 2013, results for the six-month period ended June 30, 2014, did not require any adjustment. The MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin presented in this Report have not been prepared in accordance with IFRS, and neither the adjustments to the historical financial information nor the resulting financial information has been audited or reviewed in accordance with applicable auditing standards.

Free Cash Flow Reconciliation

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

	Six-month period ended		Three-month period ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(PLN in millions)
	Unaudited		Unaudited	
Adjusted EBITDA	**293.1**	**507.7**	**192.8**	**269.4**
Non-cash items and changes in provisions(1)	1.9	(3.9)	3.6	(1.4)
Change in working capital(2)	34.5	(32.1)	(71.7)	(3.4)
Cash capital expenditures(3)	(154.0)	(214.0)	(73.5)	(107.9)
Income tax paid	(0.2)	(0.4)	(0.2)	(0.0)
Free cash flow before financing and non-recurring items	**175.2**	**257.3**	**50.9**	**156.6**
Spectrum purchase	(498.0)	-	(498.0)	-
Advisory services fee paid out(4)	(7.7)	6.7	(0.4)	6.7
Retention programmes and special bonuses paid out	(3.8)	(29.2)	(3.8)	-
Cash interest (net) and other financial costs	(35.3)	(114.3)	(15.4)	(13.4)
Proceeds from finance liabilities	611.3	3,816.0	522.3	-
Repayment of finance liabilities	(259.1)	(2,516.9)	(136.9)	(9.0)
Foreign exchange gains / (losses)(5)	13.7	6.5	8.3	(0.2)
Transfers from / (to) restricted cash	(5.8)	134.7	(4.5)	-
Transfer to other finance assets	-	(720.3)	-	-
Distribution of share premium	-	(718.1)	-	-
Civil law activities tax paid	-	(7.2)	-	-
One-off finance & legal services paid	-	(2.8)	-	(2.7)
Loans given	-	(0.1)	-	(0.0)
Net increase (decrease) in cash and cash equivalents	**(9.6)**	**112.4**	**(77.5)**	**138.1**
Effect of exchange rate change on cash and cash equivalents	0.1	0.2	0.3	0.2
Beginning of period cash and equivalents(6)	122.4	172.6	190.0	146.8
End of period cash and equivalents(6)	112.8	285.1	112.8	285.1

(1) Comprising (x) non-cash items include gains/losses on disposal of non-current assets and impairments of non-current assets and (y) change in provisions other than provisions for one-off items, which for the six-month period ended June 30, 2014 was a decrease of provision for a fine imposed by the UOKiK by PLN 4.8 million and for the three-month period ended June 30, 2014, three-month period ended June 30, 2013 and six-month period ended June 30, 2013 was nil.

(2) Excluding change in accruals for special bonus and one-off finance and legal advisory costs 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) Reflects the actual cash outflows relating to payment for advisory services provided by shareholders which may differ from the costs of advisory services provided by shareholders expensed on our statement of comprehensive income in a given period.

(5) Related to realized foreign exchange gains/losses on restricted cash management, valuation of cash and cash equivalents and on currency purchases for repayment of finance liabilities.

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

Capitalization

	Actual			Pro Forma for escrow release[1]		
	PLN in millions	**EUR in millions**[3]	**xLHA Adj. EBITDA**[4]	**PLN in millions**	**EUR in millions**[3]	**xLHA Adj. EBITDA**[4]
Cash and cash equivalents	285.4	68.6	0.28x	285.4	68.6	0.28x
Escrow (short-term investments)[2]	707.5	170.0	0.70x	-	-	-
Revolving Credit Facilities drawn	-	-	-	-	-	-
Finance Leases	50.5	12.1	0.05x	50.5	12.1	0.05x
Senior Secured Notes	2,682.5	644.7	2.64x	2,682.5	644.7	2.64x
of which EUR fixed rate Notes[5]	2,551.2	613.1	2.51x	2,551.2	613.1	2.51x
of which PLN floating rate Notes[5]	131.3	31.6	0.13x	131.3	31.6	0.13x
Secured debt	2,733.0	656.8	2.69x	2,733.0	656.8	2.69x
Net secured debt	**1,740.1**	**418.2**	**1.71x**	**2,447.6**	**588.2**	**2.41x**
Senior Unsecured Notes[5]	1,153.9	277.3	1.14x	1,153.9	277.3	1.14x
Total debt	3,886.9	934.1	3.83x	3,886.9	934.1	3.83x
Net debt	**2,894.0**	**695.5**	**2.85x**	**3,601.5**	**865.6**	**3.55x**

(1) Escrow released in full

(2) Escrow is classified as short-term investment, but is eligible for inclusion in net debt calculation under indenture

(3) Currency exchange rate as of June 30, 2014 1 EUR = 4.1609 PLN

(4) LHA Adj. EBITDA as of June 30, 2014 of PLN 1,015 million

(5) Including accrued interest: EUR 600 million $5^1/_4$% Fixed Rate Senior Secured Notes due 2019 – EUR 13.1 million of accrued interest; PLN 130 million Floating Rate Senior Secured Notes due 2019 – PLN 1.3 million of accrued interest; EUR 270 million $6^1/_2$% Senior Notes due 2019 – EUR 7.3 million of accrued interest

Summary of Key Performance Indicators[1]

	Three months ended June 30,		Six months ended June 30,	
	2013	**2014**	**2013**	**2014**
Reported subscribers (thousands)	**9,825.0**	**11,275.1**	**9,825.0**	**11,275.1**
Contract	4,359.6	5,146.9	4,359.6	5,146.9
Prepaid	5,465.4	6,128.3	5,465.4	6,128.3
Net additions (thousands)	**444.9**	**332.0**	**1136.3**	**542.0**
Contract	224.9	223.1	482.9	377.2
Prepaid	220.0	108.8	653.4	164.7
Churn (%)[2]	**2.9%**	**3.3%**	**2.7%**	**3.5%**
Contract	0.6%	0.8%	0.7%	0.8%
Prepaid	4.7%	5.5%	4.3%	5.6%
ARPU (outbound) (PLN)[2]	**30.6**	**31.6**	**30.3**	**31.1**
Contract	44.5	45.6	44.5	45.1
Prepaid[3]	12.6	12.8	12.2	12.4
Data usage per subscriber (MB)[2]	**529**	**719**	**567**	**673**
Contract	826	1,091	892	1,018
Prepaid	142	224	151	215
unit SAC (PLN)				
Contract	314.7	310.6	333.2	318.9
Prepaid	5.9	5.2	5.8	4.8
unit SRC (PLN)	**278.1**	**300.2**	**272.8**	**290.4**

(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 (outbound) and data usage per subscriber on an average monthly basis.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2014

The following discussion and analysis of our financial condition and results of operations is based on the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows as of and for the periods ended June 30, 2014 and June 30, 2013 which have been derived from the interim condensed consolidated financial statements of the Group as of and for the periods ended June 30, 2014 and June 30, 2013 prepared under IFRS, 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 interim condensed 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 interim condensed 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, which differs 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 how these differences might affect the financial statements and information herein.

Certain financial and operational information presented in tables in this section have 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 "Forward-Looking Statements", as well as "Risk Factors" in the Offering Memorandum of the Senior Secured Notes and Senior Notes dated January 24, 2014 (as a holder of the Senior Secured Notes or the Senior Notes) and the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (as a holder of the Senior PIK Toggle Notes). See "Industry, Market and Subscriber Data" for a discussion of how we define and calculate our KPIs.

Introduction

This Report summarizes consolidated financial and operating data derived from the unaudited interim condensed consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries (hereafter, 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. indirectly holds 100% of its principal operating company, P4 Sp. z o.o. ("P4", the "Company") which has been providing mobile telecommunications services since March 16, 2007.

Overview

We are a consumer-focused mobile network operator ("**MNO**") in Poland with approximately 11.3 million subscribers and estimated market share of 19.8% as of June 30, 2014. We have been the clear leader in subscriber net additions in Poland as well as in Mobile Number Portability ("**MNP**") among the MNOs in Poland, where we have acquired above 50% of all reported subscribers porting mobile numbers for the past 21 consecutive quarters as of June 30, 2014. We have been equally effective in delivering a high level of customer service to our subscribers, managing to maintain contract churn rate at very low level. During the three months ended June 30, 2014, we generated total revenues of PLN 1,054.6 million and Adjusted EBITDA of PLN 269.4 million.

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, 2014, contract subscribers share increased to 45.6% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 80.9% of our usage revenues for the six months ended June 30, 2014 were attributable to contract subscribers.

We employ one brand and communications platform across all of our offerings, "PLAY," which is well recognized in the Polish market with broad appeal. "PLAY" was assessed in December 2013 by the daily newspaper *Rzeczpospolita* as the fifth most valuable Polish brand across all industries and by Ipsos as having the highest net promoter score (a ratio measuring the willingness of subscribers to recommend their current provider) of the four major Polish MNOs.

We market our offerings and services primarily through our award-winning nationwide distribution network of approximately 880 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, through which we provide our mobile voice, messaging and data services. Through our own network, we provide coverage to 86% of the Polish population as of June 30, 2014, including 86% 3G coverage and 45% 4G LTE coverage 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, ahead of two other major MNOs, and are continuing to roll-out the network at a fast pace.

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 to continue to grow in each year from 2008 to 2010, with real GDP growth of 3.9% in 2010, 4.5% in 2011, 2.0% in 2012 and 1.6% in 2013, compared to average real GDP growth among the EU countries of 2.0% in 2010, growth of 1.7% in 2011, a decline of 0.4% in 2012 and growth of 0.1% in 2013. With a forecast by Eurostat of real GDP growth of 2.5% in 2014 and 2.9% in 2015, Poland is poised to continue to grow at a faster rate than the estimated EU average with estimated real GDP growth rates of 1.4% in 2014 and 1.9% in 2015. According to the World Bank, Poland was the largest economy in CEE in 2013 with a total GDP of $518 billion 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" for both local currency and foreign currency issuer ratings, with outlook "Stable," and Standard & Poor's Financial Services LLC rated Poland "A−" for foreign currency long-term debt and "A" for local currency long-term debt, with outlook "Stable." As of June 2014, the unemployment rate in Poland is 9.5% compared to 10.2% in the EU according to the 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 we can offer tariff plans under 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 during the periods under review:

	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.

MTRs imposed between operators directly impact revenue from call termination fees, one of the major services provided by us and all other operators in the wholesale market. We receive revenues from other operators for calls terminated on our network (for which we charge termination rates that comprise our interconnection revenue) and we are required to pay fees to other operators for calls terminated on their networks (for which we are charged termination rates, which comprise our interconnection costs).

With respect to SMS, the regulatory effect is a result of self-regulation among the main MNOs.

MTRs are currently at historically low levels after significant reductions in the periods under review. From our inception until the end of 2012, asymmetric MTRs helped reduce our net mobile termination costs and we have had higher mobile termination revenues than mobile termination costs. From January 2013, due to the end of asymmetry in MTRs, our total mobile termination costs were reduced by a lower amount than our mobile termination revenues. However, due to the low level of MTRs, the resulting net difference has been, and we expect will continue to be, immaterial to our business. We believe that the MTRs will remain constant in the medium term, but any further MTR reductions would result in an improving interconnection margin for us, as we expect that our subscribers will generate higher volumes of outgoing than incoming traffic in the medium term. However, the financial impact of the symmetry and gradual reduction in MTRs on our business, financial condition and results of operations will continue to depend on a combination of factors, including the volume of calls made by other operators' subscribers that terminate on our mobile network and the volume of calls by our subscribers which terminate on the networks of other operators.

To provide guidance on what our past results would have been if we had been operating at constant (current) MTRs across all periods, we present below our MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin for periods under review. These adjustments eliminate the effect of reduction in MTRs for all MNOs July 1, 2013. "Regulatory effect" is calculated by applying the current MTR, which since July 1, 2013 has been PLN 0.0429 per minute for domestic voice and PLN 0.05 for domestic SMS to all prior periods, as if such MTR had been in effect in each such period.

We have done this so our presented results are more comparable to other operators and are more representative of current regulatory conditions.

	Six-month period ended June 30,	
	2013	**2014**
	(PLN in millions)	**(PLN in millions)**
Operating Revenues	**1,803.8**	**2,040.7**
Of which interconnection revenues	*300.4*	*288.5*
Interconnection revenues at current MTR	*200.5*	*288.5*
Adjustment to interconnection revenues to reflect current MTR(1)	***(99.9)***	**-**
MTR-Adjusted Revenues(1)	**1,703.9**	**2,040.7**
	293.1	
Adjusted EBITDA(2)		507.7
Of which interconnection costs	*(374.6)*	*(353.7)*
Interconnection costs at current MTR	*(255.7)*	*(353.7)*
Adjustment to interconnection costs to reflect current MTR(1)	***118.9***	**-**
MTR-Adjusted EBITDA(1)	**312.1**	**507.7**
MTR-Adjusted EBITDA Margin(1)	**18.3%**	**24.9%**

(1) Six-month period to June 30, 2013 has been adjusted to reflect current domestic voice MTR and domestic SMS MTR in effect since July 1, 2013. The adjustments aid comparability between periods by normalizing the reduction in MTRs for all operators during the period, where applicable. As the MTR were last changed in July 1, 2013, results for the six months ended June 30, 2014, did not require any adjustment. The MTR-Adjusted Revenues, MTR-Adjusted EBITDA and MTR-Adjusted EBITDA margin presented in this Report have not been prepared in accordance with IFRS, and neither the adjustments to the historical financial information nor the resulting financial information has been audited or reviewed in accordance with applicable auditing standards.

(2) For a reconciliation of Adjusted EBITDA to operating profit/(loss) and a summary of the adjustments, see "Consolidated Financial and Other Information."

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:

	Six months ended June 30,	
	2013	**2014**
Foreign exchange rates		
Zloty per euro (EOP)[1]	4.3292	4.1609
Zloty per euro (average in period)[1][2]	4.1783	4.1757

(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.

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;
- 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 the six months ended June 30, 2013 of PLN 111.8 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 and the Senior 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 will have the option to enter into currency derivative transactions under the terms of the Senior Secured Notes Indenture and Senior Note Indenture.

For more details see "—Qualitative and Quantitative Information on Market Risks—Financial Risks—Currency Risk." For a further discussion of our historical currency risk, see Note 8.5.1 to the interim condensed consolidated financial statements included elsewhere in this Report.

Growth of subscriber base and subscriber retention

According to the CSO, the Polish mobile telecommunications market grew from 52.2 million reported subscribers as of June 30, 2012 (a penetration rate of 136.5%), to 55.5 million reported subscribers (a penetration rate of 143.9%) as of June 30, 2013 and to 56.9 million reported subscribers (a penetration rate of 147.7%) as of June 30, 2014.

The number of our reported subscribers was 7.8 million as of June 30, 2012, 9.8 million as of June 30, 2013 and 11.3 million as of June 30, 2014. The proportion of contract subscribers to total reported subscriber base was 44.3%, 44.4% and 45.6% as of June 30, 2012, 2013 and 2014 respectively.

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, achieving in excess of 50% of MNP market share for the past 21 quarters.

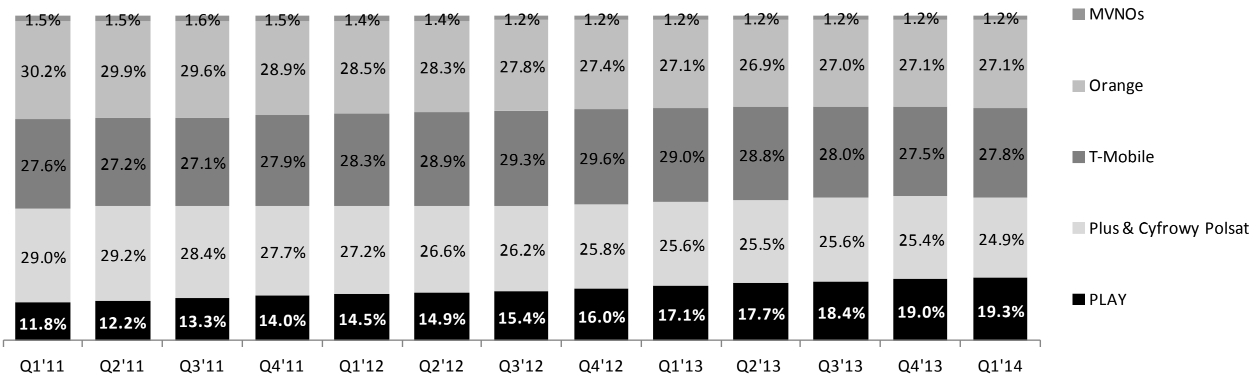
While we continue to seek subscriber growth, we believe that focusing on subscriber retention as well as up-selling and cross-selling offerings and services, including new offerings and services such as our high speed data services provided over our new 4G LTE network, will have a positive impact on 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 with Cyfrowy Polsat, which along with the Group, as of March 31, 2014, held approximately 99% of the reported subscriber market share. Acording to CSO, as of June 30, 2014 the total number of reported mobile subscribers in Poland amounted to 56.9 million, and Play with its 11.3 million reported subscriber base had approximately 19.8% market share. The following chart presents the evolution of respective market shares of the four MNOs in the Polish between first quarter of 2011 and first quarter of 2014.

Evolution of Total Market Share Q1 2011—Q1 2014[1]

(In % of Reported Subscribers)



Source: Operator subscriber numbers as reported in the quarterly accounts of the relevant operators. Total market based on: Monthly Bulletin of the CSO. Plus' subscribers include internet subscribers of Cyfrowy Polsat. Data presented as of the end of each period. As of the date of this Report subscriber numbers of Plus and Cyfrowy Polsat for the second quarter of 2014 were not yet published.

We believe the Polish mobile telecommunications market is well balanced in terms of the relative market share of the largest three 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 3G network, the launch of new services including 4G LTE 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, representing approximately 1% of the market share of subscribers. Additionally, bundling of mobile services with fixed broadband and pay-TV 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 quickly developed our 2G/3G/4G LTE network since the start of our commercial operations.

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 86% of the Polish population as of June 30, 2014, including 86% 3G coverage and 45% 4G LTE coverage, 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.

Our 1800 MHz technology neutral frequency license, acquired in June 2013, requires us to utilize this frequency on 3,200 sites, of which 50% must be in communes of less than 100,000 inhabitants and which we are allowed to achieve by upgrading network equipment on existing sites to use 2G and 4G LTE in the 1800 MHz band and which we are obliged to fulfill by June 2015. We have currently installed 1800 MHz equipment on 2,857 base sites as of June 30, 2014, representing approximately 89% of total requirement. Following this expansion, we believe we will have sufficient capacity to service our expected subscriber base in the medium term, and our capital expenditures required for further upgrades and new sites with respect to the roll-out of our 4G LTE network will be reduced, although any new frequency reservations we acquire could require significant capital outlays and additional investments in our networks.

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.

Recognition of revenue and costs relating to subscriber acquisition and retention

We note that our accounting policies, which are consistent with both IFRS, IAS 18 and IAS 38, under which we capitalize subscriber acquisition costs and subscriber retention costs, differ from the accounting policies of most mobile telecommunications operators in the mobile telecommunications industry, who report subscriber acquisition costs and subscriber retention costs as an expense in the period it is incurred. In our presentation of EBITDA and Adjusted EBITDA, we reverse capitalized subscriber acquisition costs and subscriber retention costs and the impairment of subscriber acquisition costs assets and subscriber retention costs assets and instead expense such costs as incurred in order to aid the comparability of our EBITDA and Adjusted EBITDA with the reported EBITDA of other mobile telecommunications operators. A discussion of our accounting policy relating to capitalized subscriber acquisition costs and subscriber retention costs is discussed in detail in “Critical Accounting Policies, Estimates and Judgments—Recognition of revenue and costs relating to subscriber acquisition and retention.”

In the future, we may decide to change our accounting policy to report subscriber acquisition costs and subscriber retention costs as an expense in the period it is incurred. This may make comparison with prior periods more difficult.

Financial Information

The financial data in this report covers the period from January 1 to June 30, 2014.

Comparative figures for the six-month period ended June 30, 2013 are based on unaudited interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2014. Due to the fact that the contribution of shares in P4 Sp. z o.o. to Play Holdings 2 S. à r. l. was not a business combination and did not result in any change of economic substance of the Group, the unaudited interim condensed consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries are a continuation of the existing consolidated financial statements of P4 Sp. z o.o. and its subsidiaries.

This Report includes certain non-IFRS financial measures, including Adjusted EBITDA, MTR-Adjusted Revenues, MTR Adjusted EBITDA and certain financial ratios. EBITDA is defined as operating profit/(loss) for the period plus depreciation and amortization less capitalized subscriber acquisition and retention costs plus impairment of subscriber acquisition and retention costs assets.

Adjusted EBITDA is defined as EBITDA *plus* costs of advisory services provided by shareholders, cost/(income) resulting from valuation of retention programs and certain one-off items

We believe that Adjusted EBITDA assists 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.

Key Performance Indicators

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,		
	2013	**2014**	**Change**
Reported subscribers (thousands)	**9,825.0**	**11,275.1**	**14.8%**
Contract	4,359.6	5,146.9	18.1%
Prepaid	5,465.4	6,128.3	12.1%

As of June 30, 2014, the total number of our reported subscriber base was approximately 11.3 million, out of which 45.6% were contract subscribers. Our reported subscriber base represents approximately 19.8% of the total number of reported subscribers in the Polish mobile market.

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 4.4 million as of June 30, 2013 to 5.1 million as of June 30, 2014, increasing the share of contract subscribers as a proportion of our total reported subscriber base from 44.4% as of June 30, 2013 to 45.6% as of June 30, 2014 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, 2014, net additions were 332 thousands, which represented a decrease of 25.4% relative to comparable period of 2013 and contract net additions were 223 thousands, representing a decrease of 0.8% relative to comparable period of 2013, indicative of stable growth for the contract subscribers.

For the six months ended June, 2014, net additions were 542 thousands, which represented a decrease of 52.3% relative to comparable period of 2013 and contract net additions were 377.2 thousands representing a decrease of 21.9% relative to comparable period of 2013. The decline in contract net additions is primarily reflective of very strong contract subscriber acquisition in the three months ended March 31, 2013, which is atypical for first quarter of the year, and which was not repeated with the same strength in the three months ended March 31, 2014.

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

	Three months ended June 30,			Six months ended June 30,		
	2013	**2014**	**Change**	**2013**	**2014**	**Change**
Net additions (thousands)	**444.9**	**332.0**	**(25.4%)**	**1136.3**	**542.0**	**(52.3%)**
Contract	224.9	223.1	(0.8%)	482.9	377.2	(21.9%)
Prepaid	220.0	108.8	(50.5%)	653.4	164.7	(74.8%)
Churn (%)[(1)]	**2.9%**	**3.3%**		**2.7%**	**3.5%**	
Contract	0.6%	0.8%		0.7%	0.8%	
Prepaid	4.7%	5.5%		4.3%	5.6%	

(1) We present our churn on a monthly basis.

Monthly contract churn rate has increased slightly to 0.8% in the three months ended March 31, 2014. 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 (outbound) and Contract/Prepaid ARPU (outbound)

The majority of revenues in the Polish mobile telecommunications market is generated by contract subscribers. ARPU (outbound) 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.

In the three month period to June 30, 2014, our ARPU (outbound) was PLN 31.6, up by 3.3% from a comparable period of 2013. The growth was driven by continued growth of high-ARPU contract subscriber share in our total subscriber base as well as to increase in ARPU (outbound) for both contract and prepaid subscribers, driven by our new offerings.

Contract ARPU (outbound) for the six months ended June 30, 2014 amounted to PLN 45.1, an increase by 1.3% compared to the six months ended June 30, 2013, while prepaid ARPU (outbound) for the six months ended June 30, 2014 amounted to PLN 12.4, an increase by 1.6% compared to six months ended June 30, 2013. The increases were a result of strong year on year growth of ARPU (outbound) in the three months ended June 30, 2014 compared to three months ended June 30, 2014, driven by new offerings, while the year on year growth in the three months ended March 31, 2014 was more moderated for both contract and prepaid. The overall ARPU (outbound) in the six months ended June 30, 2014 increased by 2.6% to PLN 31.1 as result of increasing share of contract subscribers in the total subscriber base and ARPU (outbound) increases for both contract and prepaid subscribers.

The following table presents ARPU (outbound) during the periods under review:

	Three months ended June 30,			Six months ended June 30,		
	2013	2014	Change	2013	2014	Change
ARPU (outbound) (PLN)[1]	**30.6**	**31.6**	**3.3%**	**30.3**	**31.1**	**2.6%**
Contract	44.5	45.6	2.5%	44.5	45.1	1.3%
Prepaid[3]	12.6	12.8	1.6%	12.2	12.4	1.6%

(1) Excludes interconnection fees.

Data traffic

Data usage per subscriber increased from 530 MB monthly in the three month period to June 30, 2013 to 719 MB in the three month period to June 30, 2014, representing a growth of 35.9%. This growth can be observed for both contract and prepaid subscribers, and results from increased adoption of 4G LTE smartphones and other devices. The year on year growth in the three months ended March 31, 2014 was less dynamic, resulting in more moderated growth in the six months ended June 30, 2014.

The following table presents a breakdown of data transmission usage:

	Three months ended June 30,			Six months ended June 30,		
	2013	2014	Change	2013	2014	Change
Data usage per subscriber (MB)[1]	**529**	**719**	**35.9%**	**567**	**673**	**18.7%**
Contract	826	1,091	32.1%	892	1,018	14.1%
Prepaid	142	224	57.7%	151	215	42.4%

We expect continued growth in data usage on our network following the launch of 4G LTE in November 2013.

Unit SAC and unit SRC

In the three months ended June 30, 2014 our unit contract SAC amounted to PLN 328.5 and remained stable compared to comparable period of 2013. In the six months ended June 30, 2014 our unit contract SAC amounted to PLN 318.9, a decline by 4.3% compared to PLN 333.2 in the six months ended June 30, 2013. The three months ended March 31, 2013 were a period of intensified commercial activity, characterized by higher unit contract SAC, which allowed us to achieve higher contract net adds in that period.

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,**		
	2013	**2014**	**Change**	**2013**	**2014**	**Change**
unit SAC (PLN)						
Contract	314.7	310.6	**(1.3%)**	333.2	318.9	**(4.3%)**
Prepaid	5.9	5.2	(11.9%)	5.8	4.8	(17.2%)
unit SRC (PLN)	**278.1**	**300.2**	7.9%	**272.8**	**290.4**	6.5%

Our unit SRC generally increased over the same period, as result of our strategic focus on retention and as higher-end smartphones were increasingly used in retention transactions.

Explanation of Key Items from the Consolidated Statement of Comprehensive Income

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

Operating revenue

Operating revenue includes the following:

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

Service revenue

Usage revenue is generated mainly from:

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

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 profit or loss 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 valued in the amount charged to the subscriber. Revenues from sales of goods are recognized when significant risks and rewards (as described in IFRS) associated with the devices sold are transferred to the buyer (subscriber). The revenues from devices sold to dealers are deferred until the device is delivered to the subscriber. Some devices are offered to our subscribers under installment payment plans, under which we recognize the full revenues from sales of devices upfront when the significant risks and rewards associated with the devices sold are transferred to the buyer (subscriber).

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

Direct costs

Direct costs consist of following:

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

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

- Subscriber acquisition costs include 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 are subject to capitalization policy. For a description of this capitalization policy and certain related accounting procedures we have adopted, see "—Critical Accounting Policies, Estimates and Judgments—Recognition of revenue and costs relating to subscriber acquisition and retention." Subscriber acquisition costs which do not meet asset recognition criteria are presented as direct costs.

- Subscriber retention costs include trade commissions paid to dealers as well as to our own sales force and cost of devices relating to subscriber retention and upgrade, net of the price charged to the subscriber. Subscriber retention costs are subject to capitalization policy. For a description of this capitalization policy and certain related accounting procedures we have adopted, see "—Critical Accounting Policies, Estimates and Judgments—Recognition of revenue and costs relating to subscriber acquisition and retention." Subscriber retention costs which do not meet asset recognition criteria are presented as direct costs.

- Costs of goods sold include our purchasing costs for devices. For devices sold with telecommunications contracts we recognize cost of goods sold in the statement of comprehensive income up to the amount of the price charged to the subscriber.

- Other direct 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. However, as we have no means of knowing the exact moment at which the prepaid offerings are delivered to subscribers (given that the vast majority of sales are through independent third-party channels), it is estimated that the distribution services are rendered when prepaid offerings are first activated in our billing system. Distribution costs of prepaid offerings that were not activated after a pre-determined period from the date of delivering the offerings to the distributors are treated as incurred and expensed at that time.

General and administrative expenses

General and administrative expenses consist of the following:

- Employee benefits consist of 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, advisory service fees are paid to entities related to our shareholders up to a maximum amount equal to 0.5% of the Company's total annual operating revenues (and so might increase as our revenues increase), with a cap of PLN 25 million.

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

Other operating income and other operating costs

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

- Other operating costs consists primarily of impairment charges of non- current assets (including subscriber acquisition costs and subscriber retention costs), bad debts, gain or loss on sale of receivables, and other miscellaneous items not included in other general and administrative expenses.

Depreciation and amortization

Amortization and depreciation 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, subscriber acquisition costs assets and subscriber retention costs assets, and other intangible assets.

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

Finance income and finance costs

Finance income includes interest receivable on bank deposits and installment sales of devices, 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.

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. The borrowing costs capitalized are only those incurred during the period of construction or production of qualifying assets. Borrowing costs capitalized include interest expense and exchange rate differences arising from foreign currency borrowings relating to purchases of qualifying assets regarded as an adjustment to interest expense.

Finance income and costs include also effect of valuation of the early redemption options, separated from 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 generated in Polish tax jurisdiction. 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. Tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss *per annum*.

Results of Operations: Comparison of the Six-Month Period Ended June 30, 2014 and the Six-Month Period Ended June 30, 2013

Operating revenue

Operating revenue increased by PLN 237.0 million, or by 13.1 %, from PLN 1,803.8 million for the six-month period ended June 30, 2013 to PLN 2,040.7 million for the six-month period ended June 30, 2014. This increase resulted primarily from the increase in retail contract and retail prepaid usage revenue which was partially offset by the decrease in interconnection revenue as well as decrease in sales of goods and other revenue.

	Six-month period ended		
	June 30, 2013	**June 30, 2014**	**Change %**
	(PLN in millions)		
	Unaudited		
Service revenue	**1,674.4**	**1,941.7**	**16.0**
Usage revenue	1,373.9	1,653.2	20.3
Retail contract revenue	1,101.3	1,336.7	21.4
Retail prepaid revenue	236.7	275.6	16.4
Other revenue	36.0	40.9	13.8
Interconnection revenues	300.4	288.5	(4.0)
Sales of goods and other revenue	**129.4**	**99.0**	**(23.5)**
Operating Revenue	**1,803.8**	**2,040.7**	**13.1**

Retail contract usage revenue

Revenues from retail contract usage revenue increased by PLN 235.5 million, or 21.4 %, from PLN 1,101.3 million for the six-month period ended June 30, 2013 to PLN 1,336.7 million for the six-month period ended June 30, 2014. The increase was primarily due to growth in the reported contract subscriber base by 0.8 million, or 18.1% from June 30, 2013 to June 30, 2014 due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenues from prepaid usage increased by PLN 38.9 million, or 16.4 %, from PLN 236.7 million for the six-month period ended June 30, 2013 to PLN 275.6 million for the six-month period ended June 30, 2014. This increase resulted primarily from growth in the reported prepaid subscriber base by 0.7 million, or 12.1% from June 30, 2013 to June 30, 2014 due to the continued success of our subscriber acquisition strategy.

Other usage revenue

Other usage revenue increased by PLN 5.0 million, or 13.8 %, from PLN 36.0 million for the six-month period ended June 30, 2013 to PLN 40.9 million for the six-month period ended June 30, 2014. This increase resulted primarily from growth in revenues from activation fees by PLN 6.0 million due to increased number of gross additions.

Interconnection revenue

Interconnection revenue decreased by PLN 11.9 million, or 4.0%, from PLN 300.4 million for the six-month period ended June 30, 2013 to PLN 288.5 million for the six-month period ended June 30, 2014, which resulted from reduction of MTRs from PLN 0.0826 for the six-month period ended June 30, 2013 to PLN 0.0429 for the six-month period ended June 30, 2014 which led to decreased interconnection fees paid to us by other operators, though the overall decrease was largely offset by the effect of growing volume of traffic incoming to our network from other network operators, as well as growing volume of transit traffic which passed through our network (but did not originate or terminate on our network).

Sales of goods and other revenue

Revenues from sales of goods and other revenue decreased by PLN 30.4 million, or 23.5%, from PLN 129.4 million for the six-month period ended June 30, 2013 to PLN 99.0 million for the six-month period ended June 30, 2014. This decrease resulted primarily from the decrease in revenue from sales of devices to newly acquired and retained subscribers.

Direct Costs

Direct costs decreased by PLN 30.4 million, or by 4.5%, from PLN 677.0 million for the six-month period ended June 30, 2013 to PLN 646.5 million for the six-month period ended June 30, 2014. This decrease resulted primarily from the decrease in interconnection costs and costs of goods sold.

	Six-month period ended		
	June 30, 2013	**June 30, 2014**	
	(PLN in millions)		**Change %**
	Unaudited		
Interconnection costs	(374.6)	(353.7)	(5.6)
National roaming/network sharing	(98.4)	(95.1)	(3.3)
Subscriber acquisition costs, net	(280.7)	(262.0)	(6.7)
Subscriber retention costs, net	(172.2)	(240.7)	39.8
Subscriber acquisition and retention costs capitalized	428.0	468.6	9.5
Cost of goods sold	(126.2)	(100.6)	(20.3)
Other direct costs	(52.9)	(63.1)	19.3
Direct costs	**(677.0)**	**(646.5)**	**(4.5)**

Interconnection costs

Interconnection costs decreased by PLN 20.9 million, or 5.6%, from PLN 374.6 million for the six-month period ended June 30, 2013 to PLN 353.7 million for the six-month period ended June 30, 2014, which resulted from reduction of MTRs from PLN 0.0826 for the six-month period ended June 30, 2013 to PLN 0.0429 six-month period ended June 30, 2014. This led to a decrease in interconnection costs, though the overall decrease was largely offset by the growth in the volume of voice traffic terminated on other networks which in turn was attributable to an increase in our subscriber base and increased usage per subscriber.

National roaming/Network sharing costs

National roaming/Network sharing costs decreased by PLN 3.3 million, or 3.3%, from PLN 98.4 million for the six-month period ended June 30, 2013 to PLN 95.1 million for the six-month period ended June 30, 2014, which resulted primarily from our new National roaming/Network sharing agreement with T-Mobile, which has offered better commercial terms. We started to migrate the majority of our National roaming/Network sharing traffic from other National roaming/Network sharing providers to T-Mobile on March 25, 2014, and, as of June 30, 2014, T-Mobile carried more than 75% of our National roaming/Network sharing traffic.

Subscriber acquisition costs

Although the number of acquired subscribers increased, subscriber acquisition costs decreased by PLN 18.7 million, or 6.7%, from PLN 280.7 million for the six-month period ended June 30, 2013 to PLN 262.0 million for the six-month period ended June 30, 2014, primarily due to a decrease of our unit contract SAC in the first quarter of 2014 (as a result of increase of SIM-only share in contract gross additions in the first quarter of 2014).

Subscriber retention costs

Subscriber retention costs increased by PLN 68.5 million, or 39.8%, from PLN 172.2 million for the six-month period ended June 30, 2013 to PLN 240.7 million for the six-month period ended June 30, 2014, due to our higher overall number of subscribers, which meant we spent more money on retaining subscribers to avoid them churning, and due to increase in our unit SRC as a result of our strategic focus on retention and as higher-end smartphones were increasingly used in retention transactions.

Cost of goods sold

Cost of goods sold decreased by PLN 25.6 million, or 20.3%, from PLN 126.2 million for the six-month period ended June 30, 2013 to PLN 100.6 million for the six-month period ended June 30, 2014, mainly due to a decrease in cost of sales of devices to newly acquired and retained subscribers.

Other direct costs

Other direct costs increased by PLN 10.2 million, or 19.3%, from PLN 52.9 million for the six-month period ended June 30, 2013 to PLN 63.1 million for the six-month period ended June 30, 2014. This increase resulted primarily from the increase of international roaming costs by PLN 7.8 million, which was a result of an increase in the number of subscribers (and hence a larger number who may travel abroad).

General and administrative expenses

	Six-month period ended		
	June 30, 2013	**June 30, 2014**	
	(PLN in millions)		**Change %**
	Unaudited		
Salaries and social security	(85.3)	(85.8)	0.6
Special bonuses	-	(0.1)	-
Retention programs	(20.2)	(74.7)	270.6
Employee benefits	**(105.5)**	**(160.6)**	**52.2**
Network maintenance, leased lines, site rent and energy	(121.1)	(122.2)	0.9
Advertising and promotion expenses	(71.9)	(80.5)	12.0
Customer relations costs	(38.3)	(34.3)	(10.4)
Office and points of sale maintenance	(20.0)	(20.8)	3.8
IT expenses	(19.6)	(18.0)	(7.8)
People related costs - cars, trainings and other	(9.6)	(8.0)	(16.2)
Finance and legal services	(6.5)	(9.8)	49.8
Advisory services provided by shareholders	(10.3)	(10.8)	4.1
Other external services	(23.4)	(21.8)	(6.9)
External services	**(320.7)**	**(326.1)**	**1.7**
Taxes and fees	**(21.4)**	**(33.8)**	**58.1**
General and administrative expenses	**(447.6)**	**(520.5)**	**16.3**

Total general and administrative expenses increased by PLN 73.0 million, or 16.3%, from PLN 447.6 million for the six-month period ended June 30, 2013 to PLN 520.5 million for the six-month period ended June 30, 2014, primarily due to an increase in retention programs valuation resulting from an increase of Company’s value. Excluding the impact of retention programs valuation, general and administrative expenses increased by PLN 18.4 million, or 4.3%, from PLN 427.4 million for the six-month period ended June 30, 2013 to PLN 445.9 million for the six-month period ended June 30, 2014.

Employee benefits

The cost of salaries and social security for the six-month period ended June 30, 2013 and June 30, 2014 remained flat.

Retention programs

Costs of retention programs increased by PLN 54.5 million, or 270.6 %, from PLN 20.2 million for the six-month period ended June 30, 2013 to PLN 74.7 million for the six-month period ended June 30, 2014. This increase was primarily due increase of Company’s value.

External services

External services costs increased by PLN 5.4 million, or 1.7%, from PLN 320.7 million the six-month period ended June 30, 2013 to PLN 326.1 million for the six-month period ended June 30, 2014. This increase was primarily due to increase in advertising and promotion expenses by PLN 8.6 million, partially off-set by a decrease in customer relation costs by PLN 4.0 million.

Taxes and fees

The cost of taxes and fees increased by PLN 12.4 million, or 58.1%, from PLN 21.4 million for the six-month period ended June 30, 2013 to PLN 33.8 million for the six-month period ended June 30, 2014, primarily due to one-off civil law activities tax of PLN 7.2 million on sale of 10.02% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to Glenmore Investments Sp. z o.o. as well as increase in frequency fees by PLN 2.3 million per quarter due to acquisition of 1800 MHz license in June 2013.

Other Operating Income and Costs

Other operating income increased by PLN 2.0 million, or 9.9%, from PLN 20.0 million for the six-month period ended June 30, 2013 to PLN 22.0 million for the six-month period ended June 30, 2014. This increase resulted primarily from the gain on disposal of non-current assets.

Other operating costs decreased by PLN 12.8 million, or 34.7% for the same period under review. This decrease resulted primarily from a decrease of costs of impairment of SAC assets by PLN 10.8 million and from decrease of provision for potential liability towards Competition and Consumer Protection Office (“UOKiK”) by PLN 4.8 million.

Depreciation and amortization

Depreciation and amortization increased by PLN 51.5 million, or 9.4%, from PLN 548.8 million for the six-month period ended June 30, 2013 to PLN 600.3 million for the six-month period ended June 30, 2014. This increase resulted primarily from an increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets by PLN 37.7 million as well as the commencement of amortization of our 1800 MHz license purchased in June 2013.

Finance Income and Cost

	Six-month period ended June 30, 2013	Six-month period ended June 30, 2014	Change %
	(PLN in millions) Unaudited		
Interest income	11.7	8.4	(28.1)
Interest expense	(45.4)	(149.3)	228.8
- on Notes	-	*(36.0)*	-
- other	*(45.4)*	*(113.4)*	*149.6*
Exchange rate gains/(losses)	(111.8)	12.8	-
Net gain on finance assets at fair value through profit or loss	-	16.3	-
Other financial income/(costs)	(0.5)	-	(100.0)
Financial income and costs	**(146.0)**	**(111.8)**	**(23.4)**

Interest expense

Interest expense increased by PLN 103.9 million, or 228.8%, from PLN 45.4 million for the six-month period ended June 30, 2013 to PLN 149.3 million for the six-month period ended June 30, 2014. This increase resulted primarily from higher average indebtedness as well as write-off of not yet amortized loan origination costs of PLN 28.3 million as well as PLN 12.4 million of break costs related to CBD and Alior bank loans due to the extinguishment of these loans in January 2014.

Exchange rate gains and losses

Results on exchange rate differences changed from exchange rate losses of PLN 111.8 million for the six-month period ended June 30, 2013 to exchange rate gains of PLN 12.8 million for the six-month period ended June 30, 2014. This change resulted mainly from depreciation of the zloty against the euro in the six-month period ended June 30, 2013 compared to appreciation of the zloty against the euro in the period from January 31, 2014 to June 30, 2014 that caused exchange rate losses on the valuation of EUR-denominated bank loans for the six-month period ended June 30, 2013 and exchange rate gains on the valuation of the euro-denominated Senior Secured Notes and Senior Notes issued on January 31, 2014.

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

For the six-month period ended June 30, 2014 there was a gain on finance assets at fair value through profit or loss from the valuation of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture, initially recognized in the three-month period ended March 31, 2014.

Liquidity and Capital Resources

Liquidity

Cash flows

	Six-month period ended	
	June 30, 2013	June 30, 2014
	(PLN in millions)	(PLN in millions)
	Unaudited	
Profit/(Loss) before income tax	**(32.4)**	**159.5**
Depreciation and amortization	548.8	600.3
Interest expense (net)	34.2	140.9
Gain on valuation of finance assets	-	(16.3)
Foreign exchange (gains)/losses	125.5	(6.2)
Gain on disposal of non-current assets	(1.3)	(3.5)
Impairment of non-current assets	27.8	14.9
Change in provisions and retention programs liabilities	19.9	50.9
Changes in working capital and other	37.1	(26.1)
Cash provided by operating activities	**759.6**	**914.3**
Interest received	11.3	8.7
Income tax paid	(0.2)	(0.4)
Net cash provided by operating activities	**770.6**	**922.6**
Proceeds from sale of non-current assets	1.8	4.3
Purchase of fixed assets and intangibles and prepayments for assets under construction	(1,081.9)	(686.9)
Loans given	-	(0.1)
Transfer to other finance assets	-	(720.3)
Net cash used in investing activities	**(1,080.0)**	**(1,402.9)**
Proceeds from finance liabilities	611.3	3,816.0
Distribution of share premium	-	(718.1)
Repayment of finance liabilities	(259.1)	(2,516.9)
Paid finance costs relating to finance liabilities	(46.6)	(123.0)
Transfers from restricted cash	-	134.7
Transfers to restricted cash	(5.8)	-
Net cash provided by financing activities	**299.8**	**592.7**
Net change in cash and cash equivalents	**(9.6)**	**112.4**
Effect of exchange rate change on cash and cash equivalents	0.1	0.2
Cash and cash equivalents at the beginning of the period	**122.4**	**172.6**
Cash and cash equivalents at the end of the period	**112.8**	**285.1**

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 152.0 million, or 19.7% , from PLN 770.6 million for the six-month period ended June 30, 2013 to PLN 922.6 million for the six-month period ended June 30, 2014. The increase was mainly due to the increase in the result before income tax, from loss of PLN 32.4 million for the six-month period ended June 30, 2013 to profit of PLN 159.6 million for the six-month period ended June 30, 2014.

Net cash used in investing activities

Net cash used in investing activities increased by PLN 322.9 million or 29.9%, from PLN 1,080.0 million for the six-month period ended June 30, 2013 to PLN 1,402.9 million for the six-month period ended June 30, 2014. In the six-month period ended June 30, 2013 we purchased 1800 MHz license for PLN 498.0 million. In the six-month period ended June 30, 2014 part of the proceeds from Senior Notes in the amount of PLN 720.3 million were transferred to an escrow account.

Net cash provided by financing activities

Net cash provided by financing activities was PLN 299.8 million for the six-month period ended June 30, 2013 compared to net cash provided by financing activities of PLN 592.7 million for the six-month period ended June 30, 2014. This increase reflects primarily an excess of proceeds from issue of notes over the amount of repayment of bank loans.

Results of Operations: Comparison of the Three-Month Period Ended June 30, 2014 and the Three-Month Period Ended June 30, 2013

Operating revenue

Operating revenue increased by PLN 125.5 million, or by 13.5%, from PLN 929.1 million for the three-month period ended June 30, 2013 to PLN 1,054.6 million for the three-month period ended June 30, 2014. This increase resulted primarily from the increase in retail contract and retail prepaid usage revenue which was partially offset by the decrease in interconnection revenue as well as decrease in sales of goods and other revenue.

	Three-month period ended		
	June 30, 2013	**June 30, 2014**	**Change %**
	(PLN in millions)		
	Unaudited		
Service revenue	**872.7**	**1,003.8**	**15.0**
Usage revenue	710.9	851.9	19.8
Retail contract revenue	567.2	687.8	21.3
Retail prepaid revenue	123.5	145.0	17.3
Other revenue	20.1	19.1	(5.0)
Interconnection revenues	161.8	151.8	(6.2)
Sales of goods and other revenue	**56.5**	**50.9**	**(9.9)**
Operating Revenue	**929.1**	**1,054.6**	**13.5**

Retail contract usage revenue

Revenues from retail contract usage revenue increased by PLN 120.6 million, or 21.3%, from PLN 567.2 million for the three-month period ended June 30, 2013 to PLN 687.8 million for the three-month period ended June 30, 2014. The increase was primarily due to growth in the reported contract subscriber base by 0.8 million, or 18.1% from June 30, 2013 to June 30, 2014 due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenues from prepaid usage increased by PLN 21.4 million, or 17.3%, from PLN 123.5 million for the three-month period ended June 30, 2013 to PLN 145.0 million for the three-month period ended June 30, 2014. This increase resulted primarily from growth in the reported prepaid subscriber base by 0.7 million, or 12.1% from June 30, 2013 to June 30, 2014 due to the continued success of our subscriber acquisition strategy.

Interconnection revenue

Interconnection revenue decreased by 10.0 PLN million, or 6.2%, from PLN 161.8 million for the three-month period ended June 30, 2013 to PLN 151.8 million for the three-month period ended June 30, 2014, which resulted from reduction of MTRs from PLN 0.0826 for the three-month period ended June 30, 2013 to PLN 0.0429 for the three-month period ended June 30, 2014 which led to decreased interconnection fees paid to us by other operators, though the overall decrease was largely offset by the effect of growing volume of traffic incoming to our network from other network operators, as well as growing volume of transit traffic which passed through our network (but did not originate or terminate on our network).

Sales of goods and other revenue

Revenues from sales of goods and other revenue decreased by PLN 5.6 million, or 9.9%, from PLN 56.5 million for the three-month period ended June 30, 2013 to PLN 50.9 million for the three-month period ended June 30, 2014. This decrease resulted primarily from the decrease in revenue from sales of devices to newly acquired and retained subscribers.

Direct Costs

Direct costs decreased by PLN 12.1 million, or by 3.6%, from PLN 340.3 million for the three-month period ended June 30, 2013 to PLN 328.2 million for the three-month period ended June 30, 2014. This decrease resulted primarily from the decrease in interconnection costs.

	Three-month period ended		
	June 30, 2013	June 30, 2014	Change %
	(PLN in millions)		
	Unaudited		
Interconnection costs	(198.2)	(185.4)	(6.5)
National roaming/network sharing	(45.5)	(40.5)	(11.1)
Subscriber acquisition costs, net	(125.8)	(136.4)	8.5
Subscriber retention costs, net	(82.7)	(130.0)	57.2
Subscriber acquisition and retention costs capitalized	195.8	249.3	27.3
Cost of goods sold	(56.1)	(51.8)	(7.7)
Other direct costs	(27.9)	(33.4)	19.9
Direct costs	**(340.3)**	**(328.2)**	**(3.6)**

Interconnection costs

Interconnection costs decreased by PLN 12.8 million, or 6.5%, from PLN 198.2 million for the three-month period ended June 30, 2013 to PLN 185.4 million for the three-month period ended June 30, 2014, which resulted from reduction of MTRs from PLN 0.0826 for the three-month period ended June 30, 2013 to PLN 0.0429 for the three-month period ended June 30, 2014. This led to a decrease in interconnection costs, though the overall decrease was largely offset by the growth in the volume of voice traffic terminated on other networks which in turn was attributable to an increase in our subscriber base and increased usage per subscriber.

National roaming/Network sharing costs

National roaming/Network sharing costs decreased by PLN 5.0 million, or 11.1%, from PLN 45.5 million for the three-month period ended June 30, 2013 to PLN 40.5 million for the three-month period ended June 30, 2014, which resulted primarily from our new National roaming/Network sharing agreement with T-Mobile, which has offered better commercial terms. We started to migrate the majority of our National roaming/Network sharing traffic from other National roaming/Network sharing providers to T-Mobile on March 25, 2014, and, as of June 30, 2014, T-Mobile carried more than 75% of our National roaming/Network sharing traffic.

Subscriber acquisition costs

Subscriber acquisition costs increased by PLN 10.7 million, or 8.5%, from PLN 125.8 million for the three-month period ended June 30, 2013 to PLN 136.4 million for the three-month period ended June 30, 2014, primarily due to increased number of acquired customers in the three-month period ended June 30, 2014 compared to the three-month period ended June 30, 2013.

Subscriber retention costs

Subscriber retention costs increased by PLN 47.3 million, or 57.2%, from PLN 82.7 million for the three-month period ended June 30, 2013 to PLN 130.0 million for the three-month period ended June 30, 2014, due to our higher overall number of subscribers, which meant we spent more money on retaining subscribers to avoid them churning, and due to increase in our unit SRC as a result of our strategic focus on retention and as higher-end smartphones were increasingly used in retention transactions.

Cost of goods sold

Cost of goods sold decreased by PLN 4.3 million, or 7.7%, from PLN 56.1 million for the three-month period ended June 30, 2013 to PLN 51.8 million for the three-month period ended June 30, 2014, mainly due to a decrease in cost of sales of devices to newly acquired and retained subscribers.

Other direct costs

Other direct costs increased by PLN 5.5 million, or 19.9%, from PLN 27.9 million for the three-month period ended June 30, 2013 to PLN 33.4 million for the three-month period ended June 30, 2014. This increase resulted primarily from the increase of international roaming costs by PLN 3.0 million, which was a result of an increase in the number of subscribers (and hence a larger number who may travel abroad).

General and administrative expenses

	Three-month period ended		
	June 30, 2013	**June 30, 2014**	**Change %**
	(PLN in millions)		
	Unaudited		
Salaries and social security	(42.3)	(40.4)	(4.5)
Special bonuses	-	-	-
Retention programs	(12.9)	(41.3)	219.5
Employee benefits	**(55.2)**	**(81.7)**	**47.9**
Network maintenance, leased lines, site rent and energy	(61.2)	(61.1)	(0.1)
Advertising and promotion expenses	(34.3)	(41.8)	21.8
Customer relations costs	(18.4)	(15.7)	(14.9)
Office and points of sale maintenance	(10.1)	(10.5)	3.5
IT expenses	(9.0)	(9.8)	9.3
People related costs - cars, trainings and other	(5.3)	(4.7)	(12.0)
Finance and legal services	(3.6)	(5.1)	40.9
Advisory services provided by shareholders	(6.2)	(5.6)	(9.2)
Other external services	(11.7)	(11.4)	(3.2)
External services	**(159.8)**	**(165.6)**	**3.6**
Taxes and fees	**(10.6)**	**(13.3)**	**25.6**
General and administrative expenses	**(225.6)**	**(260.6)**	**15.5**

Total general and administrative expenses increased by PLN 34.9 million, or 15.5%, from PLN 225.6 million for the three-month period ended June 30, 2013 to PLN 260.6 million for the three-month period ended June 30, 2014, primarily due to an increase in retention programs valuation resulting from an increase of Company's value. Excluding the impact of retention programs valuation, general and administrative expenses increased by PLN 6.6 million, or 3.1%, from PLN 212.7 million for the three-month period ended June 30, 2013 to PLN 219.3 million for the three-month period ended June 30, 2014.

Employee benefits

The cost of salaries and social security decreased by PLN 1.9 million, or 4.5%, from PLN 42.3 million for the three-month period ended June 30, 2013 to PLN 40.4 million for the three-month period ended June 30, 2014. This decrease was primarily due to optimization of the employment structure in the Group.

Retention programs

Costs of retention programs increased by PLN 28.4 million, or 219.5%, from PLN 12.9 million for the three-month period ended June 30, 2013 to PLN 41.3 million for the three-month period ended June 30, 2014. This increase was primarily due to increase of Company's value.

External services

External services costs increased by PLN 5.8 million, or 3.6%, from PLN 159.8 million the three-month period ended June 30, 2013 to PLN 165.6 million for the three-month period ended June 30, 2014. This increase was primarily due to increase of advertising and promotion expenses by PLN 7.5 million, partially off-set by a decrease of customer relation costs by PLN 2.7 million.

Taxes and fees

The cost of taxes and fees increased by PLN 2.7 million, or 25.6%, from PLN 10.6 million for the three-month period ended June 30, 2013 to PLN 13.3 million for the three-month period ended June 30, 2014, primarily due to increase in frequency fees by PLN 2.3 million per quarter due to acquisition of 1800 MHz license in June 2013.

Other Operating Income and Costs

Other operating costs decreased by PLN 3.9 million, or 21.3% for the same period under review. This decrease resulted primarily from a decrease of costs of impairment of SAC assets by PLN 4.2 million and a decrease of impairment of other non-current assets by PLN 2.6 million, partially off-set by increase in the bad debt provision by PLN 3.3 million.

Depreciation and amortization

Depreciation and amortization increased by PLN 34.1 million, or 12.4%, from PLN 274.8 million for the three-month period ended June 30, 2013 to PLN 308.9 million for the three-month period ended June 30, 2014. This increase resulted primarily from an increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets by PLN 20.6 million as well as the commencement of amortization of our 1800 MHz license purchased in June 2013.

Finance Income and Cost

	Three-month period ended		
	June 30, 2013	**June 30, 2014**	
	(PLN in millions)		**Change %**
	Unaudited		
Interest income	6.3	4.0	(37.1)
Interest expense	(23.6)	(58.2)	146.4
- on Notes	-	*(36.0)*	-
- other	*(23.6)*	*(22.2)*	*(6.0)*
Exchange rate gains/(losses)	(69.8)	7.4	-
Net gain on finance assets at fair value through profit or loss	-	11.9	-
Other financial income/(costs)	(0.3)	-	(100.0)
Financial income and costs	**(87.4)**	**(34.9)**	**(60.1)**

Interest expense

Interest expense increased by PLN 34.6 million, or 146.4%, from PLN 23.6 million for the three-month period ended June 30, 2013 to PLN 58.2 million for the three-month period ended June 30, 2014. This increase resulted primarily from higher average indebtedness.

Exchange rate gains and losses

Results on exchange rate differences changed from exchange rate losses of PLN 69.8 million for the three-month period ended June 30, 2013 to exchange rate gains of PLN 7.4 million. for the three-month period ended June 30, 2014. This change resulted mainly from depreciation of the zloty against the euro in the three-month period ended June 30, 2013 compared to appreciation of the zloty against the euro in the three-month period ended June 30, 2014 that caused exchange rate losses on the valuation of EUR-denominated bank loans for the three-month period ended June 30, 2013 and exchange rate gains on the valuation of the euro-denominated Senior Secured Notes and Senior Notes issued on January 31, 2014 for the three-month period ended June 30, 2014.

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

For the three-month period ended June 30, 2014 there was a gain of PLN 11.9 million on finance assets at fair value through profit or loss from the valuation of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture, initially recognized in the three-month period ended March 31, 2014.

Liquidity and Capital Resources

Liquidity

Cash flows

	Three-month period ended	
	June 30, 2013	June 30, 2014
	(PLN in millions)	(PLN in millions)
	Unaudited	
Profit/(Loss) before income tax	**(8.2)**	**118.1**
Depreciation and amortization	274.8	308.9
Interest expense (net)	17.5	54.2
Gain on valuation of finance assets	-	(11.9)
Foreign exchange (gains)/losses	78.1	(7.6)
Gain on disposal of non-current assets	(0.8)	(1.0)
Impairment of non-current assets	15.7	8.9
Change in provisions and retention programs liabilities	13.3	40.7
Changes in working capital and other	(65.9)	7.5
Cash provided by operating activities	**324.6**	**517.6**
Interest received	8.8	4.0
Income tax paid	(0.2)	(0.0)
Net cash provided by operating activities	**333.2**	**521.6**
Proceeds from sale of non-current assets	1.1	0.9
Purchase of fixed assets and intangibles and prepayments for assets under construction	(768.4)	(358.1)
Loans given	-	(0.0)
Transfer to other finance assets	-	-
Net cash used in investing activities	**(767.3)**	**(357.1)**
Proceeds from finance liabilities	522.3	-
Distribution of share premium	-	-
Repayment of finance liabilities	(136.9)	(9.0)
Paid finance costs relating to finance liabilities	(24.3)	(17.4)
Transfers from restricted cash	-	-
Transfers to restricted cash	(4.5)	-
Net cash provided by / (used in) financing activities	**356.6**	**(26.4)**
Net change in cash and cash equivalents	**(77.5)**	**138.1**
Effect of exchange rate change on cash and cash equivalents	0.3	0.2
Cash and cash equivalents at the beginning of the period	**190.0**	**146.8**
Cash and cash equivalents at the end of the period	**112.8**	**285.1**

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 188.4 million, or 56.6%, from PLN 333.2 million for the three-month period ended June 30, 2013 to PLN 521.6 million for the three-month period ended June 30, 2014. The increase was mainly due to the increase in result before income tax, from loss of PLN 8.2 million for the three-month period ended June 30, 2013 to profit of PLN 118.1 million for the three-month period ended June 30, 2014.

Net cash used in investing activities

Net cash used in investing activities decreased by PLN 410.2 million or 53.5%, from PLN 767.3 million for the three-month period ended June 30, 2013 to PLN 357.1 million for the three-month period ended June 30, 2014, primarily due to acquisition of the 1800 MHz license in the three-month period ended June 30, 2013.

Net cash provided by / (used in) financing activities

Net cash provided by financing activities was PLN 356.6 million for the three-month period ended June 30, 2013 compared to net cash used in financing activities of PLN 26.4 million for the three-month period ended June 30, 2014. This change reflects primarily Alior loan drawn down in the three-month period ended June 30, 2013 for the financing of the acquisition of the 1800 MHz license.

Certain other contractual commitments

Operating leases

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

	June 30, 2014	December 31, 2013
	(PLN in millions)	
	Unaudited	
Liabilities payable within:		
Not later than 1 year	132.1	128.6
Later than 1 year and not later than 5 years	311.3	335.5
Later than 5 years	42.5	44.7
	486.0	**508.8**

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

Frequency licenses

We have certain investment obligations in relation to our licenses.

900 MHz and 2100 MHz frequency license requirements

We believe that the Group has met the coverage obligations imposed in the frequency reservation decisions relating to the 900 MHz and 2100 MHz spectrums. We are not aware of any circumstances which may currently give rise to a potential claim in this respect.

1800 MHz license requirements

With respect to the acquisition of the 1800 MHz frequency license, there is a set of regulatory requirements which the Group is required to comply with. These pertain mainly to the realization of investment in the telecommunication network in order to provide mobile telecommunications services using the 1800 MHz band (irrespective of the network technology used) on at least 3,200 sites no later than within 24 months from the date of the frequency reservation, falling on June 17, 2015, of which 2,857 sites were operational as of June 30, 2014. 50% of the investment must be pursued in rural or suburban areas or towns with a population of less than 100,000 people. Additionally, the Group was required to commence the provision of services, which utilize the 1800 MHz frequency, no later than within 12 months from the date of the frequency reservation, which it did. We believe the Group will be able to fulfill all the Group's obligations with respect to the 1800 MHz frequency license.

Contingent liabilities

We have certain contingent liabilities.

Universal service liability to TP S.A.

Pursuant to the Telecommunications Law, the UKE President has the right to issue a decision designating an operator to provide universal services after a tender procedure. Operators whose revenues from telecom activities exceed PLN 4.0 million have to co-finance the provision of universal services. The UKE President decides each operator's share; 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 in terms of revenues with respect to other operators who are obliged to co-fund the universal service. The amount of the share in the funding of the universal service constitutes a deductible cost, as defined by the Act of 15 February 1992 on Corporate Income Tax, OJ No. 74, item 397 from 2011.

The UKE President selected Telekomunikacja Polska S.A. ("**TP S.A.**") as the operator required to provide universal services until May 8, 2011. On May 9, 2011, TP S.A.'s universal service obligation expired. On May 5, 2014, the President of UKE concluded that there were no circumstances to initiate a competitive tender procedure to select a universal service operator.

TP S.A. has applied to the UKE President for compensation of the costs it incurred in connection with the provision of universal service for the period from May 8, 2006 to December 31, 2006 and for the years 2007-2009, 2010 and 2011 (from January 1, 2011 to May 8, 2011). The administrative and court proceedings and decisions relating to TP S.A.'s application are discussed in Note 37.2 to our interim condensed consolidated financial statements included elsewhere in this Report.

The outcome of these proceedings will have no impact on the amount of the Group's required contribution. The initial decision relating to the Group's contribution to universal service for the year 2007 is expected by the end of November 2014, whereas decisions relating to the Group's contribution to universal service for the years 2008, 2009, 2010 are expected no sooner than in first quarter of 2015 and for the year 2011 no sooner than in second quarter of 2015. This may entail a subsidy to be paid by the Group. The required contribution amount will not be affected by the results of the compensation proceedings filed by TP S.A.

Based on the court decisions thus far, the Group prepared the estimation of the Group's share in the universal service contributions for the years 2006-2009, 2010 and 2011. Accordingly the provision has been recognized in the interim condensed consolidated financial statements included elsewhere in this Report.

Off-Balance Sheet Arrangements

As of June 30, 2014, 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. 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.

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, substantially all of our borrowings are denominated in euro (other than indebtedness under the Floating Rate Senior Secured Notes, our finance leases and amounts under the Revolving Credit Facility drawn in zloty). Certain of our operating costs are in euros and other currencies other than zloty (in particular in U.S. dollars). 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 will have the option to enter into currency derivative transactions under the terms of the Senior Secured Notes Indenture and Senior Note Indenture. For a discussion of our historical approach to currency risk, see Note 8.5.1 of the unaudited interim condensed consolidated financial statements included elsewhere in this Report.

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 offered hereby (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, 2014. We currently do not envisage entering into any transactions to hedge any potential exposure to changes in interest rates. However, we will have the option to enter into interest rate derivative transactions under the terms of the Senior Secured Notes Indenture and Senior Note Indenture.

For a discussion of our historical approach to interest rate risk, see Note 8.5.2 of the unaudited interim condensed consolidated financial statements included elsewhere in this Report.

Credit risk

Except as described below, the Group has no significant concentrations of credit risk because the Group has an extensive portfolio of receivables of low individual amounts.

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.

As of December 31, 2013, 6.6%, of our receivables were attributable to aggregate receivables generated by three major debtors (other than individual subscribers) to which we provide services or sell goods. We constantly review the creditworthiness of these counterparties to limit any potential losses.

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 and other working capital facilities which we may enter into in accordance with the Senior Secured Notes Indenture and Senior Note Indenture.

The table below presents the maturity of bonds, bank loans and finance lease 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. Values are not discounted.

June 30, 2014, unaudited				
PLN in millions	**Liabilities payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	0.0	-	-	0.0
Notes	213.5	4,633.0	-	4,846.5
Finance lease	33.3	19.4	-	52.8
	246.8	**4,652.5**	**-**	**4,899.3**

December 31, 2013				
PLN in millions	**Liabilities payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	533.4	2,137.9	-	2,671.3
Finance lease	36.6	25.5	-	62.1
	570.0	**2,163.4**	**-**	**2,733.4**

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.

For a discussion of our historical approach to liquidity risk, see Note 8.5.3 of the unaudited interim condensed consolidated financial statements included elsewhere in this Report.

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 8.7 to our unaudited interim condensed consolidated financial statements included elsewhere in this Report. An expanded discussion of the accounting policy of the Group as it relates to capitalized subscriber acquisition costs and subscriber retention costs is set forth below.

Recognition of revenue and costs relating to subscriber acquisition and retention

Current accounting policy of the Group

As further set forth in Note 8.7.8 (Critical accounting estimates and judgments—Subscriber acquisition and retention costs) to our unaudited interim condensed consolidated financial statements included elsewhere in this Report, subscriber acquisition costs and subscriber retention costs relating to subscriber contracts and MIX contracts (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) are capitalized in the month of service activation in accordance with International Accounting Standard 38 ("**IAS 38**").

The capitalized components of subscriber acquisition costs and subscriber retention costs include the following:

- the subsidy granted to subscriber for the price of a handset or other device, *i.e*., cost of sales of handset or other device less the amount charged to subscriber;
- commission on sale; and
- dispatch cost directly attributable to a contract.

The subscriber acquisition costs and subscriber retention costs are capitalized and recognized as intangible assets (based on IAS 38) if:

- such costs are identifiable and controlled;
- such costs can be measured reliably;
- there is a contract binding the subscriber for a specific period; and
- it is probable that future economic benefits will flow from the subscribers to the Group. Future economic benefits include cash inflows from the telecommunications services contract received over the contract term, as well as cash inflows from fees for early contract termination, for which the Group has a historical record of good collectability, either through customers payments or sale to collection agencies.

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

Subscriber acquisition costs assets and subscriber retention costs assets are amortized over the contract term or average MIX contract term.

When the subscriber enters into a retention contract before the term of the previous contract expires (which means that the subscriber acquisition costs assets and subscriber retention costs assets has not been fully amortized), the new asset is recognized in the 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. The amortization period of the asset relating to previous contract is shortened to be in line with the actual contract term.

Subscriber acquisition costs assets and subscriber retention costs assets are impaired if the provision of services to the subscriber is suspended in relation to collection procedures or if the asset's carrying value exceeds the projected discounted cash flows relating to the contract. Although the capitalization of the subscriber acquisition and retention costs may not be regarded as a prevalent practice among mature mobile operators, we believe that in the case of operators with a growing subscriber base, the above-mentioned accounting policy will result in information that is more useful for evaluation of past, present or future events by users of financial statements and better reflects our plans.

Beginning on from January 1, 2011, the Group has included commissions payable to employees for activation of MIX contracts in subscriber acquisition costs assets and subscriber retention costs assets (previously commissions were presented in the statement of comprehensive income as employee benefits). The Group has not applied the above policy for previous years' subscriber acquisition costs and subscriber retention costs calculations because of certain technical limitations in analysis and because the effect of this change on the previous years' financial statements is expected to be immaterial.

Accounting policy in relation to capitalized subscriber acquisition costs and subscriber retention costs of other mobile telecommunications operators and under IFRS

As discussed above, we have capitalized subscriber acquisition costs and subscriber retention costs in our historical audited consolidated financial statements and in our historical unaudited condensed consolidated interim financial statements presented in this Report. This practice is one of the alternatives that may be used under the IFRS framework and is compliant with both IFRS, IAS 18 and IAS 38. We believe that, as the Group is in the business of providing telecommunications services rather than selling handsets or other devices, capitalizing subscriber acquisition costs and subscriber retention costs accurately reflects the economic substance of the transaction (whereby the Group attracts new, and retains existing, subscribers by offering the handsets below cost, and profits are recouped over the life of the contract through the provision of telecommunications services).

We understand that the accounting policies relating to capitalized subscriber acquisition costs and subscriber retention costs stated above are no longer regarded as the prevalent practice among mature mobile telecommunications operators. Mature mobile telecommunications operators elect to expense subscriber acquisition costs and subscriber retention costs immediately rather than capitalizing such subscriber acquisition costs and subscriber retention costs over the life of a subscriber's contract (the ''Alternative Policy''). As a result, the Group's historical results may differ from those of other mobile telecommunications operators that apply the Alternative Policy.

Based on an initial assessment of the recently published IFRS 15 ''Revenue from Contracts with Customers'' effective for annual periods beginning on or after January 1, 2017 (not yet endorsed by the European Union), we believe we will be required to change our policies in some respects. We will be required to expense some subscriber acquisition costs and subscriber retention costs in the period in which they are incurred, in particular, we will be required to expense the cost of devices relating to newly acquired or retained subscriber connections, while we may continue to capitalize trade commissions. When we adopt the new standard, we will need to retroactively restate our financial results, which will cause the restated financials to vary from our existing financials.

Retention programs

We have in place a series of management and employee retention programs for our key personnel.

Valuation of the liabilities relating to retention programs

Play's fair value is the main input used for the valuation of retention program liabilities. The fair value of the Group as at June 30, 2014 was established using the multiply method on the basis of business projections for years 2014 - 2016.

The estimated fair value of the Group as at June 30, 2014 has changed in comparison to December 31, 2013.

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

	June 30, 2014	December 31, 2013
Liquidity event date	December 31, 2017	December 31, 2017
Volatility	30%	30%
Probability that liquidity event will not occur till Liquidity event date mentioned above	40%	40%

Retention program liabilities

During the six-month period ended June 30, 2014, the Play Group operated cash-settled share-based retention programs. A brief summary of these retention programs is set forth below. Please also see "Management—Remuneration and Benefits." For a more detailed description, see note 22 to our unaudited consolidated financial statements included elsewhere in this Report.

EGA MB Plan

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2006 and 2007. In accordance with the conditions of the EGA MB Plan upon disposal of shares by the current shareholders (a liquidity event), including the following transactions: sale of shares, initial public offering, cancellation or redemption of shares, at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as granted percentage of the liquidity event price corrected by excess equity contributions, if they have not resigned or been dismissed by the Group during the vesting period. In the case of the distribution of equity to shareholders program members are entitled to receive additional payments. Percentage granted under the plan was 2.25% as at June 30, 2014 (2.25% as at December 31, 2013). As at June 30, 2014 share appreciation rights of the EGA MB Plan have already vested.

P4 has option to settle the plan in equity, but intends to settle the plan in cash.

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

PSA 1 Plan

Under the PSA 1 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2009. In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as granted percentage of the liquidity event price above base value defined in the agreement, if they have not resigned or been dismissed by the Group during the vesting period. Percentage granted under the plan was 2.25% as at June 30, 2014 (2.25% as at December 31, 2013). As at June 30, 2014 share appreciation rights of the PSA 1 Plan have already vested.

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

PSA 2 Plan

Under the PSA 2 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the PSA 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under PSA 3 Plan. The amount paid under PSA 2 Plan cannot be greater than the limit set in agreement. Percentage granted under the plan was 0.75% as at June 30, 2014.

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

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

PSA 3 Plan

Under the PSA 3 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the PSA 3 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts defined in agreement.

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

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

SF 1 Plan

Under the SF 1 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the SF 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program member is entitled to receive amount defined in agreement.

The SF 1 Plan vests: 20% on April 1, 2013, 20% on April 1, 2014, 20% on April 1, 2015, 20% on April 1, 2016, 20% on April 1, 2017 (or when liquidity event occurs) if the program member has not resigned or been dismissed by the Group until these dates.

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

SF 2 Plan

Under the SF 2 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member is entitled to receive amount calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under SF 1 Plan. The amount paid from SF 2 Plan cannot be greater than the limit set in agreement. Percentage granted under the plan was 0.20% as at June 30, 2014.

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

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

Amendments to PSA 1, PSA 2, PSA 3, SF 1 and SF 2

Under the amendments signed on January 31, 2014 in case of the distribution of equity to shareholders program members are entitled to receive irrevocable advance payment calculated as advance payment percentage of the distribution. In case of liquidity event the advance payments will reduce the payments from the programs.

EGA Employees Plan

Under the EGA Employees Plan the members of the Group's Key Personnel were granted share appreciation rights by P4

during years 2007 and 2008. In April 2014 the program was modified: the percentage granted under the plan was transformed into rights to remuneration dependent on the Group's performance in 2014, rights to remuneration dependent on the Group's performance in 2016 and share appreciation rights. In accordance with the conditions of the EGA Employees Plan, upon the disposal of shares by the current shareholders (a liquidity event) before June 30, 2016, at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions. The number of rights granted to the Group's Key Personnel under the plan was 29 as at June 30, 2014 (which is the equivalent of a percentage of 0.29% before the program modification; as at December 31, 2013 the percentage granted was 0.58%). If there is no change of control over P4 until June 30, 2016, program members will be entitled to remuneration dependent on the Group's performance, decreased by earlier payouts resulting from previous liquidity events.
The EGA Employees Plan vests when a liquidity event occurs and on payout dates i.e. July 31, 2014 and July 31, 2016 provided that the program member has not resigned or been dismissed by the Group until these dates.

P4 has option to settle the plan in equity, but intends to settle the plan in cash.

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

The EGA Employees Plan was modified in April 2014.

VDP 1

Under the VDP 1 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2010 and 2011. In accordance with the conditions of the VDP 1, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right, if they have not resigned or been dismissed by the Group before liquidity event date or by the end of the program. The value of one right was calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2012. Therefore value of one right was calculated taking into account the increase in fair value of P4's equity until December 31, 2012.

Amounts due under VDP 1 plan were paid out to program members in the year ended December 31, 2013 and in the six-month period ended June 30, 2014.

VDP 2

Under the VDP 2 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2013. In accordance with the conditions of the VDP 2, the program members are entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right is calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ends on December 31, 2014.

The VDP 2 vests proportionally from grant date to the date when program ends if the program member has not resigned or been dismissed by the Group until this date.

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

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 Senior Secured Notes and Senior Notes 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 does not reimburse the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes it was concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that it reimburses the lost interest. 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 for accounting and valuation purposes.

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 Bund rate, i.e. applicable for government bonds of Germany (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.

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.

Valuation of the assets retirement obligation provision

As at June 30, 2014 the assets retirement obligation provision was calculated using discount rate of 3.36% (4.36% as at December 31, 2013), representing interest rate of long-term treasury bonds as at that date.
The discount period equals the term of grant period of telecommunications licenses, i.e. December 31, 2027 (December 31, 2027 as at December 31, 2013).

Valuation of the installment sales receivables

Since 2012 we have offered installment sales plans for the sales of tablets, smartphones and other mobile computing devices. Installment receivables are discounted using current market interest rates applicable for similar transactions at the date of the transaction. Installment sales constitute an insignificant portion of our sales.

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.

Impairment of the Group's long-lived assets

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at each end of the 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. No impairment indicators were identified as at June 30, 2014.

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, 2013. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations used financial projections based on the Play Group's latest available business plan for the years 2014-2018.

The 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, 2013. 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 combination of extensive, modern and cost-efficient own 2G/3G/4G LTE telecommunications network and nation-wide coverage provided to its customers via national roaming/network sharing agreements with incumbent 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 subsidy, 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, 2014, 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.

Subscriber acquisition and retention costs (SAC)

Costs to acquire or retain subscribers that 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 12.29% (12.29% as at December 31, 2013), calculated according to IAS 36 "Impairment of Assets".

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

Revenue and cost of sales of devices transferred to dealers

Revenues and related costs regarding handsets and other devices sold without telecommunications service agreement 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 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.

Deferred charges—distribution costs of prepaid products

Distribution costs 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 is unable to maintain records concerning the exact moment at which the prepaid products are delivered to end-users, 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.

Impairment of billing receivables

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods. The collectability ratio used for calculation as at June 30, 2014 is higher than in previous periods. There have been no other changes to the assumptions made by the Group as at June 30, 2014.

ANNEX A
BRIEF DESCRIPTION OF THE MATERIAL DIFFERENCES IN THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS BETWEEN THE PIK ISSUER AND THE PARENT AND A STATEMENT OF THE PIK ISSUER'S TOTAL DEBT, EBITDA AND CASH INTEREST EXPENSE ON A CONSOLIDATED BASIS

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 and as such did not carry any business activity in the six months ended June 30, 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).

1. EBITDA reconciliation

The table below presents pro forma reconciliation of EBITDA and Adjusted EBITDA of Play Topco S.A. and Play Holdings 2 S. à r. l. for the six months ended June 30, 2014 and for the three months ended June 30, 2014. The differences arise from business activity of Play Holdings 1 S. à r. l.

Six-month period ended June 30, 2014, PLN in millions, unaudited	Play Holdings 2 consolidated	Play Topco bridge	Play Topco consolidated
Operating revenue	**2,040.7**	-	**2,040.7**
Direct costs	(646.5)	-	(646.5)
General and administrative expenses	(520.5)	(0.1)	(520.6)
Depreciation and amortization	(600.3)	-	(600.3)
Other operating income	22.0	-	22.0
Other operating costs	(24.1)	-	(24.1)
		-	
Operating profit	**271.3**	**(0.1)**	**271.2**
Depreciation and amortization	600.3	-	600.3
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(468.6)	-	(468.6)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	17.5	-	17.5
EBITDA	**420.4**	**(0.1)**	**420.3**
Costs of advisory services provided by shareholders	10.8	-	10.8
Valuation of retention programs adjustment and costs of special bonuses	74.8	-	74.8
Other one off operating costs	1.8	0.0	1.8
Adjusted EBITDA	**507.7**	**(0.1)**	**507.7**

Three-month period ended June 30, 2014, PLN in millions, unaudited	Play Holdings 2 consolidated	Play Topco bridge	Play Topco consolidated
Operating revenue	**1,054.6**	**-**	**1,054.6**
Direct costs	(328.2)	-	(328.2)
General and administrative expenses	(260.6)	(0.0)	(260.6)
Depreciation and amortization	(308.9)	-	(308.9)
Other operating income	10.3	-	10.3
Other operating costs	(14.4)	-	(14.4)
		-	
Operating profit	**152.9**	**(0.0)**	**152.9**
Depreciation and amortization	308.9	-	308.9
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(249.3)	-	(249.3)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	11.4	-	11.4
EBITDA	**223.9**	**(0.0)**	**223.9**
Costs of advisory services provided by shareholders	5.6	-	5.6
Valuation of retention programs adjustment and costs of special bonuses	41.3	-	41.3
Other one off operating costs	(1.4)	0.0	(1.4)
Adjusted EBITDA	**269.4**	**(0.0)**	**269.4**

2. 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, 2014, pro forma for escrow release and issuance of €415,000,000 $7^{3}/_{4}$% / $8^{1}/_{2}$% Senior PIK Toggle Notes due 2020 and distribution of net proceeds to shareholders.

Pro Forma Consolidated Capitalization of Play Topco S.A.

	Pro Forma for escrow release[1] and issuance of €415,000,000 $7^{3}/_{4}$% / $8^{1}/_{2}$% Senior PIK Toggle Notes due 2020 and distribution of net proceeds to shareholders		
	PLN in millions	**EUR in millions[2]**	**xLHA Adj. EBITDA[3]**
PLAY HOLDINGS 2 S. À R. L.			
Cash and cash equivalents	285,4	68,6	0,28x
Escrow (short-term investments)	-	-	-
Revolving Credit Facilities drawn	-	-	-
Finance Leases	50,5	12,1	0,05x
Senior Secured Notes	2.682,5	644,7	2,64x
of which EUR fixed rate Notes[4]	2.551,2	613,1	2,51x
of which PLN floating rate Notes[5]	131,3	31,6	0,13x
Secured debt	2.733,0	656,8	2,69x
Net secured debt	**2.447,6**	**588,2**	**2,41x**
Senior Unsecured Notes[6]	1.153,9	277,3	1,14x
Total debt	3.886,9	934,1	3,83x
Net debt	**3.601,5**	**865,6**	**3,55x**
LHA Adjusted EBITDA as of June 30, 2014[7]	**1.015,5**	**244.1**	
PLAY TOPCO S.A. – PRO FORMA			
Pro forma PIK notes	1.726,8	415,0	**1,70x**
Pro forma total debt	5.613,6	1.349,1	**5,53x**
Pro forma net debt	5.328,3	1.280,6	**5,25x**
Pro forma LHA Adjusted EBITDA as of June 30, 2014[8]	**1.015,3**	**244.0**	

(1) Escrow released in full

(2) Currency exchange rate as of June 30, 2014 1 EUR = 4.1609 PLN

(3) LHA Adj. EBITDA as of June 30, 2014

(4) EUR 600 million $5^{1}/_{4}$% Fixed Rate Senior Secured Notes due 2019 including EUR 13.1 million of accrued interest

(5) PLN 130 million WIBOR+$3^{1}/_{2}$% Floating Rate Senior Secured Notes due 2019 including PLN 1.3 million of accrued interest

(6) EUR 270 million $6^{1}/_{2}$% Senior Notes due 2019 including EUR 7.3 million of accrued interest

(7) Adjusted EBITDA of Play Holdings 2 S. à r. l. for six months ended June 30, 2014 of PLN 507.7 million multiplied by two

(8) Pro forma Adjusted EBITDA of Play Topco S.A. for six months ended June 30, 2014 of PLN 507.6 million multiplied by two

3. Cash interest reconciliation

In the six months ended June 30, 2014 and in the three months ended June 30, 2014, there were no cash interest payments other than those presented in the interim condensed consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries, reproduced elsewhere in this Report. The first interest payment on the Senior PIK Notes is February 28, 2015.

ANNEX B
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 (Giowny Urzad 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 “4^{th} 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..	Magabytes. 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 (s*półka 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 Konsumentow).
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 upto 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.

Play Holdings 2 S. à r. l.
and its subsidiaries

Interim condensed consolidated financial statements

As at and for the six-month period ended June 30, 2014

PLAY

Index to the interim condensed consolidated financial statements

1. Condensed consolidated statement of financial position F-4
2. Condensed consolidated statement of comprehensive income F-5
3. Condensed consolidated statement of changes in equity F-6
4. Condensed consolidated statement of changes in net assets attributable to shareholders of P4 Sp. z o.o. F-6
5. Condensed consolidated statement of cash flows F-7
6. The Company and the Play Group F-8
7. Subsidiaries of the Company F-8
8. Summary of significant accounting policies F-9
   8.1 Basis of preparation F-9
   8.2 New standards, interpretations and amendments to existing standards F-10
   8.3 New accounting policies F-12
   8.4 Functional and presentation currency F-12
   8.5 Financial risk management F-12
      8.5.1 Currency risk F-12
      8.5.2 Interest rate risk F-14
      8.5.3 Liquidity risk F-14
   8.6 Fair value estimation F-15
   8.7 Critical accounting estimates and judgments F-15
      8.7.1 Valuation of the liabilities relating to retention programs F-15
      8.7.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date F-16
      8.7.3 Valuation of early redemption options F-16
      8.7.4 Valuation of the assets retirement obligation provision F-18
      8.7.5 Valuation of the installment sales receivables F-18
      8.7.6 Deferred tax F-18
      8.7.7 Impairment of P4’s long-lived assets F-18
      8.7.8 Subscriber acquisition and retention costs (SAC) F-19
      8.7.9 Revenue and cost of sales of mobile devices transferred to dealers F-19
      8.7.10 Deferred charges - distribution costs of prepaid products F-19
      8.7.11 Impairment of billing receivables F-20
   8.8 Segment reporting F-20
9. Property, plant and equipment F-21
10. Intangible assets F-23
11. Assets under construction F-25
12. Long-term receivables F-25
13. Finance assets at fair value through profit or loss F-25
14. Inventories F-27
15. Trade and other receivables F-27
16. Prepaid expenses F-28
17. Cash and cash equivalents F-28
18. Other finance assets F-28
19. Shareholders’ equity F-29
20. Finance liabilities F-29
   20.1 Notes F-29
      20.1.1 EUR 5.25% Senior Secured Notes due 2019 ..... F-30
      20.1.2 PLN Floating Rate Senior Secured Notes due 2019 ..... F-30
      20.1.3 EUR 6.50% Senior Notes due 2019 ..... F-30
   20.2 Bank loans F-31
      20.2.1 Revolving Credit Facility F-31
      20.2.2 Millennium Bank loan F-31
      20.2.3 CDB loan F-32
      20.2.4 Alior Bank loan F-32
      20.2.5 Bank Pekao loan F-32
      20.2.6 BZ WBK loan F-33
      20.2.7 BZ WBK Faktor – factoring line F-33
      20.2.8 PEKAO Faktoring – factoring line F-33
   20.3 Finance lease liabilities F-33

20.4 Assets pledged as security for finance liabilities F-33
21. Provisions F-34
22. Retention programs liabilities F-35
23. Trade and other payables F-38
24. Accruals F-38
25. Deferred income F-38
26. Operating revenue F-39
27. Direct costs F-39
28. General and administrative expenses F-40
29. Other operating income and other operating costs F-41
30. Finance income and finance costs F-41
31. Taxation F-42
32. Cash and cash equivalents presented in statement of cash flows F-44
33. Changes in working capital and other F-44
34. Foreign exchange gains and losses presented as adjustment of operating cash flows in statement of cash flows F-44
35. Cash flows relating to finance liabilities F-45
36. Commitments F-45
36.1 Operating lease commitments F-45
36.2 2100 MHz and 900 MHz license requirements F-46
36.3 1800 MHz license requirements F-46
37. Contingencies and legal proceedings F-46
37.1 Tax contingent liability F-46
37.2 Universal service liability to TP SA F-46
37.3 Legal and regulatory proceedings F-47
38. Related party transactions F-48
38.1 Transactions with Shareholders and with entities related via Shareholders F-48
38.2 Remuneration of Management and Supervisory Board F-48
39. Events after the reporting period F-49

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

1. Condensed consolidated statement of financial position

	Notes	June 30, 2014 Unaudited	December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9	797,142	747,681
Intangible assets	10	2,115,429	2,147,219
Assets under construction	11	410,355	342,705
Prepayments for assets under construction		2,592	1,871
Long term receivables	12	13,289	13,058
Finance assets at fair value through profit or loss	13	23,217	-
Deferred tax asset	31	356,473	187,591
Non-current assets		**3,718,497**	**3,440,125**
Current assets			
Inventories	14	109,830	125,769
Trade and other receivables	15	714,871	708,898
Current income tax receivables		559	558
Prepaid expenses	16	70,727	55,422
Cash and cash equivalents	17	285,357	307,510
Other finance assets	18	707,513	-
Current assets		**1,888,857**	**1,198,157**
TOTAL ASSETS		**5,607,354**	**4,638,282**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	19	52	-
Share premium	19	6,333,970	-
Retained losses		(5,780,164)	-
Total equity		**553,858**	**-**
Non-current liabilities			
Long-term finance liabilities	20	3,701,900	2,015,974
Long-term provisions	21	48,613	49,100
Long-term retention programs liabilities	22	96,871	71,609
Deferred tax liability	31	4,610	1,572
Other non-current liabilities		10,722	11,455
Non-current liabilities		**3,862,716**	**2,149,710**
Current liabilities			
Short-term finance liabilities	20	118,053	482,250
Trade and other payables	23	691,763	670,111
Current income tax payable		14,342	115
Accruals	24	29,004	65,457
Short-term provisions	21	1,543	1,549
Short-term retention programs liabilities	22	30,996	-
Deferred income	25	305,079	307,864
Current liabilities		**1,190,780**	**1,527,346**
TOTAL LIABILITIES AND EQUITY		**5,607,354**	**3,677,056**
Net assets attributable to shareholders of P4 Sp. z o.o.		**-**	**961,226**

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

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

2. Condensed consolidated statement of comprehensive income

	Notes	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013
		Unaudited	Unaudited	Unaudited	Unaudited
Operating revenue	26	**2,040,722**	**1,054,628**	**1,803,758**	**929,132**
Direct costs	27	(646,544)	(328,183)	(676,980)	(340,289)
General and administrative expenses	28	(520,531)	(260,562)	(447,565)	(225,640)
Depreciation and amortization		(600,286)	(308,886)	(548,828)	(274,812)
Other operating income	29	22,001	10,306	20,023	8,982
Other operating costs	29	(24,063)	(14,362)	(36,823)	(18,253)
Operating profit		**271,299**	**152,941**	**113,585**	**79,120**
Finance income	30	60,101	45,875	11,734	6,348
Finance costs	30	(171,892)	(80,733)	(157,728)	(93,713)
Profit/(Loss) before income tax		**159,508**	**118,083**	**(32,409)**	**(8,245)**
Income tax benefit/(charge)	31	151,189	161,259	(26,335)	(19,971)
Net profit/(loss) for the period		**310,697**	**279,342**	**(58,744)**	**(28,216)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the period		**310,697**	**279,342**	**(58,744)**	**(28,216)**

No profit or loss for the current and comparative period was attributable to non-controlling interest.

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

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

3. 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, 2014	**-**	**-**	**-**	**-**	
Issue of shares - incorporation	52	-	-	52	
Issue of shares - contribution in kind of P4 Sp. z o.o. Group	-	7,052,087	(6,124,128)	927,959	
Distribution of share premium	-	(718,117)	-	(718,117)	
Net profit for the period from the date of incorporation to June 30, 2014	-	-	343,964	343,964	
As at June 30, 2014, unaudited	**52**	**6,333,970**	**(5,780,164)**	**553,858**	19

Comparative period:

	Attributable to the Company's shareholders				
	Share capital	**Share premium**	**Retained losses**	**Total equity**	**Notes**
As at January 1, 2013	**-**	**-**	**-**	**-**	
Net loss for the period	-	-	-	-	
As at June 30, 2013, unaudited	**-**	**-**	**-**	**-**	19

4. Condensed consolidated statement of changes in net assets attributable to shareholders of P4 Sp. z o.o.

Current period:

	Net assets attributable to shareholders of P4 Sp. z o.o.
As at January 1, 2014	**961,226**
Net loss for the period from 1 January to the date of contribution of P4 Sp. z o.o. Group to Play Group	(33,267)
Settlement of contribution of P4 Sp. z o.o. Group to Play Group	(927,959)
As at June 30, 2014, unaudited	**-**

Comparative period:

	Net assets attributable to shareholders of P4 Sp. z o.o.
As at January 1, 2013	**760,295**
Net loss for the period	(58,744)
As at June 30, 2013, unaudited	**701,551**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

5. Condensed consolidated statement of cash flows

	Notes	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013
		Unaudited	**Unaudited**
Profit/(Loss) before income tax		**159,508**	**(32,409)**
Depreciation and amortization		600,286	548,828
Interest expense (net)		140,911	34,170
Gain on valuation of finance assets		(16,325)	-
Foreign exchange (gains)/losses	34	(6,248)	125,525
Gain on disposal of non-current assets		(3,526)	(1,285)
Impairment of non-current assets		14,908	27,795
Change in provisions and retention programs liabilities		50,900	19,913
Changes in working capital and other	33	(26,117)	37,058
Cash provided by operating activities		**914,297**	**759,595**
Interest received		8,710	11,253
Income tax paid		(402)	(213)
Net cash provided by operating activities		**922,605**	**770,635**
Proceeds from sale of non-current assets		4,289	1,842
Proceeds from loans granted		26	-
Purchase of fixed assets and intangibles and prepayments for assets under construction		(686,926)	(1,081,891)
Loans given		(54)	-
Transfer to other finance assets		(720,256)	-
Net cash used in investing activities		**(1,402,921)**	**(1,080,049)**
Proceeds from finance liabilities	35	3,816,016	611,297
Distribution of share premium		(718,117)	-
Repayment of finance liabilities	35	(2,516,929)	(259,146)
Paid finance costs relating to finance liabilities	35	(123,006)	(46,585)
Transfers from restricted cash		134,722	-
Transfers to restricted cash		-	(5,768)
Net cash provided by financing activities		**592,686**	**299,798**
Net change in cash and cash equivalents		**112,370**	**(9,616)**
Effect of exchange rate change on cash and cash equivalents		197	73
Cash and cash equivalents at the beginning of the period		**172,575**	**122,379**
Cash and cash equivalents at the end of the period	**32**	**285,142**	**112,836**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

6. The Company and the Play Group

Play Holdings 2 S. à r. l. (the "Company") was incorporated under Luxembourg law on January 10, 2014. The Company's registered office is in Luxembourg. The Company and its subsidiaries (together, the "Play Group", "Group") is the fourth largest mobile telecommunications operator 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".

As of the date of authorization of these interim condensed consolidated financial statements for issuance 100% shares in Play Holdings 2 S. à r. l. are owned indirectly 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 owned and controlled by Mr. Panos Germanos.

49.7% of Play Topco S. A.'s shares are owned by NTP Ltd.

7. Subsidiaries of the Company

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

Entity	Location	Ownership and percentage of voting rights	
		As at June 30, 2014	As at December 31, 2013
Subsidiaries held directly and indirectly:			
Play Holdings 3 S. à r. l.	Luxembourg	100%	-
Play Finance 1 S.A.	Luxembourg	100%	-
Play Finance 2 S.A.	Luxembourg	100%	-
Glenmore Investments Sp. z o.o.	Poland	100%	-
P4 Sp. z o.o.	Poland	100%	-
3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	100%	-
3GNS Sp. z o.o.	Poland	100%	-
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	100%	-
Play Brand Management Limited	Cyprus	100%	-

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

On January 23, 2014, 100% of shares in P4 Sp. z o.o. were contributed in kind to the Company's capital. See also Note 19.

8. Summary of significant accounting policies

8.1 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.

Due to the fact that the contribution of shares in P4 to Play Holdings 2 S. à r. l. was not a business combination and did not result in any change of economic substance of the Group, the interim condensed consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries are a continuation of the existing consolidated financial statements of P4 and its subsidiaries.

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 December 31, 2013 approved for issuance on February 10, 2014.

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 for the year ended December 31, 2013 and described therein, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2014 (see Note 8.2) and except for accounting policies introduced during the six-month period ended June 30, 2014 (see Note 8.3).

These interim condensed consolidated financial statements were approved for issuance on August 8, 2014.

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

The interim condensed consolidated financial statements are prepared under the historic 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 8.7.

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 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.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

8.2 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, 2014:

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 10, IFRS 11 and IFRS 12 ‘Transition Guidance’	June 28, 2012	January 1, 2013	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 27 ‘Investment Entities’	October 31, 2012	January 1, 2014	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.
IFRS 10 ‘Consolidated financial statements’	May 12, 2011	January 1, 2013	January 1, 2014	permitted under certain circumstances	Fully implemented in the Group’s consolidated financial statements. The standard requires a parent entity to present consolidated financial statements, defines the principle of control, and establishes control as the basis for consolidation, sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee, sets out the accounting requirements for the preparation of consolidated financial statements, defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.
IFRS 11 ‘Joint Arrangements’	May 12, 2011	January 1, 2013	January 1, 2014	permitted under certain circumstances	Does not affect the Group’s consolidated financial statements.
IFRS 12 ‘Disclosure of Interests in Other Entities’	May 12, 2011	January 1, 2013	January 1, 2014	permitted	Fully implemented in the Group’s consolidated financial statements. The standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
Amendments to IAS 27 ‘Consolidated and Separate Financial Statements’	May 12, 2011	January 1, 2013	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.
Amendments to IAS 28 ‘Investments in Associates’	May 12, 2011	January 1, 2013	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.
Amendments to IAS 36 ‘Recoverable Amount Disclosures for Non-Financial Assets’	May 29, 2013	January 1, 2014	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

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 39 ‘Novation of Derivatives and Continuation of Hedge Accounting’	June 27, 2013	January 1, 2014	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.
Amendments to IAS 32 ‘Offsetting Financial Assets and Financial Liabilities’	December 16, 2011	January 1, 2014	January 1, 2014	permitted	Does not affect the Group’s consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the six-month period ended June 30, 2014 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 9 ‘Financial Instruments’	November 12, 2009	January 1, 2013	not endorsed yet	-	Assessment in progress
Amendments to IAS 19 ‘Defined Benefit Plans: Employee Contributions’	November 21, 2013	July 1, 2014	not endorsed yet	-	Assessment in progress
Improvements to IFRS 2010-2012 Cycle	December 12, 2013	July 1, 2014	not endorsed yet	-	Assessment in progress
Improvements to IFRS 2011-2013 Cycle	December 12, 2013	July 1, 2014	not endorsed yet	-	Assessment in progress
IFRS 14 Regulatory Deferral Accounts	January 30, 2014	January 1, 2016	not endorsed yet	-	Assessment in progress
Amendments to IAS 16 and IAS 41: Bearer Plants	June 30, 2014	January 1, 2016	not endorsed yet	-	Assessment in progress
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	January 1, 2016	not endorsed yet	-	Assessment in progress
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	May 12, 2014	January 1, 2016	not endorsed yet	-	Assessment in progress
IFRS 15 Revenue from Contracts with Customers	May 28, 2014	January 1, 2017	not endorsed yet	-	Assessment in progress
IFRIC 21 ‘Levies’	May 20, 2013	January 1, 2014	January 1, 2014	permitted	Assessment in progress

8.3 New accounting policies

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.

8.4 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 Group’s presentation currency and functional currency of all of the Group entities.

8.5 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.

Exposure of the Play Group on currency risk, interest rate risk and liquidity risk has changed significantly in comparison to the year ended December 31, 2013.

8.5.1 Currency risk

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

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

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

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

None of the derivatives were used during the six-month period ended June 30, 2014 or six-month period ended June 30, 2013.

The split of trade and other receivables, long-term receivables, trade and other payables and other long-term liabilities into currencies in which they are denominated has not changed significantly in comparison to December 31, 2013.

The table below presents split of finance liabilities into currencies in which they are denominated:

	June 30, 2014	December 31, 2013
Currency	**Unaudited**	
EUR	3,555,434	1,600,833
PLN	146,466	415,141
Long-term finance liabilities	**3,701,900**	**2,015,974**

	June 30, 2014	December 31, 2013
Currency	**Unaudited**	
EUR	87,627	449,891
PLN	30,426	32,359
Short-term finance liabilities	**118,053**	**482,250**

The sensitivity to a reasonably possible change in the US dollar and XDR exchange rates has not changed significantly in comparison to December 31, 2013.

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

	Change in EUR rate	Effect on result before tax	Effect on equity
June 30, 2014, unaudited	+5%	(149,329)	(148,605)
	-5%	149,329	148,605
December 31, 2013	+5%	(93,995)	(76,136)
	-5%	93,995	76,136

The sensitivity analysis assumes that a 5% change in the EUR/PLN exchange rate had occurred at the end of the reporting period and had been applied to the financial assets and liabilities denominated in EUR at the end of the reporting period. Effect on equity comprises effect on profit before tax resulting from assets and liabilities valuation, as well as corresponding deferred tax effect.
The result is more sensitive to movement in EUR/PLN exchange rates in 2014 than in 2013 mainly because of the increased amount of euro-denominated debt.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

8.5.2 Interest rate risk

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

In the six-month period ended June 30, 2014, due to refinancing of the floating rate bank loans mostly with fixed rate bonds, the exposure on interest rate risk is significantly lower and relates primarily to bonds, bank loans and finance leases with floating interest rates.

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

	Increase / decrease in basis points (EURIBOR 3M / LIBOR 6M / WIBOR 1M, 3M)	**Effect on result before tax**
Six-month period ended June 30, 2014, unaudited	+50	(1,421)
	-50	1,421
Six-month period ended June 30, 2013, unaudited	+50	(5,711)
	-50	5,711

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

The sensitivity analysis assumes that a 50 basis points change in the 3M EURIBOR, a 50 basis points change in the 6M LIBOR EUR, 50 basis points change in the 3M WIBOR PLN and 50 basis points change in the 1M WIBOR PLN interest rates had occurred during the whole period and had been applied to the appropriate floating rate liabilities during the six-month period ended June 30, 2014 or six-month period ended June 30, 2013.

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

None of the derivatives were used during the six-month period ended June 30, 2014 or six-month period ended June 30, 2013.

8.5.3 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.

Because of refinancing of the bank loans payable in quarterly installments with bonds due 2019 and because of increase of total indebtedness, the maturity of finance liabilities has changed significantly in comparison to December 31, 2013.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

The table below presents the maturity of bonds, bank loans 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, 2014, unaudited

	Liabilities payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank Lorans	15	-	-	15
Notes	213,469	4,633,046	-	4,846,515
Finance lease	33,346	19,420	-	52,766
	246,830	**4,652,466**	**-**	**4,899,296**

December 31, 2013

	Liabilities payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank Lorans	533,366	2,137,924	-	2,671,290
Finance lease	36,616	25,462	-	62,078
	569,982	**2,163,386**	**-**	**2,733,368**

8.6 Fair value estimation

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

8.7 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.

8.7.1 Valuation of the liabilities relating to retention programs

The main input used for the valuation of retention programs liabilities is fair value of the Group. The fair value of the Group as at June 30, 2014 was established using the multiply method on the basis of business projections for years 2014 - 2017.

The estimated fair value of the Group as at June 30, 2014 has changed in comparison to December 31, 2013.

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

	June 30, 2014	**December 31, 2013**
Liquidity event date	December 31, 2017	December 31, 2017
Volatility	30%	30%
Probability that liquidity event will not occur till Liquidity event date mentioned above	40%	40%

Had the major inputs remained the same as at December 31, 2013, the value of retention programs liabilities as at June 30, 2014 and relating costs for the six-month period ended June 30, 2014 would be lower by 23,394.

8.7.2 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 Senior Secured Notes and Senior Notes 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 does not reimburse the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes 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 lost interest. 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 for accounting and valuation purposes.

8.7.3 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 Bund rate, i.e. applicable for government bonds of Germany (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.

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.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

The tables below present results of sensitivity analysis of early redemption options' valuations (separately for each Notes' category) to changes of key critical valuation inputs (key risk factors).

Early redemption option embedded in Senior Notes:

Risk factor	**decrease**		**Actual (base)**	**increase**	
Credit spread	**-0.50%**	**-0.25%**	**5.18%**	**0.25%**	**0.50%**
Option fair value	16,429	9,990	7,603	5,697	3,921
Impact on profit before tax	8,825	2,387	-	(1,906)	(3,682)
Risk free rate	**0.00%**	**0.00%**	**0.12%**	**1.00%**	**2.00%**
Option fair value	7,603	7,603	7,603	5,297	3,950
Impact on profit before tax	-	-	-	(2,306)	(3,653)
Volatility of risk free rate	**-50.00%**	**-25.00%**	**76.92%**	**25.00%**	**50.00%**
Option fair value	4,991	6,313	7,603	8,617	9,355
Impact on profit before tax	(2,612)	(1,291)	-	1,014	1,752

Early redemption option embedded in Senior Secured Notes:

Risk factor	**decrease**		**Actual (base)**	**increase**	
Credit spread	**-0.50%**	**-0.25%**	**4.14%**	**0.25%**	**0.50%**
Option fair value	43,755	26,685	15,614	10,960	6,729
Impact on profit before tax	28,141	11,071	-	(4,654)	(8,885)
Risk free rate	**0.00%**	**0.00%**	**0.07%**	**0.50%**	**1.00%**
Option fair value	15,614	15,614	15,614	12,151	9,903
Impact on profit before tax	-	-	-	(3,463)	(5,711)
Volatility of risk free rate	**-50.00%**	**-25.00%**	**76.92%**	**25.00%**	**50.00%**
Option fair value	12,118	13,794	15,614	17,426	18,904
Impact on profit before tax	(3,496)	(1,820)	-	1,811	3,290

Actual (base) values of risk factors are presented as at June 30, 2014. Actual value for risk free rate is presented as average rate of quoted yields for full yearly periods from June 30, 2014 to given Notes maturity.

Decrease / increase of each risk factor is presented in nominal values, e.g. option fair value under -0.50% decrease of credit spread means by actual credit spread of 5.00% the option value under creadit spread fallen 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.

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. 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.

8.7.4 Valuation of the assets retirement obligation provision

As at June 30, 2014 the assets retirement obligation provision was calculated using discount rate of 3.36% (4.36% as at December 31, 2013), representing interest rate of long-term treasury bonds as at that date.
The discount period equals the term of grant period of telecommunications licenses, i.e. December 31, 2027 (December 31, 2027 as at December 31, 2013).

8.7.5 Valuation of the installment sales receivables

In the six-month period ended June 30, 2014, 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.

8.7.6 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.

8.7.7 Impairment of P4’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, 2014, 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, 2013. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations used financial projections based on the Play Group’s latest available business plan for the years 2014-2018.

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, 2013. 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 incumbent 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, 2014, 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.

8.7.8 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 12.29% (12.29% as at December 31, 2013), calculated according to IAS 36 "Impairment of Assets".

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

8.7.9 Revenue 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.

8.7.10 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.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

8.7.11 Impairment of billing receivables

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods. The collectability ratio used for calculation as at June 30, 2014 is higher than in previous periods. There have been no other changes to the assumptions made by the Group as at June 30, 2014.

8.8 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.

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

	Six-month period ended June 30, 2014	**Three-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**	**Three-month period ended June 30, 2013**
Operating profit	**271**	**153**	**114**	**79**
Add depreciation and amortization	600.3	308.9	548.8	274.8
Reverse SAC and SRC capitalization	(468.6)	(249.3)	(428.0)	(195.8)
Add impairment of SAC/SRC asset	17.5	11.4	28.2	15.6
Add advisory services provided by shareholders	10.8	5.6	10.3	6.2
Add valuation of retention programs	74.7	41.3	20.2	12.9
Add one-off special bonuses	0.1	-	-	-
Add one-off finance and legal services	2.1	1.3	-	-
Add one-off taxes and fees	7.2	-	-	-
Add one-off other operating costs	(7.5)	(2.7)	-	-
Adjusted EBITDA	**507.7**	**269.4**	**293.1**	**192.8**

One-off costs 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.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

9. Property, plant and equipment

Current period:	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2014	46	556,963	138,815	858,377	23,870	45,640	1,623,711
Additions	-	101	-	-	-	-	101
Asset retirement obligation	-	4,487	-	-	-	-	4,487
Transfers and reclassifications	-	37,674	19,417	96,754	2,541	2,251	158,637
Disposals	-	(3,029)	(1,439)	(39,117)	(857)	(1,598)	(46,040)
As at June 30, 2014, unaudited	**46**	**596,196**	**156,793**	**916,014**	**25,554**	**46,293**	**1,740,896**
Accumulated depreciation							
As at January 1, 2014	3	202,080	88,635	538,222	12,307	30,406	871,653
Charge	1	27,640	14,891	65,212	3,474	4,376	115,594
Charge from asset retirement obligation	-	497	-	-	-	-	497
Disposals	-	(2,933)	(1,222)	(37,863)	(857)	(1,115)	(43,990)
As at June 30, 2014, unaudited	**4**	**227,284**	**102,304**	**565,571**	**14,924**	**33,667**	**943,754**
Accumulated impairment							
As at January 1, 2014	-	-	245	4,132	-	-	4,377
Reversal of impairment charge	-	-	(28)	(2,640)	-	-	(2,668)
Utilization of impairment charge	-	-	(217)	(1,492)	-	-	(1,709)
As at June 30, 2014, unaudited	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at June 30, 2014, unaudited	**42**	**368,912**	**54,489**	**350,443**	**10,630**	**12,626**	**797,142**

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

As at June 30, 2014 the net book value of computer equipment and motor vehicles recognized under finance leases amounted to 62,193 and 10,624 respectively. These amounts represent used assets as well as assets under construction.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

Comparative periods:	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2013	46	468,131	132,060	780,251	20,941	46,278	1,447,707
Additions	-	-	-	-	-	75	75
Asset retirement obligation	-	1,469	-	-	-	-	1,469
Transfers and reclassifications	-	27,653	6,817	30,015	5,600	4,506	74,591
Disposals	-	(112)	(6,564)	(22,173)	(3,217)	(4,823)	(36,889)
As at June 30, 2013, unaudited	**46**	**497,141**	**132,313**	**788,093**	**23,324**	**46,036**	**1,486,953**
Accumulated depreciation							
As at January 1, 2013	3	144,097	73,229	434,287	10,692	26,102	688,410
Charge	-	21,528	14,457	67,059	3,453	5,199	111,696
Charge from asset retirement obligation	-	2,285	-	-	-	-	2,285
Transfers and reclassifications	-	(1)	-	-	-	1	-
Disposals	-	-	(6,470)	(21,867)	(3,210)	(3,791)	(35,338)
As at June 30, 2013, unaudited	**3**	**167,909**	**81,216**	**479,479**	**10,935**	**27,511**	**767,053**
Accumulated impairment							
As at January 1, 2013	-	-	260	-	-	961	1,221
Reversal of impairment charge	-	-	-	-	-	(213)	(213)
Utilization of impairment charge	-	-	(260)	-	-	(748)	(1,008)
As at June 30, 2013, unaudited	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at June 30, 2013, unaudited	**43**	**329,232**	**51,097**	**308,614**	**12,389**	**18,525**	**719,900**

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, 2013 the Group capitalized 1,837 of interest expense and 1,022 of exchange rate differences arising from foreign currency borrowings relating to purchases of property, plant and equipment and intangible assets regarded as an adjustment to interest costs.
The rate used to determine the amount of borrowing costs eligible for capitalization was 4.08%, which is the effective interest rate of the CDB borrowing.

As at June 30, 2013 net book value of computer equipment and motor vehicles recognized under finance leases amounted to 72,325 and 12,330 respectively. These amounts represent used assets as well as assets under construction.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

10. Intangible assets

Current period:

	Telecommunications licenses	Computer and network software	Goodwill	SAC assets	Other intangible assets	Total
Cost						
As at January 1, 2014	1,061,522	647,287	238,604	1,675,862	26,044	3,649,319
Additions	-	-	-	468,618	-	468,618
Transfers and reclassifications	-	927	-	-	780	1,707
Disposals	-	(87)	(303)	(411,877)	(138)	(412,405)
As at June 30, 2014, unaudited	**1,061,522**	**648,127**	**238,301**	**1,732,603**	**26,686**	**3,707,239**
Accumulated amortization						
As at January 1, 2014	238,989	401,291	-	750,696	18,919	1,409,895
Charge	35,350	44,945	-	401,859	2,089	484,243
Charge correction resulted from reversal of impairment charge	-	-	-	1,707	-	1,707
Disposals	-	(87)	-	(384,430)	(19)	(384,536)
As at June 30, 2014, unaudited	**274,339**	**446,149**	**-**	**769,832**	**20,989**	**1,511,309**
Accumulated impairment						
As at January 1, 2014	-	-	-	92,205	-	92,205
Impairment charge	-	-	-	15,743	-	15,743
Utilization of impairment charge	-	-	-	(27,447)	-	(27,447)
As at June 30, 2014, unaudited	**-**	**-**	**-**	**80,501**	**-**	**80,501**
Net book value as at June 30, 2014, unaudited	**787,183**	**201,978**	**238,301**	**882,270**	**5,697**	**2,115,429**

Disposals comprise mainly subscriber acquisition and retention costs relating to telecommunication contracts terminated during the period. The transfers recorded during six-month period ended June 30, 2014 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software.

The movements in goodwill recorded during the six-month period ended June 30, 2014 result from disposal of part of business acquired in 2013.

On May 9, 2005 P4 was announced the winner of the 2100 MHz frequency tender, organized by the Polish regulator Urząd Komunikacji Elektronicznej (“UKE”). According to the decision of UKE, on August 23, 2005 P4 was granted 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, 2014 the carrying value of the 2100 MHz license was 185,653.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

According to the decision of UKE, 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, 2014 the carrying value of the 900 MHz license was 137,875.

On February 13, 2013, P4 was announced winner of the tender for exclusive countrywide frequency licenses in the 1800 MHz spectrum with prospective frequency reservation valid until December 31, 2027. On June 14, 2013 P4 was granted UKE's decision on frequency reservation for three 2x5 MHz blocks. The total price of 498,000 was paid on June 24, 2013, using inter alia funds drawn under long-term credit facility agreement with Alior Bank. The Group started to amortize the 1800 MHz license from July 2013. The license is amortized over the period for which it was granted. As at June 30, 2014 the carrying value of the 1800 MHz license was 463,655.

Comparative periods:

	Telecommunications licenses	Computer and network software	Goodwill	SAC assets	Other intangible assets	Total
Cost						
As at January 1, 2013	563,522	593,289	238,074	1,576,377	23,394	2,994,656
Additions	498,000	-	-	428,020	-	926,020
Transfers and reclassifications	-	59,665	-	-	1,327	60,992
Disposals	-	(10,519)	-	(353,186)	-	(363,705)
As at June 30, 2013, unaudited	**1,061,522**	**642,435**	**238,074**	**1,651,211**	**24,721**	**3,617,963**
Accumulated amortization						
As at January 1, 2013	185,462	311,605	-	729,241	13,171	1,239,479
Charge	18,177	49,440	-	364,139	3,092	434,848
Charge correction resulted from reversal of impairment charge	-	-	-	2,448	-	2,448
Disposals	-	(7,930)	-	(319,957)	-	(327,887)
As at June 30, 2013, unaudited	**203,639**	**353,115**	**-**	**775,871**	**16,263**	**1,348,888**
Accumulated impairment						
As at January 1, 2013	-	2,583	-	104,281	-	106,864
Impairment charge	-	-	-	25,755	-	25,755
Utilization of impairment charge	-	(2,583)	-	(33,229)	-	(35,812)
As at June 30, 2013, unaudited	**-**	**-**	**-**	**96,807**	**-**	**96,807**
Net book value as at June 30, 2013, unaudited	**857,883**	**289,320**	**238,074**	**778,533**	**8,458**	**2,172,268**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

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.

11. Assets under construction

	Six-month period ended June 30, 2014	**Six-month period ended June 30, 2013**
Cost		
As at January 1	344,284	244,069
Additions	227,942	133,265
Radio network	172,454	71,757
Core network and network operations center	20,868	11,484
IT	28,150	40,328
Other capital expenditures	6,470	9,696
Transfers and reclassifications	(160,344)	(135,583)
Disposals	(1,039)	(7)
As at June 30, unaudited	**410,843**	**241,744**
Accumulated impairment		
As at January 1	1,579	1,664
Impairment charge	126	68
Utilization of impairment provision	(1,217)	-
As at June 30, unaudited	**488**	**1,732**
Net book value as at June 30, unaudited	**410,355**	**240,012**

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction.

12. Long-term receivables

	June 30, 2014	**December 31, 2013**
	Unaudited	
Long-term receivables	14,503	14,272
Impairment of long-term receivables	(1,214)	(1,214)
	13,289	**13,058**

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

13. 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 20.1).

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:

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

(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 period.

	Senior Secured Notes	**Senior Notes**	**Total**
Valuation as at initial recognition date (January 31, 2014)	4,768	2,124	6,892
Valuation as at June 30, 2014, unaudited	15,614	7,603	23,217
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2014, unaudited	**10,846**	**5,479**	**16,325**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

14. Inventories

	June 30, 2014	December 31, 2013
	Unaudited	
Goods for resale	116,142	130,263
Impairment of goods for resale	(6,312)	(4,494)
	109,830	**125,769**

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, 2014	Six-month period ended June 30, 2013
Beginning of period	**4,494**	**4,506**
- charged/(credited) to income statement	2,051	(35)
- utilized	(233)	-
End of period, unaudited	**6,312**	**4,471**

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

15. Trade and other receivables

	June 30, 2014	December 31, 2013
	Unaudited	
Trade receivables	795,389	787,961
Impairment of trade receivables	(86,756)	(82,407)
Trade receivables (net)	**708,633**	**705,554**
VAT and other government receivables	5,614	2,284
Loans Niven	78	-
Other receivables	546	1,060
Other receivables (net)	**6,238**	**3,344**
	714,871	**708,898**

The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

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

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

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

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

	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013
Beginning of period	**82,407**	**82,064**
- charged/(credited) to income statement	5,623	(2,657)
- write-downs applied	(1,274)	(30)
End of period, unaudited	**86,756**	**79,377**

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

16. Prepaid expenses

	June 30, 2014 Unaudited	December 31, 2013
Deferred cost of devices sold	28,617	27,884
Loan origination fees	-	11,063
Distribution and selling costs	8,161	8,032
Other	33,949	8,443
	70,727	**55,422**

As of June 30, 2014 other prepaid expenses include mainly prepaid fees for using of telecommunication frequencies as well as advance payments to related parties – see also Note 38.1.

17. Cash and cash equivalents

	June 30, 2014 Unaudited	December 31, 2013
Petty cash	733	957
Balances deposited with banks:		
Current accounts	280,722	32,907
Term deposits with original maturity of less than 90 days	3,470	138,224
Restricted cash	200	134,922
Other cash assets	232	500
	285,357	**307,510**

As at December 31, 2013, restricted cash consisted primarily of Debt Service Reserve Account used to secure repayments of Alior and CDB loan and relating financial costs falling due within 3 months from the balance sheet date. See also Note 20.2.

18. Other finance assets

Other financial assets comprise escrow account, into which proceeds from Senior Notes of EUR 170,000 were deposited, increased by accrued interest. See also Note 20.1.3.

The release of the escrowed proceeds to the Group was subject to the satisfaction of certain conditions, including a deleveraging event or certain M&A transaction. On July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction.

19. Shareholders' equity

As at June 30, 2014 the Play Group's share capital consisted of 12,501 (not in thousands) shares with a par value of EUR 1 (not in thousands) per share. Play Holdings 1 S. à r. l. was the owner of 12,501 (not in thousands) shares, constituting 100% of the Play Group's share capital. All shares were covered in full.

As at June 30, 2014 the total authorized number of ordinary shares was 12,501 (not in thousands).

The Company was incorporated on January 10, 2014. The initial share capital consisted of 12,500 (not in thousands) shares with a par value of EUR 1 (not in thousands) per share.

On January 23, 2014, the share capital was increased by 1 (not in thousands) share with a par value of EUR 1 (not in thousands). It was paid up in full by a way of a contribution in kind consisting of 100% shares in P4 Sp. z o.o. The value of the contribution in excess of the par value of the share was allocated to the share premium of the Company.

As at June 30, 2014 share premium was covered in full.

20. Finance liabilities

	June 30, 2014 Unaudited	December 31, 2013
Long-term finance liabilities		
Long-term bank loans	-	1,991,337
Long-term notes liabilities	3,683,058	-
Finance lease	18,842	24,637
	3,701,900	**2,015,974**
Short-term finance liabilities		
Short-term bank loans	15	447,922
Short-term notes liabilities	86,364	-
Finance lease	31,674	34,328
	118,053	**482,250**
	3,819,953	**2,498,224**

20.1 Notes

	June 30, 2014 Unaudited	December 31, 2013
Long-term notes liabilities		
EUR 5.25% Senior Secured Notes due 2019	2,452,239	-
PLN Floating Rate Senior Secured Notes due 2019	127,624	-
EUR 6.5% Senior Notes due 2019	1,103,195	-
	3,683,058	**-**
Short-term notes liabilities		
Accrued interest related to notes	86,364	-
	86,364	**-**

20.1.1 EUR 5.25% Senior Secured Notes due 2019

On January 31, 2014, the Group issued EUR 600,000 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 5.250% 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 20.2.

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 44,301 as at June 30, 2014. The effective interest rate was 5.77% as at June 30, 2014.

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

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

- fair value of notes is determined as future cashflows 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 Bund rate, i.e. applicable for government bonds of Germany (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 cashflows with recalculated interest value.

20.1.2 PLN Floating Rate Senior Secured Notes due 2019

On January 31, 2014, the Group issued PLN 130,000 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 20.2.

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 2,376 as at June 30, 2014. The effective interest rate was 6.95% as at June 30, 2014.

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

20.1.3 EUR 6.50% Senior Notes due 2019

On January 31, 2014, the Group issued EUR 270,000 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 6.500% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

Proceeds from Senior Notes of EUR 170,000 were initially deposited into escrow account. See also Note 18.
The remaining proceeds were used for distribution of share premium.

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 20,248 as at June 30, 2014. The effective interest rate was 7.04% as at June 30, 2014.

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

20.2 Bank loans

	June 30, 2014 **Unaudited**	**December 31, 2013**
Long-term bank loans		
Bank loan - China Development Bank	-	1,600,833
Bank loan - Alior Bank	-	390,504
	-	**1,991,337**
Short-term bank loans		
Bank loan - China Development Bank	-	431,869
Bank loan - Bank Millennium	15	13
Accrued interest on bank loans	-	16,040
	15	**447,922**

20.2.1 Revolving Credit Facility

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

As at June 30, 2014, the Group has not drawn down any funds under the Revolving Credit Facility agreement.

20.2.2 Millennium Bank loan

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

The bank loan should be repaid until November 12, 2014 (final repayment date). Interest is calculated based on the 1M WIBOR rate plus margin.

The carrying amount of the Bank Millennium loan approximates its fair value.

20.2.3 CDB loan

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

The loan could be used for the extension of Play Group’s telecommunication network and for certain defined operating activities.

The loan was repayable in quarterly installments; the last installment was due in October, 2018.

The agreement set the permitted indebtedness which allowed P4 to enter into additional unsecured financial indebtedness agreement to the total value up to EUR 120,000 or PLN equivalent.

Interest was calculated based on the 1M, 2M, 3M EURIBOR rate plus margin.

The loan was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the loan were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to 25,229 as at December 31, 2013. The effective interest rate was 4.14% as at December 31, 2013.

The carrying amount of the bank loan approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

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

20.2.4 Alior Bank loan

The Play Group had a credit agreement with Alior Bank S.A. for the amount of 395,000. The funds could be used to finance acquisition of the new telecommunications licenses and for general operational expenses relating to these licenses.

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

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

The loan was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the loan were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to 4,496 as at December 31, 2013. The effective interest rate was 6.46% as at December 31, 2013.

The carrying amount of the bank loan approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

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

20.2.5 Bank Pekao loan

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

Interest was calculated based on the 1M WIBOR rate plus margin. The carrying amount of the Bank Pekao loan approximated its fair value.

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

20.2.6 BZ WBK loan

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

Interest was calculated based on the 1M WIBOR rate plus margin. The carrying amount of the BZ WBK bank loan approximated its fair value.

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

20.2.7 BZ WBK Faktor – factoring line

The Play Group had a factoring line agreement with BZ WBK Faktor Sp. z o.o. amounting to 80,000. The factoring line was used to finance account payables of P4.

Interest was calculated based on the 1M WIBOR rate plus margin. The carrying amount of the BZ WBK Faktor factoring line approximated its fair value.

The factoring line was closed on January 23, 2014.

20.2.8 PEKAO Faktoring – factoring line

The Play Group had a factoring line agreement with PEKAO Faktoring Sp. z o.o. amounting to 50,000. The factoring line was used to finance account payables of P4.

Interest was calculated based on the 1M WIBOR rate plus margin. The carrying amount of the PEKAO factoring line approximated its fair value.

The factoring line was closed on January 24, 2014.

20.3 Finance lease liabilities

The maturity of future minimum lease payments under finance lease (contractual undiscounted cash flows) is presented in Note 8.5.3.

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 leased under finance lease agreements during the six-month period ended June 30, 2014 or six-month period ended June 30, 2013.

20.4 Assets pledged as security for finance liabilities

The 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., Glenmore Investments Sp. z o.o., P4 Sp. z o.o., the Senior Notes Issuer and Play Brand Management Limited);

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

- 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 Glenmore Investments 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., Glenmore Investments Sp. z o.o. and Play Brand Management Limited (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:

- for so long as any proceeds from the Offering of the Senior Notes remain in the Escrow Account, first-priority security interests on the escrowed property deposited in the Escrow Account and
- 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., Glenmore Investments Sp. z o.o., Play Brand Management Limited, the Play Holdings 2 S. à r. l. and Play Holdings 3 S. à r. l.; and
  - a pledge or assignment of the Senior Notes Proceeds Bonds (intergroup notes issued by Glenmore Investments Sp. z o.o. subscribed for by Play Finance 1 S.A.).

21. Provisions

	June 30, 2014	**December 31, 2013**
	Unaudited	
Assets retirement provision	27,607	22,741
Other long-term provisions	21,006	26,359
Short-term provisions	1,543	1,549
	50,156	**50,649**

Movements of the provisions in current period are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	**Total**
As at January 1, 2014	**22,741**	**26,359**	**1,549**	**50,649**
Increase	4,993	82	-	5,075
Decrease:	(127)	(5,435)	(6)	(5,568)
- reversal of provisions	(127)	(4,824)	(6)	(4,957)
- utilization		(611)		(611)
As at June 30, 2014, unaudited	**27,607**	**21,006**	**1,543**	**50,156**

22. Retention programs liabilities

During the six-month period ended June 30, 2014 and during the comparative period, the Play Group operated following cash-settled share-based retention programs.

EGA MB Plan

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2006 and 2007. In accordance with the conditions of the EGA MB Plan upon disposal of shares by the current shareholders (a liquidity event), including the following transactions: sale of shares, initial public offering, cancellation or redemption of shares, at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as granted percentage of the liquidity event price corrected by excess equity contributions, if they have not resigned or been dismissed by the Group during the vesting period. In the case of the distribution of equity to shareholders program members are entitled to receive additional payments. Percentage granted under the plan was 2.25% as at June 30, 2014 (2.25% as at December 31, 2013). As at June 30, 2014 share appreciation rights of the EGA MB Plan have already vested.

P4 has option to settle the plan in equity, but intends to settle the plan in cash.

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

PSA 1 Plan

Under the PSA 1 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2009. In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as granted percentage of the liquidity event price above base value defined in the agreement, if they have not resigned or been dismissed by the Group during the vesting period. Percentage granted under the plan was 2.25% as at June 30, 2014 (2.25% as at December 31, 2013). As at June 30, 2014 share appreciation rights of the PSA 1 Plan have already vested.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

PSA 2 Plan

Under the PSA 2 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the PSA 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under PSA 3 Plan. The amount paid under PSA 2 Plan cannot be greater than the limit set in agreement. Percentage granted under the plan was 0.75% as at June 30, 2014.

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

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

PSA 3 Plan

Under the PSA 3 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the PSA 3 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts defined in agreement.

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

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

SF 1 Plan

Under the SF 1 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the SF 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program member is entitled to receive amount defined in agreement.

The SF 1 Plan vests: 20% on April 1, 2013, 20% on April 1, 2014, 20% on April 1, 2015, 20% on April 1, 2016, 20% on April 1, 2017 (or when liquidity event occurs) if the program member has not resigned or been dismissed by the Group until these dates.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

SF 2 Plan

Under the SF 2 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member is entitled to receive amount calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under SF 1 Plan. The amount paid from SF 2 Plan cannot be greater than the limit set in agreement. Percentage granted under the plan was 0.20% as at June 30, 2014.

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

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

Amendments to PSA 1, PSA 2, PSA 3, SF 1 and SF 2

Under the amendments signed on January 31, 2014 in case of the distribution of equity to shareholders program members are entitled to receive irrevocable advance payment calculated as advance payment percentage of the distribution. In case of liquidity event the advance payments will reduce the payments from the programs.

EGA Employees Plan

Under the EGA Employees Plan the members of the Group's Key Personnel were granted share appreciation rights by P4 during years 2007 and 2008. In April 2014 the program was modified: the percentage granted under the plan was transformed into rights to remuneration dependent on the Group's performance in 2014, rights to remuneration dependent on the Group's performance in 2016 and share appreciation rights. In accordance with the conditions of the EGA Employees Plan, upon the disposal of shares by the current shareholders (a liquidity event) before June 30, 2016, at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions. The number of rights granted to the Group's Key Personnel under the plan was 29 as at June 30, 2014 (which is the equivalent of a percentage of 0.29% before the program modification; as at December 31, 2013 the percentage granted was 0.58%). If there is no change of control over P4 until June 30, 2016, program members will be entitled to remuneration dependent on the Group's performance, decreased by earlier payouts resulting from previous liquidity events.

The EGA Employees Plan vests when a liquidity event occurs and on payout dates i.e. July 31, 2014 and July 31, 2016 provided that the program member has not resigned or been dismissed by the Group until these dates.

P4 has option to settle the plan in equity, but intends to settle the plan in cash.

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

VDP 1

Under the VDP 1 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2010 and 2011. In accordance with the conditions of the VDP 1, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right, if they have not resigned or been dismissed by the Group before liquidity event date or by the end of the program. The value of one right was calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2012. Therefore value of one right was calculated taking into account the increase in fair value of P4's equity until December 31, 2012.

Amounts due under VDP 1 plan were paid out to program members in the year ended December 31, 2013 and in the six-month period ended June 30, 2014.

VDP 2

Under the VDP 2 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2013. In accordance with the conditions of the VDP 2, the program members are entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right is calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ends on December 31, 2014.
The VDP 2 vests proportionally from grant date to the date when program ends if the program member has not resigned or been dismissed by the Group until this date.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

The following table illustrates the number of, and movements in VDP 1 and VDP 2 share appreciation rights (not in thousands) during the period:

	Six-month period ended June 30, 2014		**Six-month period ended June 30, 2013**
	VDP Plan 1	VDP Plan 2	VDP Plan 1
As at January 1	**-**	**11,935,517**	**9,674,000**
Granted in prior periods (correction)	184,320	-	-
Forfeited during the period	-	(73,000)	(303,800)
Exercised during the period	(184,320)	-	(4,685,100)
As at June 30, unaudited	**-**	**11,862,517**	**4,685,100**
Exercisable at June 30, unaudited	-	-	4,685,100

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

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 in current period are presented below.

	Long-term retention programs liabilities	Short-term retention programs liabilities
As at January 1, 2014	**71,609**	**-**
Granted in prior periods (correction)	-	150
Exercised during the period	(10,407)	(150)
Prepaid during the period	(7,861)	-
Changes in valuation during the period	74,526	-
Transferred during the period	(30,996)	30,996
As at June 30, 2014, unaudited	**96,871**	**30,996**
Vested at June 30, 2014 unaudited	84,462	14,167

23. Trade and other payables

	June 30, 2014	**December 31, 2013**
	Unaudited	
Trade payables	507,141	501,237
Investment payables	117,581	105,184
Government payables	64,530	61,372
Employees payables	13	72
Other	2,498	2,246
	691,763	**670,111**

24. Accruals

Accruals include accruals for bonuses and unused holidays.

25. Deferred income

	June 30, 2014	**December 31, 2013**
	Unaudited	
Airtime from pre-paid products	86,206	101,924
Fees related to post-paid contracts	156,315	139,759
Deferred revenue from sales of devices	34,663	35,948
Activation fees	26,724	29,503
Other	1,171	730
	305,079	**307,864**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

26. Operating revenue

	Six-month period ended June 30, 2014	**Three-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**	**Three-month period ended June 30, 2013**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Service revenue	**1,941,733**	**1,003,752**	**1,674,356**	**872,681**
Usage revenue	1,653,219	851,946	1,373,929	710,905
Retail contract revenue	1,336,717	687,842	1,101,258	567,214
Retail prepaid revenue	275,586	144,962	236,708	123,543
Other revenue	40,916	19,142	35,963	20,148
Interconnection revenues	288,514	151,806	300,427	161,776
Sales of goods and other revenue	**98,989**	**50,876**	**129,402**	**56,451**
	2,040,722	**1,054,628**	**1,803,758**	**929,132**

27. Direct costs

	Six-month period ended June 30, 2014	**Three-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**	**Three-month period ended June 30, 2013**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Interconnection costs	(353,710)	(185,359)	(374,639)	(198,208)
National roaming/network sharing	(95,092)	(40,452)	(98,365)	(45,485)
Subscriber acquisition and retention costs not eligible for capitalization	(34,054)	(17,136)	(24,879)	(12,602)
Cost of goods sold	(100,589)	(51,804)	(126,195)	(56,100)
Other direct costs	(63,099)	(33,432)	(52,902)	(27,894)
	(646,544)	**(328,183)**	**(676,980)**	**(340,289)**
Subscriber acquisition and retention costs incurred in the period and recognized as intangible assets:				
Subscriber acquisition costs, net	(261,991)	(136,446)	(280,710)	(125,778)
Subscriber retention costs, net	(240,681)	(129,962)	(172,189)	(82,665)
Subscriber acquisition and retention costs capitalized	468,618	249,272	428,020	195,841
	(34,054)	**(17,136)**	**(24,879)**	**(12,602)**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

28. General and administrative expenses

	Six-month period ended June 30, 2014	**Three-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**	**Three-month period ended June 30, 2013**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Employee benefits	**(160,591)**	**(81,712)**	**(105,492)**	**(55,246)**
Salaries	(74,872)	(35,404)	(74,259)	(36,953)
Social security	(10,959)	(5,020)	(11,081)	(5,369)
Special bonuses	(84)	-	-	-
Retention programs	(74,676)	(41,288)	(20,152)	(12,924)
		-		-
External services	**(326,130)**	**(165,569)**	**(320,682)**	**(159,819)**
Network maintenance, leased lines, site rent and energy	(122,222)	(61,097)	(121,113)	(61,173)
Advertising and promotion expenses	(80,479)	(41,821)	(71,879)	(34,336)
Customer relations costs	(34,337)	(15,680)	(38,327)	(18,420)
Office and points of sale maintenance	(20,785)	(10,460)	(20,028)	(10,104)
IT expenses	(18,033)	(9,790)	(19,568)	(8,958)
People related costs - cars, trainings and other	(8,022)	(4,690)	(9,577)	(5,330)
Finance and legal services	(9,751)	(5,067)	(6,510)	(3,596)
Advisory services provided by shareholders	(10,751)	(5,601)	(10,326)	(6,167)
Other external services	(21,750)	(11,363)	(23,354)	(11,735)
				-
Taxes and fees	**(33,810)**	**(13,281)**	**(21,391)**	**(10,575)**
				-
	(520,531)	**(260,562)**	**(447,565)**	**(225,640)**

The Play Group is legally required to make contributions to the Government’s retirement benefit scheme. During the six-month period ended June 30, 2014 and in the six-month period ended June 30, 2013, the Play Group paid contributions at a rate of up to 9.76% of gross salaries and is not required to make any contributions in excess of this statutory rate.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

29. Other operating income and other operating costs

	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Other operating income				
Income from early contract termination	9,753	5,492	8,886	4,579
Marketing revenues	328	13	1,784	598
Gain on disposal of non-current assets	3,526	1,043	1,285	782
Other miscellaneous operating income	8,394	3,758	8,068	3,023
	22,001	**10,306**	**20,023**	**8,982**
Other operating costs				
Impairment of SAC asset	(17,450)	(11,356)	(28,203)	(15,585)
Impairment of other non-current assets	2,542	2,482	408	(124)
Bad debt	(11,659)	(5,295)	(8,120)	(1,948)
Other miscellaneous operating costs	2,504	(193)	(908)	(596)
	(24,063)	**(14,362)**	**(36,823)**	**(18,253)**

30. Finance income and finance costs

	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Finance income				
Interest	8,432	3,995	11,734	6,348
- on restricted finance assets	*206*	*137*	*161*	*94*
Net gain on finance assets at fair value through profit or loss	16,325	11,902	-	-
Exchange rate gains	12,795	7,429	-	-
Other	22,549	22,549	-	-
	60,101	**45,875**	**11,734**	**6,348**
Finance costs				
Interest expense	(149,343)	(58,184)	(45,416)	(23,612)
- on finance liabilities valued at fixed rate	*(88,438)*	*(53,847)*	-	-
- on finance liabilities valued at variable rate	*(60,399)*	*(4,081)*	*(44,928)*	*(23,356)*
Exchange rate losses	-	-	(111,824)	(69,845)
Other	(22,549)	(22,549)	(488)	(256)
	(171,892)	**(80,733)**	**(157,728)**	**(93,713)**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

31. Taxation

	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Current tax charge	(14,654)	(14,180)	(20)	(16)
Deferred tax benefit/(charge)	165,843	175,439	(26,315)	(19,955)
Income tax benefit/(charge)	**151,189**	**161,259**	**(26,335)**	**(19,971)**

Reconciliation between tax base resulting from accounting profit/(loss) and income tax benefit/(charge):

	Six-month period ended June 30, 2014	Three-month period ended June 30, 2014	Six-month period ended June 30, 2013	Three-month period ended June 30, 2013
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Profit/(Loss) before income tax	**159,508**	**118,083**	**(32,409)**	**(8,245)**
Tax calculated at tax rates applicable to profit / loss (19%)	(30,307)	(22,436)	6,158	1,567
Expenses not subject to tax, net	(1,169)	(1,430)	(556)	(152)
Previous years tax income/ (costs) included in current year accounting profit / (loss)	165	158	562	562
Effect of difference between tax rates in Cyprus and Luxembourg and in Poland	12,097	12,059	(138)	-
Adjustments relating to previous years tax	(7,147)	(6,848)	47	58
Change in unrecognized deferred tax asset arising from tax losses	(66)	2,102	(32,408)	(22,006)
Effect of tax revaluation of the trademark	188,020	188,020	-	-
Taxable (income) / costs not included in accounting profit	(10,319)	(10,319)	-	-
Current income tax advance payments	(85)	(47)	-	-
Income tax benefit/(charge)	**151,189**	**161,259**	**(26,335)**	**(19,971)**

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg is 29.22%. The corporate income tax rate applied to the subsidiary incorporated in Cyprus is 2.5%.

In the six-month period ended June 30, 2014 the Play trademark was sold from Play Brand Management Ltd. to Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k. As a result of the sale the taxable value of the trademark increased and the applicable tax rate changed from 2.5% (Cypriot tax rate) to 19% (Polish tax rate). In consequence, the amount of deferred tax asset relating to the trademark increased.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

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, 2014 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 (which cover the period till 2018) and the budget for the year 2014.

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, 2014	**December 31, 2013**
	Unaudited	
Temporary differences:		
net deductible timing differences	1,294,270	892,896
unutilized tax loss carry-forwards relating to tax losses	566,045	719,122
	1,860,315	**1,612,018**
Potential deferred income tax net asset arising from:		
net deductible timing differences	244,307	49,386
unutilized tax loss carry-forwards relating to tax losses	107,622	136,633
	351,929	**186,019**
Recognized deferred income tax assets	**356,473**	**187,591**
Recognized deferred income tax liability	**(4,610)**	**(1,572)**
Not recognized deferred income tax assets	**66**	**-**

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.
Tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

32. Cash and cash equivalents presented in statement of cash flows

For 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 purpose of the consolidated statement of cash flows.

	June 30, 2014	June 30, 2013
	Unaudited	**Unaudited**
Cash and cash equivalents in statement of financial position	285,357	367,497
Restricted cash	(200)	(134,913)
Bank overdrafts	(15)	(119,748)
Cash and cash equivalents in statement of cash flows	**285,142**	**112,836**

33. Changes in working capital and other

	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013
	Unaudited	**Unaudited**
Decrease of inventories	15,939	5,436
Decrease of receivables	16,214	56,239
Increase of prepaid expenses	(26,368)	(6,391)
Increase/(decrease) of payables excluding investment payables	8,300	(22,619)
Decrease of accruals	(36,453)	(14,919)
Increase/(decrease) of deferred income	(2,785)	18,154
Increase of long term receivables	(231)	(1,137)
Increase/(decrease) of other non-current liabilities	(733)	2,295
	(26,117)	**37,058**

34. Foreign exchange gains and losses presented as adjustment of operating cash flows in statement of cash flows

	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013
	Unaudited	**Unaudited**
Foreign exchange (gains)/losses in statement of comprehensive income	**(12,795)**	**111,824**
Realized foreign exchange gains classified as operating cash flows:		
on purchase of currency for repayment of finance liabilities	(3,911)	(7,392)
on restricted cash management	(2,833)	(6,382)
	(6,744)	(13,774)
Foreign exchange losses on valuation of cash and cash equivalents	197	73
Foreign exchange (gains)/losses presented as adjustment of operating cash flows in statement of cash flows	**(6,248)**	**125,525**

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

35. Cash flows relating to finance liabilities

	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013
	Unaudited	**Unaudited**
Proceeds from finance liabilities		
loans	-	611,297
notes	3,816,016	-
	3,816,016	**611,297**
Repayment of finance liabilities		
loans	(2,499,536)	(240,451)
finance lease	(17,393)	(18,607)
other debt	-	(88)
	(2,516,929)	**(259,146)**
Paid finance costs relating to finance liabilities		
- interest	***(28,046)***	***(40,052)***
loans	(24,801)	(37,943)
notes	(2,037)	-
finance lease	(1,208)	(2,109)
- other finance costs	***(94,960)***	***(6,533)***
loans	(18,437)	(6,533)
notes	(76,523)	-
	(123,006)	**(46,585)**

36. Commitments

36.1 Operating lease commitments

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

	June 30, 2014	December 31, 2013
	Unaudited	
Liabilities payable within:		
Not later than 1 year	132,139	128,583
Later than 1 year and not later than 5 years	311,309	335,513
Later than 5 years	42,533	44,678
	485,981	**508,774**

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

36.2 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.

36.3 1800 MHz license requirements

In the 1800 MHz frequency reservation decision granted to P4 on June 14, 2013, a set of regulatory requirements towards P4 is outlined. 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 is confident that P4 will be able to fulfill all these obligations.

37. Contingencies and legal proceedings

37.1 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.

37.2 Universal service liability to TP SA

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 UKE issued after a tender procedure. The President of UKE issued a decision assigning Telekomunikacja Polska SA (TP SA) as the operator required to provide universal services until May 8, 2011. Telecommunications providers whose revenues from telecom activities exceed 4,000 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 9 May 2011, the decision of the President of UKE imposing a universal service obligation on TP SA expired, and since then TP SA 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.

TP SA 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 TP a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of 66,994 (the total amount requested by TP was 803,653). On January 10, 2012 the President of UKE issued decisions that granted TP a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of 55,102 (the amount requested by TP was 269,436). On September 17, 2013 the President of UKE issued a decision that granted TP 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 14,903 (the amount requested by TP was 33,839).

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 are expected by the end of November 2014, whereas decisions relating to P4's contribution to universal service for the years 2008, 2009, 2010 are expected no sooner than in first quarter of 2015 and for the year 2011 no sooner than in second quarter of 2015.

37.3 Legal and regulatory proceedings

On September 26, 2011 the Voivodship Administrative Court in Warsaw refused to invalidate the tender for the 900 MHz frequency. As a result of the said tender, the reservation of frequencies in the 900 MHz band was assigned to P4 in December 2008 (the second reservation under the same decision was assigned to Aero2 Sp. z o.o.). UKE decision not to invalidate the tender was challenged by Polkomtel S.A, Polska Telefonia Cyfrowa Sp. z o. o. and PTK Centertel Sp. z o. o. The Voivodship Administrative Court in Warsaw dismissed entirely all the claims. On 9 April 2013 the Supreme Administrative Court dismissed the appeals of PTK Centertel and PTC. The judgment is final.

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodyfuzji Cyfrowej 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. The motions to invalidate the tender initiate administrative procedures before the President of UKE. 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. The motions initiate administrative procedures before the President of UKE. 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 10,706 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. Although in the opinion of the Group, UOKIK's allegations of participation in any anti-competitive agreement are not justifiable and complaint against the decision was filed, it is difficult to assess P4's chances of overturning the decision of UOKiK. Taking into consideration the uncertainty in this regard, the Group decided to recognize a provision for potential penalty resulting from the proceeding.

(Expressed in PLN, all amounts given in thousands unless stated otherwise)

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at June 30, 2014, 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.

38. Related party transactions

38.1 Transactions with Shareholders and with entities related via Shareholders

	June 30, 2014	**December 31, 2013**
Loans given	78	-
Trade and other receivables	22,549	-
Prepaid expenses	5,131	-
Trade and other payables	22,549	-

	Six-month period ended June 30, 2014	**Three-month period ended June 30, 2014**	**Six-month period ended June 30, 2013**	**Three-month period ended June 30, 2013**
Distribution of share premium	(718,117)	-		
Advisory services provided by shareholders	(10,751)	(5,601)	(10,326)	(6,167)
Other operating costs	-	-	(475)	(1)
Other finance income	22,549	-	-	-
Other finance cost	(22,549)	-	-	-

38.2 Remuneration of Management and Supervisory Board

Cost of remuneration (including accrued bonuses) of members of Management Board incurred during the six-month period ended June 30, 2014 amounted to 3,393, for the three-month period ended June 30, 2014 amounted to 2,464, for the six-month period ended June 30, 2013 amounted to 4,536 and for the three-month period ended June 30, 2013 amounted to 2,450.

Cost of remuneration of members of Supervisory Board incurred during the six-month period ended June 30, 2014 amounted to 1,145, for the three-month period ended June 30, 2014 amounted to 570, for the six-month period ended June 30, 2013 amounted to 1,150 and for the three-month period ended June 30, 2013 amounted to 582.

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 22). The value of the programs increased by 55,508 during the six-month period ended June 30, 2014, increased by 25,848 during the three-month period ended June 30, 2014, increased by 17,509 during the six-month period ended June 30, 2013 and increased by 12,277 during the three-month period ended June 30, 2013. Relating costs 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.

39. Events after the reporting period

On July 8, 2014, the EUR 170,000 of proceeds of the Senior Notes that were deposited in an escrow account on the issue date of the Senior Notes plus accrued interest were released in connection with an M&A transaction.

On July 8, 2014, the Company distributed EUR 168,300 of share premium to its shareholders.

On August 6, 2014, Play Topco S.A. became owner of 100% shares in Play Holdings 1 S. à r. l.
50.3% shares in Play Topco S.A. are owned by Tollerton Investments Limited and 49.7% shares in Play Topco S.A. are owned by NTP Limited.

On August 6, 2014, Play Topco S.A. issued EUR 415,000 7.75% / 8.5% Senior PIK Toggle Notes due 2020. The Group is not guarantor of these notes.

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.