

Quarterly Report
for the quarter ended March 31, 2015

Play Holdings 2 S.à r.l.

May 5, 2015

PLAY

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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**” or the “**Company**”).

The Parent is a guarantor of the following notes:

- (a) €725,000,000 5¹/₄% 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 6¹/₂% Senior Notes due 2019 issued by Play Finance 1 S.A. (the “**Senior Notes**”).

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

Play Topco S.A.

The Parent is a wholly owned subsidiary of Play Topco S.A. (“**PIK Notes Issuer**”), 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, issuer of €415,000,000 7³/₄% / 8¹/₂% 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 Notes Issuer and the Parent and a statement of the PIK Notes Issuer’s total debt, EBITDA and cash interest expense on a consolidated basis, as required by Section 4.03(a)(2)(e) of the indenture that governs the Senior PIK Toggle Notes is included in Annex A to this report.

INDUSTRY, MARKET AND SUBSCRIBER DATA

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

- The Statistical Office of the European Communities (“**Eurostat**”); unless otherwise indicated, historical GDP, historical real GDP growth rate and harmonized unemployment and inflation rate refer to data retrieved from Eurostat website from April 23, 2015. Real GDP growth rate forecast refers to the *Winter 2015 European Economic Forecast*, published on February 5, 2015;
- The Central Statistical Office of Poland (the “**CSO**”), Poland’s chief government executive agency charged with collecting and publishing statistics related to Poland’s economy, population and society, at both national and local levels;
- The Polish Office of Electronic Communications (the “**UKE**”), the Polish regulatory authority for the telecommunications and postal services markets focusing on, among other things, stimulating competition, consumer protection, developing new offerings and technologies, reducing prices and increasing availability of services in Poland;
- The National Bank of Poland (the “**NBP**”), the central bank of Poland;
- The European Commission (the “**EC**”), the EU’s executive body, which publishes the Digital Agenda Scoreboard; unless otherwise indicated, the EC’s data should be read as references to the EC’s thematic portal, European Commission Information Society, and;
- SMARTSCOPE S.C. (“**Smartscope**”).

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

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

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

Key Performance Indicators

The subscriber data included in this Report, including ARPU, ARPU (outbound), unit SAC, 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.

<u><i>Term</i></u>	<u><i>Usage by Play</i></u>
<i>Terms related to subscribers</i>	
subscriber	We define a subscriber as any customer that we provide services to until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards which are registered on our network and have not been disconnected.
contract subscribers	We define contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber’s contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a small number of SIM cards that have been issued pursuant to family calling plans that do not represent additional subscribers, although we do not consider these figures material.
prepaid subscribers	We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value.
reported subscriber base	We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base.
active subscriber base	We define active subscriber base as the sum of the number of contract subscribers and active prepaid subscribers at the end of a given period. Our active prepaid subscribers are defined as the number of prepaid subscribers who had used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or used or data transmission (and excluding certain other services)).

average subscriber base (reported or active)	<p>We define average subscriber base in a reporting period as follows:</p> <ul style="list-style-type: none"> • for a one-month period, the average subscriber base is calculated as our beginning of month subscriber base <i>plus</i> our end of month subscriber base divided by two; and • for over a one-month period (<i>e.g.</i>, several months, quarters or annual), the average subscriber base is calculated as the average of the monthly averages (<i>i.e.</i>, the sum of monthly averages divided by the number of months in a given period). <p>The above methodology is used to calculate our average reported subscriber base or average active subscriber base.</p>
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 (<i>e.g.</i> , 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 (<i>e.g.</i> , between different prepaid tariff plans) are not recognized as gross additions.
churn	<p>We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period.</p> <p>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).</p> <p>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.</p> <p>Migration of a subscriber:</p> <ul style="list-style-type: none"> • from a contract tariff plan to a prepaid tariff plan; • from a prepaid tariff plan to a contract tariff plan; or • within a segment (<i>e.g.</i>, individual contract subscriber migrating to a business plan), <p>is not recognized as churn and therefore does not affect the churn rate of a particular segment.</p>

Term**Usage by Play**

churn rate/churn (%) We define churn rate (as a percentage) as the churn divided by the average reported subscriber base in a given period. Churn rate (as a percentage) is calculated on a monthly basis, therefore churn rate (as a percentage) for over a one-month period (*e.g.*, quarterly or annual) is calculated as the churn for the period divided by the number of months and further divided by the average reported subscriber base for such period.

migrations We define migrations as subscribers who switch (i) from contract tariff plans to prepaid tariff plans or from prepaid tariff plans to contract tariff plans; or (ii) within a segment (*e.g.*, an individual contract subscriber migrating to a business plan or the reverse). Movements between tariff plans in the same category are not counted as migrations.

Terms related to service usage

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

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.
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.

“Additional Fixed Rate Senior Secured Notes”	The €125 million in aggregate principal amount of Fixed Rate Senior Secured Notes due 2019 issued on March 19, 2015 pursuant to the Senior Secured Notes Indenture.
“Aior”	Aior Bank S.A.
“Aior Bank Loan”	The loan provided by Aior 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.
“Collateral”	The collateral securing the Senior Secured Notes or the Senior Notes, as applicable.
“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 and which has now been closed.
“EU”	European Union.
“euro,” “EUR” or “€”	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
“Fixed Rate Senior Secured Notes”	The EUR 725,000,000 5 ¹ / ₄ % Fixed Rate Senior Secured Notes due 2019 comprising the Initial Fixed Rate Senior Secured Notes and Additional Fixed Rate Senior Secured Notes.
“Floating Rate Senior Secured Notes”	The PLN 130,000,000 Floating Rate Senior Secured Notes due 2019 issued on January 31, 2014.
“Group,” “we,” “us,” “our” or “ourselves”	Refers to, for the period prior to the consummation of the Refinancing and Recapitalization, Play and its consolidated subsidiaries and, after the Refinancing and Recapitalization, the Parent and its consolidated subsidiaries.
“HoldCo 1”	Play Holdings 1 S.à r.l., a private limited liability company (<i>société à responsabilité limitée</i>) 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 (<i>société à responsabilité limitée</i>) 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.
“Initial Fixed Rate Senior Secured Notes”	The EUR 600,000,000 5 ¹ / ₄ % Fixed Rate Senior Secured Notes due 2019 issued on January 31, 2014.

“Initial Notes”	Collectively the Initial Fixed Rate Senior Secured Notes and Senior Notes.
“Issuers”	The Senior Secured Notes Issuer and the Senior Notes Issuer.
“Millennium Revolving Credit Facility”	Revolving credit line agreement between the Group and Bank Millennium S.A.
“Note Guarantees” or “Guarantees”	Collectively, guarantees of the the Senior Secured Notes (also referred to as the “ Senior Secured Note Guarantees ”) and the guarantees of the Senior Notes (also referred to as the “ Senior Note Guarantees ”), or individually, as the context requires.
“Note Guarantor” or “Guarantor”	Collectively, the providers of the Guarantees, or individually, as the context requires.
“Notes”	Collectively, the Senior Secured Notes and the Senior Notes.
“Novator”	TELCO HOLDINGS S.À R.L, a Luxembourg société anonyme with registered office in the Grand Duchy of Luxembourg, at 25C, Boulevard Royal, L-2449 Luxembourg, with a share capital of EUR 21,500 and registered with the Luxembourg Trade and Companies Register under number B191962 (formerly known as NTP Limited, a private limited company incorporated in Jersey with registered number 115496 and having its registered office at 13 Castle Street, St Helier, Jersey JE4 5UT).
“Olympia”	Olympia Development S.A., with its registered office at 25 Ermou St., Nea Kifisia 14564, Attiki, Greece.
“Overdraft Facility”	The overdraft facility in an aggregate principal amount of PLN 150 million made available by Bank Zachodni WBK S.A.
“P4BIS”	Glenmore Investments Sp. z o.o., with its registered office at 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 (<i>société à responsabilité limitée</i>) company organized under the laws of Luxembourg, having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.
“PIK Notes Issuer”	Play Topco S.A., a public limited liability company (<i>société anonyme</i>) organized under the laws of Luxembourg, having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.
“PIK Notes Issuer Group”	Play Topco S.A. and its consolidated subsidiaries.
“Play 3GNS”	Play 3GNS Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office at Taśmowa 7, 02-677 Warsaw, and registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Department of the National Court Register, under number KRS 0000335214.
“PLN” or “złoty”	Polish zloty, the lawful currency of Poland.
“Refinancing and Recapitalization”	Refers collectively to the issue on January 31, 2014 of the Initial Notes and the Senior Notes, the entry into the Revolving Credit Facility and the application of proceeds therefrom to the repayment of indebtedness under the CDB Credit Facilities and the Alior Bank Loan, payments of certain amounts to shareholders of the Parent and payment of fees and expenses related to the such transactions.
“Revolving Credit Facility”	PLN 400,000,000 multi-currency revolving facility provided pursuant to an agreement dated January 24, 2014 between, amongst others, P4 Sp. z o.o. as the company, Play Holdings 2 S.à r.l. as the parent, the subsidiaries of Play Holdings 2 S.à r.l. listed therein as borrowers and guarantors, Bank Zachodni WBK S.A. and Alior Bank S.A. as mandated lead arrangers, the financial institutions listed therein as lenders, Bank Zachodni WBK S.A. as agent and Citibank N.A., London Branch as security agent
“SEC”	The United States Securities and Exchange Commission.

“Security Agent”	Citibank N.A. London Branch.
“Security Documents”	The security documents which comprise the Collateral.
“Senior Note Guarantors”	Collectively, the Parent, HoldCo 3, P4BIS, the Company, the Senior Secured Notes Issuer and Play 3GNS.
“Senior Notes”	The EUR 270,000,000 6½% senior notes due 2019 issued on January 31, 2014.
“Senior Notes Indenture”	The indenture governing the Senior Notes dated as of January 31, 2014, among, <i>inter alios</i> , 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 (<i>société anonyme</i>) 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 7¾% / 8½% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by the PIK Notes Issuer.
“Senior PIK Toggle Notes Indenture”	The indenture governing the Senior PIK Toggle Notes dated as of August 6, 2014, among, <i>inter alios</i> , the PIK Notes Issuer and Senior PIK Toggle Notes Trustee.
“Senior PIK Toggle Notes Trustee”	Citibank, N.A., London Branch, as trustee for the holders of the Senior PIK Toggle Notes.
“Senior Secured Notes”	The Fixed Rate Senior Secured Notes and the Floating Rate Senior Secured Notes.
“Senior Secured Note Guarantors”	Collectively, the Parent, HoldCo 3, P4BIS, the Company, the Senior Notes Issuer and Play 3GNS.
“Senior Secured Notes Indenture”	The indenture governing the Notes dated January 31, 2014 among, <i>inter alios</i> , the Issuer, the Guarantors, the Trustee and the Security Agent, as supplemented on May 27, 2014 and March 10, 2015.
“Senior Secured Notes Issuer”	Play Finance 2 S.A., a public limited liability company (<i>société anonyme</i>) 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.
“Tollerton”	Tollerton Investment Limited, a company organized under the laws of Cyprus, with its registered office at 2 Arch. Makariou 111 & Nikolaou Gyzi Street, Kyprianou Business Center, 3rd Floor Office 302, 3060, Limassol, Cyprus.
“U.S.” or “United States”	United States of America.
“U.S. dollars,” “USD,” “dollars” or “\$”	U.S. dollars, the lawful currency of the United States of America.
“U.S. Exchange Act”	The United States Securities Exchange Act of 1934, as amended.
“U.S. GAAP”	Generally accepted accounting principles in the United States.
“U.S. Securities Act”	The United States Securities Act of 1933, as amended.
“WIBOR”	The Warsaw Interbank Offered Rate is the average interest rate estimated by leading banks in Warsaw that the average leading bank would be charged if borrowing from other banks. Unless specified otherwise, refers to WIBOR 3M ie. for loans for a three-month period

PRESENTATION OF FINANCIAL INFORMATION

General

The financial information presented in our consolidated financial results which are contained herein 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 Initial Notes dated January 24, 2014 (as a holder of the Senior Secured Notes or the Senior Notes), in the Offering Memorandum of the Additional Notes dated March 12, 2015 (as a holder of the Senior Secured 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.

The financial information in this Report is presented in zloty. For your convenience, we have translated certain zloty amounts for the twelve-month period ended March 31, 2015 in this Report into euro. The exchange rate for the convenience translations is PLN 4.0890 per €1.00 which was the National Bank Exchange Rate per euro as of March 31, 2015. 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 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 the sum of Adjusted EBITDA for the quarter ended December 31, 2014 *and* Adjusted EBITDA for the quarter ended March 31, 2015, 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.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

These risks and others described under “Risk Factors” are not exhaustive. We urge you to read the section of this Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the sections entitled “Risk Factors” and “Business” in the Offering Memorandum of the Initial Notes dated January 24, 2014 (relevant for holders of the Senior Secured Notes or the Senior Notes), in the Offering Memorandum of the Additional Notes dated March 12, 2015 (relevant for holders of the Senior Secured Notes) and the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (relevant for holders of the Senior PIK Toggle Notes) for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Report may not occur. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

RECENT DEVELOPMENTS

The Group has not identified any events after March 31, 2015 that should be disclosed this 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 flows of the Group set forth below as of and for the quarters ended March 31, 2015 and March 31, 2014 have been derived from the unaudited interim condensed consolidated financial statements of the Group as of and for the quarter ended March 31, 2015, prepared in accordance with IFRS and included elsewhere in this Report.

The unaudited interim condensed consolidated financial statements for the quarter ended March 31, 2015, were prepared on a basis consistent with the audited financial statements for the year ended December 31, 2014 and include, in our opinion, all adjustments necessary for the fair presentation of the financial information contained in those statements.

Unless otherwise indicated, the financial information in this Report is presented in Polish zloty in millions. For your convenience, we have translated certain zloty amounts for the twelve-month period ended March 31, 2015 in this Report into euro. The exchange rate for the convenience translations is PLN 4.0890 per €1.00, which was the National Bank of Poland's exchange rate per euro as of March 31, 2015. 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

	Three-month period ended March 31, 2014	Three-month period ended March 31, 2015	Twelve-month period ended March 31, 2015	Twelve-month period ended March 31, 2015
	(PLN in millions) Unaudited	(PLN in millions) Unaudited	(PLN in millions) Unaudited	(EUR in millions) Unaudited
Operating revenue	986.1	1,227.7	4,633.9	1,133.3
Direct costs	(318.4)	(397.8)	(1,489.0)	(364.1)
General and administrative expenses	(260.0)	(250.2)	(995.4)	(243.4)
Depreciation and amortization	(291.4)	(355.5)	(1,338.4)	(327.3)
Other operating income	16.6	12.9	52.3	12.8
Other operating costs	(14.6)	(26.3)	(89.4)	(21.9)
Operating profit	118.4	210.9	774.1	189.3
Finance income	14.2	177.3	249.9	61.1
Finance costs	(91.2)	(57.0)	(334.2)	(81.7)
Profit before income tax	41.4	331.1	689.8	168.7
Income tax benefit/(charge)	(10.1)	(70.8)	25.5	6.2
Net profit for the period	31.4	260.3	715.2	174.9
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	31.4	260.3	715.2	174.9

Consolidated Statement of Financial Position

	December 31, 2014	March 31, 2015
	(PLN in millions)	(PLN in millions)
		Unaudited
ASSETS		
Non-current assets		
Property, plant and equipment	941.6	935.5
Intangible assets	2,259.2	2,254.7
Assets under construction	285.2	284.9
Prepayments for assets under construction	0.3	0.7
Long term receivables - Debt securities	-	74.3
Other long term receivables	14.3	14.5
Finance assets at fair value through profit or loss	57.6	74.7
Deferred tax asset	291.0	223.9
Non-current assets	3,849.3	3,863.1
Current assets		
Inventories	147.2	165.2
Trade and other receivables	779.6	984.2
Current income tax receivables	0.6	0.6
Prepaid expenses	62.5	83.1
Cash and cash equivalents	498.0	774.9
Current assets	1,487.9	2,008.0
TOTAL ASSETS	5,337.2	5,871.1
EQUITY AND LIABILITIES		
Capital and reserves attributable to shareholders of the Company		
Share capital	0.1	0.1
Share premium	5,636.0	5,636.0
Retained losses	(5,604.6)	(5,344.3)
Total equity	31.5	291.8
Non-current liabilities		
Long-term finance liabilities	3,795.2	4,174.1
Long-term provisions	53.5	58.5
Long-term retention programs liabilities	95.7	109.3
Deferred tax liability	-	0.2
Other non-current liabilities	12.7	13.2
Non-current liabilities	3,957.1	4,355.4
Current liabilities		
Short-term finance liabilities	119.5	62.9
Trade and other payables	812.8	764.9
Current income tax payable	8.1	11.5
Accruals	61.2	23.8
Short-term provisions	1.7	1.0
Short-term retention programs liabilities	14.1	22.1
Deferred income	331.1	337.7
Current liabilities	1,348.5	1,223.9
TOTAL LIABILITIES AND EQUITY	5,337.2	5,871.1

Consolidated Statement of Cash Flows

	Three-month period ended March 31, 2014	Three-month period ended March 31, 2015
	(PLN in millions)	(PLN in millions)
	Unaudited	Unaudited
Profit before income tax	41.4	331.1
Depreciation and amortization	291.4	355.5
Interest expense (net)	86.7	53.7
Gain on valuation of finance assets	(4.4)	(17.1)
Foreign exchange (gains)/losses	1.4	(149.6)
Gain on disposal of non-current assets	(2.5)	(0.4)
Impairment of non-current assets	6.0	11.3
Change in provisions and retention programs liabilities	10.2	21.0
Changes in working capital and other	(33.6)	(270.5)
Cash provided by operating activities	396.7	335.0
Interest received	4.7	2.9
Income tax paid	(0.4)	(0.1)
Net cash provided by operating activities	401.0	337.8
Proceeds from sale of non-current assets	3.4	0.8
Proceeds from loans granted	-	0.0
Purchase of fixed assets and intangibles and prepayments for assets under construction	(328.9)	(402.8)
Loans given	(0.1)	-
Purchase of debt securities (Notes issued by Play Topco)	-	(75.2)
Transfer to other finance assets	(720.3)	-
Net cash used in investing activities	(1,045.8)	(477.2)
Proceeds from finance liabilities	3,816.0	543.8
Distribution of share premium	(718.1)	-
Repayment of finance liabilities	(2,507.9)	(7.8)
Paid finance costs relating to finance liabilities	(105.6)	(112.4)
Transfers from restricted cash	134.7	-
Net cash provided by financing activities	619.1	423.6
Net change in cash and cash equivalents	(25.8)	284.1
Effect of exchange rate change on cash and cash equivalents	(0.0)	(7.2)
Cash and cash equivalents at the beginning of the period	172.6	497.8
Cash and cash equivalents at the end of the period	146.8	774.7

Other Operating, Financial and Pro Forma Financial Information

	Three-month period ended March 31, 2014	Three-month period ended March 31, 2015	Twelve-month period ended March 31, 2015	Twelve-month period ended March 31, 2015
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
	Unaudited	Unaudited	Unaudited	Unaudited
Adjusted EBITDA ⁽¹⁾	238.3	323.5	1,156.7	282.9
Adjusted EBITDA margin (%) ⁽¹⁾	24.2	26.3	25.0	
Total cash capital expenditures ⁽²⁾	106.1	112.7	455.8	111.5
Operating cash flows ⁽³⁾	132.2	210.7	700.9	171.4
Free cash flow before financing and non-recurring items ⁽⁴⁾	100.7	122.9	669.8	163.8

(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:

	Three-month period ended March 31, 2014	Three-month period ended March 31, 2015	Twelve-month period ended March 31, 2015	Twelve-month period ended March 31, 2015
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
	Unaudited	Unaudited	Unaudited	Unaudited
Operating profit	118.4	210.9	774.1	189.3
Depreciation and amortization	291.4	355.5	1,338.4	327.3
Reversal of capitalized subscriber acquisition costs and subscriber retention costs ^(a)	(219.3)	(289.3)	(1,120.4)	(274.0)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets ^(b)	6.1	11.2	49.1	12.0
EBITDA	196.5	288.3	1,041.2	254.6
Costs of advisory services provided by shareholders ^(c)	5.2	6.6	22.7	5.5
Valuation of retention programs and costs of special bonuses ^(d)	33.5	21.2	71.5	17.5
Other one off operating costs ^(e)	3.2	7.4	21.3	5.2
Adjusted EBITDA	238.3	323.5	1,156.7	282.9

- (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.
- (e) Other one-off operating costs for the three-month period ended March 31, 2014 comprised one-off civil law activities tax of PLN 7.2 million on sale of 10.52% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to P4BIS, finance and legal services relating to the Group Refinancing and Recapitalization as well as additional Group restructuring activities of PLN 0.9 million and were offset by the income from a reversal of a provision for a potential liability towards Competition and Consumer Protection Office (UOKIK) of PLN 4.8 million. Other one-off operating costs for the three-month period ended March 31, 2015 comprised mainly foreign exchange losses resulting from the valuation of funds kept on EUR currency accounts obtained from the issue of senior secured notes in March 2015.

EBITDA and Adjusted EBITDA reconciliation for the three-month periods ended December 31, 2014 and March 31, 2015:

	Three - month period ended		Total
	December 31, 2014	March 31, 2015	
	(PLN in millions)	(PLN in millions)	(PLN in millions)
	Unaudited	Unaudited	
Operating profit	200.8	210.9	411.6
Depreciation and amortization	350.5	355.5	706.0
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(293.3)	(289.3)	(582.6)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	14.1	11.2	25.2
EBITDA	272.0	288.3	560.3
Costs of advisory services provided by shareholders	5.3	6.6	11.9
Valuation of retention programs and costs of special bonuses	3.6	21.2	24.8
Other one off operating costs / (income)	7.7	7.4	15.0
Adjusted EBITDA	288.6	323.5	612.1

For the purposes of this Report, we define LHA Adjusted EBITDA as the sum of Adjusted EBITDA of PLN 288.6 million for the three-month period ended December 31, 2014 and Adjusted EBITDA of PLN 323.5 million for the three-month period ended March 31, 2015, multiplied by two. LHA Adjusted EBITDA amounted to PLN 1,224.1 million.

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:

	Three-month period ended March 31, 2014	Three-month period ended March 31, 2015
	(PLN in millions)	(PLN in millions)
Adjusted EBITDA	238.3	323.5
Non-cash items and changes in provisions ⁽¹⁾	(2.5)	(0.9)
Change in working capital ⁽²⁾	(28.7)	(86.9)
(Increase)/decrease of inventories	6.2	(18.0)
(Increase)/decrease of receivables	29.9	(21.2)
Increase of prepaid expenses	(23.5)	(20.6)
Increase of payables excluding investment payables	10.3	3.6
Decrease of accruals	(44.2)	(37.4)
Increase/(decrease) of deferred income	(7.9)	6.5
Increase of long term receivables	(0.1)	(0.2)
Increase of other non-current liabilities	0.6	0.5
Cash capital expenditures ⁽³⁾	(106.1)	(112.7)
Income tax paid	(0.4)	(0.1)
Free cash flow before financing and non-recurring items	100.7	122.9
Deposit paid to UKE in relation with spectrum auction	-	(183.6)
Retention programmes and special bonuses paid out	(29.2)	(6.0)
Cash interest (net) and other financial costs	(100.9)	(109.5)
Proceeds from finance liabilities	3,816.0	543.8
Repayment of finance liabilities	(2,507.9)	(7.8)
Foreign exchange gains ⁽⁴⁾	6.8	0.1
Transfers from restricted cash	134.7	-
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	(0.2)	(0.5)
Loans given	(0.1)	-
Proceeds from loans granted	-	0.0
Purchase of debt securities (Notes issued by Play Topco)	-	(75.2)
Net increase in cash and cash equivalents	(25.8)	284.1
Effect of exchange rate change on cash and cash equivalents	(0.0)	(7.2)
Beginning of period cash and equivalents ⁽⁵⁾	172.6	497.8
End of period cash and equivalents ⁽⁵⁾	146.8	774.7

(1) Comprising (i) non-cash items: gains on disposal of non-current assets and impairments of non-current assets and (ii) change in provisions other than provisions for one-off items, which were: for the three-month period ended March 31, 2014 - a decrease of provision for a potential liability towards Competition and Consumer Protection Office (UOKiK) by PLN 4.8 million.

- (2) Excluding change in accruals for special bonus and one-off finance and legal advisory costs, change in trade payables relating to advisory services provided by shareholders and change in other receivables relating to deposit paid to UKE in relation with spectrum auction.
- (3) For a definition of total cash capital expenditures, see footnote (2) under the table “—Other Operating, Financial and Pro Forma Financial Information.”
- (4) Related to realized foreign exchange gains on restricted cash management, valuation of cash and cash equivalents and on currency purchases for repayment of finance liabilities.
- (5) As presented in the cash flow statement (net of bank overdrafts and excluding restricted cash).

Capitalization

	March 31, 2015 Unaudited		
	PLN in millions	EUR in millions ¹	xLHA Adjusted EBITDA ²
Cash and cash equivalents	774.9	189.5	0.63x
Finance Leases	43.5	10.6	0.04x
Senior Secured Notes	3,118.2	762.6	2.55x
<i>of which EUR fixed rate Notes³</i>	2,987.0	730.5	2.44x
<i>of which PLN floating rate Notes³</i>	131.2	32.1	0.11x
Secured debt	3,161.7	773.2	2.58x
Net secured debt	2,386.8	583.7	1.95x
Senior Unsecured Notes ³	1,115.9	272.9	0.91x
Total debt	4,277.5	1,046.1	3.49x
Net debt	3,502.7	856.6	2.86x

- (1) Currency exchange rate as of March 31, 2015 1 EUR = 4.0890 PLN;
- (2) LHA Adjusted EBITDA as of March 31, 2015 of PLN 1,224.1 million;
- (3) Including accrued interest: EUR 600 million 5¹/₄% Fixed Rate Senior Secured Notes due 2019 – PLN 21.2 million / EUR 5.2 million of accrued interest; EUR 125 million 5¹/₄% Fixed Rate Senior Secured Notes due 2020 – PLN 1.2 million / EUR 0.3 million of accrued interest; PLN 130 million Floating Rate Senior Secured Notes due 2019 – PLN 1.2 million of accrued interest; EUR 270 million 6¹/₂% Senior Notes due 2019 – PLN 11.8 million / EUR 2.9 million of accrued interest.

Summary of Key Performance Indicators⁽¹⁾

	Three months ended March 31,	
	2014	2015
Reported subscribers (thousands)	10,943.2	12,685.4
Contract	4,923.7	6,131.5
Prepaid	6,019.4	6,553.9
Net additions (thousands)	210.0	398.6
Contract	154.1	321.0
Prepaid	55.9	77.5
Churn (%)⁽²⁾	3.6%	3.2%
Contract	0.8%	0.7%
Prepaid	5.8%	5.6%
ARPU (PLN)⁽²⁾⁽³⁾	35.8	38.0
Contract	51.5	52.2
Prepaid ⁽³⁾	15.1	16.6
Data usage per subscriber (MB)⁽²⁾	626	1,428
Contract	943	2,060
Prepaid	206	472
unit SAC (PLN)		
Contract	328.5	295.9
Prepaid	4.4	3.7
unit SRC (PLN)	279.7	253.8

- (1) See “Industry, Market and Subscriber Data” for definitions of our Key Performance Indicators. We believe that each of our competitors calculates these metrics differently and this may affect comparability.
- (2) We present our churn, ARPU and data usage per subscriber on an average monthly basis.
- (3) In this Report, prepaid ARPU is presented for active subscribers only.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF MARCH 31, 2015

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 quarters ended March 31, 2015 and March 31, 2014 which have been derived from the unaudited interim condensed consolidated financial statements of the Group as of and for the quarters ended March 31, 2015 and March 31, 2014 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 consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the consolidated financial statements is set forth below in "—Critical Accounting Policies, Estimates and Judgments." In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

The financial statements have been prepared in accordance with IFRS, 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 "Risk Factors" and "Forward-Looking Statements" in this Report, as well as "Risk Factors" in the Offering Memorandum of the Additional Notes Senior Notes dated January 24, 2014 (relevant for holders of the Senior Secured Notes or the Senior Notes), in the Offering Memorandum of the Additional Notes dated March 12, 2015 (relevant for holders of the Senior Secured Notes) and the Offering Memorandum of the Senior PIK Toggle Notes dated July 30, 2014 (relevant for holders of the Senior PIK Toggle Notes). 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. á r. l. (hereafter, together with its subsidiaries, the "**Play Group**" or the "**Group**") which was incorporated under the laws of Luxembourg on January 10, 2014. Play Holdings 2 S. á r. l. indirectly holds 100% of its principal operating company, P4 Sp. z o.o. ("**P4**", the "**Company**") which began providing mobile telecommunications services on March 16, 2007.

Overview

We are a consumer-focused mobile network operator ("**MNO**") in Poland with approximately 12.7 million subscribers as of March 31, 2015. We have been the clear leader in subscriber net additions in Poland with higher than 50% market share of contract subscriber net additions for the past 18 consecutive quarters of the four Polish mobile telecommunications operators as of March 31, 2015, allowing us to achieve an overall market share of 21.9% in terms of reported subscribers as of March 31, 2015. In Mobile Number Portability ("**MNP**") among the MNOs in Poland, we have acquired above 50% of all reported subscribers porting mobile numbers from our commercial launch in 2007 through March 31, 2015. We have been equally effective in delivering a high level of customer service to our subscribers, managing to achieve a monthly average contract churn rate of just 0.7% for the three-month period ended March 31, 2015. During the twelve-month period ended March 31, 2015, we generated total revenues of PLN 4,633.9 million (€1,135.5 million equivalent) and an increase of 20.9% year on year in PLN terms, while our Adjusted EBITDA for the twelve-month period ended March 31, 2015 amounted to PLN 1,156.7 million (€282.9 million equivalent), an increase of 36.9% year on year in PLN terms.

We provide mobile voice, messaging and data offerings and services to consumers and businesses (in particular to small office/home office subscribers ("**SOHO**") and small/medium enterprises ("**SME**")) on a contract and prepaid basis. Our

principal focus is contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of March 31, 2015, contract subscribers accounted for 48.3% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 82.1% of our usage revenues for the year ended March 31, 2015.

We employ one brand and communications platform across all of our offerings, “PLAY,” which is well recognized in the Polish market with broad appeal and according to research by smartscope in the fourth quarter of 2014, had 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 nationwide distribution network of approximately 860 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 provided coverage to 90% of the Polish population as of March 31, 2015, and we extend our available network to 99% of the population through long-term national roaming/network sharing agreements with the other three major Polish MNOs. In November 2013, we were the second major MNO in Poland to launch its 4G LTE network, and as of March 31, 2015 we provided 4G LTE coverage to 75% of the Polish population.

Key Factors Affecting Our Results of Operations and Significant Market Trends

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

Economic environment in Poland

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

During the recent economic downturn, the Polish economy performed better than many of the other European economies and was the only economy in the EU to continue to grow in each year from 2008 to 2010. Also recently the Polish economy outperformed the EU average, with the real GDP growth of 4.8% in 2011, 1.8% in 2012, 1.7% in 2013 and 3.4% in 2014 compared to the EU average real GDP growth of 1.7% in 2011, a decline of 0.4% in 2012, no growth in 2013 and 1.3% in 2014. With a forecast by Eurostat of real GDP growth of 3.2% in 2015 and 3.4% in 2016, Poland is poised to continue to grow at a faster rate than the estimated EU average real GDP growth rates of 1.7% in 2015 and 2.1% in 2016. According to Eurostat, Poland is the largest economy in CEE with a total GDP of €412 billion in 2014 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 a “Positive” outlook, 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 a “Positive” outlook. As of March 2015, the harmonized unemployment rate in Poland was approximately 7.7% compared to approximately 9.8% 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 from January 1, 2010:

Period	Plus, Orange and T-Mobile voice MTR⁽¹⁾		Play voice MTR⁽²⁾
	(PLN per minute)		
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.

Due to those frequent changes of MTRs, as well as asymmetry between MTRs received by Play and MTRs paid by Play, we have historically adopted ARPU (outbound) as Key Performance Indicator. ARPU (outbound) is reflective only of the revenues received only from fees paid by the subscribers, and does not reflect revenues from other operators for termination of their traffic in our network. As such, ARPU (outbound) is not affected by regulatory changes or different regulatory treatment of market participants, and facilitates performance analysis over longer periods.

However, MTRs have not been reduced since July 1, 2013, and remain at the rates specified above, which are equal for all Mobile Network Operators in Poland. We believe that this has created conditions in which complete ARPU (including revenues for termination of incoming traffic, thereafter "ARPU") can equally be used as indicator of performance in long term analyses. Additionally, ARPU is more widely used as measure of performance by other Mobile Network Operators,

and therefore we have decided to adopt ARPU as Key Performance Indicator, in place of ARPU (outbound). The table below presents comparison of ARPU and ARPU (outbound) for Play for all historical periods, for which we have reported ARPU (outbound). To ensure comparability over all reporting periods, we have adjusted ARPU as if we had been operating in a symmetrical MTR environment and at a constant (current) MTR across all periods. 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. “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.

	2011				2012				2013				2014				2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
ARPU																	
(MTR-Adjusted)	32.0	33.3	33.4	34.0	34.1	35.0	35.5	35.0	34.3	35.3	36.0	36.2	35.8	37.3	38.5	38.7	38.0
- contract	45.7	47.7	49.0	49.6	49.8	51.0	52.0	51.3	50.1	50.6	51.1	51.4	51.5	53.0	54.3	53.5	52.2
- prepaid	14.8	15.0	14.1	14.7	14.3	14.9	15.2	14.8	14.4	15.4	16.2	16.0	15.1	16.3	17.1	17.2	16.6
ARPU (outbound)	28.6	29.7	29.9	30.4	30.4	31.1	31.4	30.6	30.0	30.6	31.3	31.0	30.5	31.6	32.6	32.2	31.5
- contract	41.5	43.2	44.5	44.8	44.9	45.9	46.6	45.5	44.5	44.5	45.1	44.7	44.6	45.6	46.8	45.3	44.0
- prepaid	12.6	12.7	11.8	12.4	12.1	12.6	12.8	12.2	11.8	12.6	13.2	12.8	11.9	12.8	13.5	13.2	12.5

	2010	2011	2012	2013	2014
ARPU					
(MTR-Adjusted)	33.4	33.2	34.9	35.5	37.6
- contract	47.0	48.1	51.1	50.8	53.1
- prepaid	17.1	14.6	14.8	15.5	16.4
ARPU (outbound)	29.6	29.7	30.9	30.8	31.8
- contract	42.6	43.6	45.7	44.7	45.6
- prepaid	14.2	12.3	12.4	12.6	12.9

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, asymmetric MTRs helped reduce our net mobile termination costs and, in the periods under review, 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.

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:

	Three months ended March 31,	
	2014	2015
Foreign exchange rates		
Zloty per euro (EOP) ⁽¹⁾	4.1713	4.0890
Zloty per euro (average in period) ⁽¹⁾⁽²⁾	4.1846	4.1956

(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. However, in the three-month period ended March 31, 2015 we experienced an opposite trend as we noted exchange rate gains of PLN 156.9 million due to the appreciation of the zloty against the euro which lowered costs on our financing arrangements including Fixed Rate Senior Secured Notes and the Senior Notes, which are denominated in euros.

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 Notes Indenture.

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

Growth of subscriber base and subscriber retention

According to the CSO, the Polish mobile telecommunications market grew from 54.9 million reported subscribers (a penetration rate of 142.3%) as of March 31, 2013 to 56.7 million reported subscribers (a penetration rate of 147.4%) as of March 31, 2014 and to 58.1 million reported subscribers (a penetration rate of 150.8%) as of March 31, 2015.

The number of our reported subscriber base was 9.4 million as of March 31, 2013 (market share of 17.1%), 10.9 million as of March 31, 2014 (market share of 19.3%) and 12.7 million as of March 31, 2015 (market share of 21.9%). The proportion of contract subscribers to total reported subscriber base was 44.1% as of March 31, 2013, 45.0% as of March 31, 2014 and 48.3% as of March 31, 2015.

Since the commercial launch of our operations in 2007 we have been focused on subscriber additions as we sought to establish our market share, and since then we have continued to focus on further subscriber additions and also focusing

on subscriber retention, as well as on migrating prepaid subscribers to contract subscribers, which are generally characterized by a more stable revenue profile. In relation to subscriber additions, we have been particularly successful under MNP in attracting new subscribers and we have acquired above 50% of all reported subscribers porting mobile numbers since our commercial launch in 2007 until the end of 2014. In April 2014, we have also introduced “family” plans, whereby family groups of three or more individuals can enjoy discounts on mobile telephones, mobile data and other benefits, which have been successful since their introduction.

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

Competition

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with the Group, as of March 31, 2015, held over 99% of the reported subscriber market share. According to CSO the total number of reported mobile subscribers in Poland as of March 31, 2015 amounted to 58.1 million, and Play with its 12.7 million reported subscriber base had approximately 21.9%.

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. The four major MNOs (Play, Orange, Plus, T-mobile) represented over 99% of the market share of subscribers as of March 31, 2015, while MVNOs and other operators represented together only less than 1%. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players.

Investment in our network

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

We have 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 90% of the Polish population as of March 31, 2015, while we also provide 2G/3G/4G LTE coverage under long-term national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile which extends our available network to 99% of the population and provides our subscribers with unmatched network coverage with access to all four major mobile networks in Poland. This strategy allows us to provide wide coverage as well as benefiting from a built-in redundancy, such that if there is a failure of any one network, there are always three back-up networks available, as well as allowing us to manage our level of capital expenditures by being able to choose whether to build out our own network or rely on national roaming/network sharing coverage in a specific area.

Following the acquisition of 1800 MHz technology neutral frequency license in June 2013, we launched a roll-out of our 4G LTE network utilizing the 1,800 MHz frequency. We believe we will have sufficient capacity to service our expected

subscriber base in the medium term, and our reduced capital expenditures required for further upgrades and new sites following the completion of certain ongoing network investments will further support growth in our free cash flow generation in the medium term, although any new frequency reservations we acquire could require significant capital outlays and additional investments in our networks.

We are currently participating in an ongoing auction for additional LTE spectrum, whereby five paired blocks of 5 MHz each in the 800 MHz band, with a reserve price of PLN 250 million each, and fourteen paired blocks of 5 MHz each in the 2,600 MHz band, with a reserve price of PLN 25 million each, are being auctioned. In February 2015, we placed a cash deposit amounting to 25% of the sum of our bids as required under the auction rules. The auction would allow us to secure access to those frequencies, either through outright ownership of the spectrum through winning one or more of the auctioned bands, and/or through our long-term network sharing agreements, in the event that our network sharing partners gain access to those frequencies. We believe that we will win enough LTE spectrum to achieve our strategic goals for this auction, however, we cannot assure you that we will continue to bid or that our bid will be successful.

Quality of subscriber base

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

Issuance of Additional Notes

On March 19, 2015 we have issued €125,000,000 aggregate principal amount of Additional Notes. The Additional Notes were issued as additional notes under the Senior Secured Notes Indenture executed on January 31, 2014, as supplemented on May 27, 2014 and March 10, 2015 pursuant to which the Issuer issued its €600,000,000 aggregate principal amount of 5¹/₄% Senior Secured Notes due 2019 and PLN 130,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019. The Additional Notes constitute a further issuance of, and will be treated as a single class with, the Initial Senior Secured Notes for all purposes under the Senior Secured Notes Indenture, including with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture.

The issue price of the Additional Notes amounted to 104.25 and the aggregate gross proceeds of the issuance were €130,312,500. In the event that we purchase spectrum in the ongoing auctions, we intend to use the net proceeds from the issuance of Additional Notes towards financing our bid. If our bid is not successful, as well as in the interim before applying such proceeds to finance any possible bid, we intend to use such proceeds for working capital, and otherwise general corporate purposes.

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. 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 financial statements to vary from our existing financial statements. 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.”

Financial Information

The financial data in this report covers the three-month period from January 1 to March 31, 2015.

Comparative figures for the three-month period ended March 31, 2014 are based on the unaudited interim condensed consolidated financial statements of the Group as at and for the three-month period ended March 31, 2015 included elsewhere in this Report.

This Report includes certain non-IFRS financial measures, including 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

We consider the following key performance indicators (“KPIs”) in evaluating our business. Our revenue is principally driven by the number of reported new and retained subscribers, the mix of subscriber base between prepaid and contract, as well as ARPU while our costs are materially affected by our unit SAC and unit SRC.

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

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

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

Reported subscriber base

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

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

	As of March 31,		Change
	2014	2015	
Reported subscribers (thousands)	10,943.2	12,685.4	15.9%
Contract	4,923.7	6,131.5	24.5%
Prepaid	6,019.4	6,553.9	8.9%

As of March 31, 2015, the total number of our reported subscriber base was approximately 12.7 million, out of which 48.3% were contract subscribers. Our reported subscriber base represents approximately 21.9% 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 4.9 million as of March 31, 2014 to 6.1 million as of March 31, 2015, increasing the share of contract subscribers as a proportion of our total reported subscriber base from 45.0% as of March 31, 2014 to 48.3% as of March 31, 2015 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 March 31, 2015, net additions were 399 thousands, which represented an increase of 90% relative to comparable period of 2014 and contract net additions were 321 thousands, representing an increase of 108% relative to comparable period of 2014, indicative of stable growth for the contract subscribers.

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

	Three months ended March 31,		Change
	2014	2015	
Net additions (thousands)	210.0	398.6	89.8%
Contract	154.1	321.0	108.3%
Prepaid	55.9	77.5	38.7%
Churn (%)⁽¹⁾	3.6%	3.2%	
Contract	0.8%	0.7%	
Prepaid	5.8%	5.6%	

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

Monthly contract churn rate has remained stable in the three months ended March 31, 2015. Due to the nature of prepaid offerings, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

ARPU and Contract/Prepaid ARPU

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

In the three month period to March 31, 2015, our ARPU was PLN 38.0, up by 6.2% from a comparable period of 2014. The growth was driven by increasing contract ARPU, increasing share of contract subscribers in total subscriber base and strongly increasing ARPU prepaid (by 9.9% compared to three months ended March 31, 2014).

The following table presents ARPU during the periods under review:

	Three months ended March 31,		Change
	2014	2015	
ARPU (PLN)⁽¹⁾	35.8	38.0	6.2%
Contract	51.5	52.2	1.4%
Prepaid ⁽³⁾	15.1	16.6	9.9%

Data traffic

Data usage per subscriber increased from 626 MB monthly in the three month period to March 31, 2014 to 1,428 MB in the three month period to March 31, 2015, representing a growth of 128.2%. This growth can be observed for both contract and prepaid subscribers, and results from increased adoption of 4G LTE smartphones and other devices.

The following table presents a breakdown of data transmission usage:

	Three months ended March 31,		Change
	2014	2015	
Data usage per subscriber (MB)⁽¹⁾	626	1,428	128.2%
Contract	943	2,060	118.5%
Prepaid	206	472	128.5%

Unit SAC and unit SRC

In the three months ended March 31, 2015 our unit contract SAC amounted to PLN 295.9, a decrease by 9.9% compared to comparable period of 2014.

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

	Three months ended March 31,		Change
	2014	2015	
unit SAC (PLN)			
Contract	328.5	295.9	(9.9%)
Prepaid	4.4	3.7	(15.1%)
unit SRC (PLN)	279.7	253.8	(9.2%)

Our unit SRC for the three months ended March 31, 2015 amounted to PLN 295.9, a decrease by 9.9% compared to the three months ended March 31, 2014.

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 the statement of comprehensive income as telecommunications services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the services.
- Other usage revenue—consisting 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 statement of comprehensive income in the period in which the services were rendered.

Sales of goods and other revenues

Sales of goods and other revenues comprise mainly revenues from devices sold to subscribers. Revenues from sales of goods are 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 interest receivable on 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 the 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 subject to the Polish tax system. The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Group. Thus, each of the Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. 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 Quarter ended March 31, 2015 and the Quarter ended March 31, 2014

Operating revenue

Operating revenue increased by PLN 241.6 million, or by 24.5%, from PLN 986.1 million for the three-month period ended March 31, 2014 to PLN 1,227.7 million for the three-month period ended March 31, 2015. This increase resulted from the growth in all categories of revenue, primarily in retail contract usage revenues and interconnection revenues.

	Three-month period ended		Change %
	March 31, 2014	March 31, 2015	
	(PLN in millions)		
Service revenue	938.0	1,156.2	23.3
Usage revenue	801.3	958.9	19.7
Retail contract revenue	648.9	787.5	21.4
Retail prepaid revenue	130.6	147.9	13.2
Other revenue	21.8	23.5	8.0
Interconnection revenues	136.7	197.3	44.3
Sales of goods and other revenue	48.1	71.4	48.5
Operating Revenue	986.1	1,227.7	24.5

Retail contract usage revenue

Revenues from retail contract usage revenue increased by PLN 138.6 million, or 21.4%, from PLN 648.9 million for the three-month period ended March 31, 2014 to PLN 787.5 million for the three-month period ended March 31, 2015. The increase was primarily due to growth in the reported contract subscriber base by 1.2 million, or 24.5% from March 31, 2014 to March 31, 2015 due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenues from prepaid usage increased by PLN 17.2 million, or 13.2%, from PLN 130.6 million for the three-month period ended March 31, 2014 to PLN 147.9 million for the three-month period ended March 31, 2015. This increase resulted primarily from growth in the reported prepaid subscriber base by 0.5 million, or 8.9% due to the continued success of our subscriber acquisition strategy.

Interconnection revenue

Interconnection revenue increased by PLN 60.6 million, or 44.3%, from PLN 136.7 million for the three-month period ended March 31, 2014 to PLN 197.3 million for the three-month period ended March 31, 2015 as a result 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 increased by PLN 23.3 million, or 48.5%, from PLN 48.1 million for the three-month period ended March 31, 2014 to PLN 71.4 million for the three-month period ended March 31, 2015. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

Direct Costs

Direct costs increased by PLN 79.4 million, or by 24.9%, from PLN 318.4 million for the three-month period ended March 31, 2014 to PLN 397.8 million for the three-month period ended March 31, 2015. This increase resulted primarily from the increase in interconnection costs and cost of goods sold offset by the decrease in national roaming/network sharing costs.

	Three-month period ended		Change %
	March 31, 2014	March 31, 2015	
	(PLN in millions)		
	Unaudited	Unaudited	
Interconnection costs	(168.4)	(229.8)	36.5
National roaming/network sharing	(54.6)	(37.9)	(30.7)
Subscriber acquisition costs, net	(125.5)	(172.1)	37.0
Subscriber retention costs, net	(110.7)	(135.5)	22.3
Subscriber acquisition and retention costs capitalized	219.3	289.3	31.9
Cost of goods sold	(48.8)	(73.2)	49.9
Other direct costs	(29.7)	(38.8)	30.7
Direct costs	(318.4)	(397.8)	24.9

Interconnection costs

Interconnection costs increased by PLN 61.4 million, or 36.5%, from PLN 168.4 million for the three-month period ended March 31, 2014 to PLN 229.8 million for the three-month period ended March 31, 2015, which resulted from 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 16.8 million, or 30.7%, from PLN 54.6 million for the three-month period ended March 31, 2014 to PLN 37.9 million for the three-month period ended March 31, 2015, which resulted primarily from our new National roaming/Network sharing agreement with T-Mobile, which has offered better commercial terms. We started to migrate our National roaming/Network sharing traffic from other National roaming/Network sharing providers to T-Mobile on March 25, 2014, and, as of March 31, 2015, T-Mobile carried most of our National roaming/Network sharing traffic.

Subscriber acquisition costs

Subscriber acquisition costs increased by PLN 46.5 million, or 37.0%, from PLN 125.5 million for the three-month period ended March 31, 2014 to PLN 172.1 million for the three-month period ended March 31, 2015 primarily due to increased number of acquired customers.

Subscriber retention costs

Subscriber retention costs increased by PLN 24.7 million, or 22.3%, from PLN 110.7 million for the three-month period ended March 31, 2014 to PLN 135.5 million for the three-month period ended March 31, 2015, due to our higher overall number of subscribers, which meant we spent more money on retaining subscribers to avoid them churning.

Cost of goods sold

Cost of goods sold increased by PLN 24.4 million, or 49.9%, from PLN 48.8 million for the three-month period ended March 31, 2014 to PLN 73.2 million for the three-month period ended March 31, 2015, mainly due to an increase in sales of devices to newly acquired and retained subscribers.

Other direct costs

Other direct costs increased by PLN 9.1 million, or 30.7%, from PLN 29.7 million for the three-month period ended March 31, 2014 to PLN 38.8 million for the three-month period ended March 31, 2015. This increase resulted primarily from the increase of international roaming costs by 4.0 PLN 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		Change %
	March 31, 2014	March 31, 2015	
	(PLN in millions)		
Salaries and social security	(45.4)	(49.2)	8.3
Special bonuses and retention programs	(33.5)	(21.2)	(36.6)
Employee benefits	(78.9)	(70.4)	(10.8)
Network maintenance, leased lines, site rent and energy	(61.1)	(57.2)	(6.4)
Advertising and promotion expenses	(38.7)	(48.5)	25.6
Customer relations costs	(18.7)	(16.1)	(13.5)
Office and points of sale maintenance	(10.3)	(10.5)	1.8
IT expenses	(8.2)	(7.7)	(6.8)
People related costs - cars, trainings and other	(3.3)	(4.0)	20.1
Finance and legal services	(4.7)	(4.1)	(13.4)
Advisory services provided by shareholders	(5.2)	(6.6)	28.6
Other external services	(10.4)	(11.8)	13.1
External services	(160.6)	(166.5)	3.7
Taxes and fees	(20.5)	(13.2)	(35.5)
General and administrative expenses	(260.0)	(250.2)	(3.8)

Total general and administrative expenses decreased by PLN 9.8 million, or 3.8%, from PLN 260.0 million for the three-month period ended March 31, 2014 to PLN 250.2 million for the three-month period ended March 31, 2015. Costs in the three-month period ended March 31, 2014 were higher primarily due to higher cost resulting from the retention programs valuation as well as due to one-off civil law activities tax of PLN 7.2 million on sale of 10,52% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to P4BIS incurred in the three-month period ended March 31, 2014.

Excluding the impact of retention programs valuation as well as one-off civil law activities tax, general and administrative expenses increased by PLN 9.6 million, or 4.4%, from PLN 219.3 million for the three-month period ended March 31, 2014 to PLN 228.9 million for the three-month period ended March 31, 2015, mainly as a result of increased advertising and promotion expenses.

Salaries and social security

The cost of salaries and social security for the three-month period ended March 31, 2015 increased by PLN 3.8 million compared to the three-month period ended March 31, 2014, simultaneously with the equal decrease in network maintenance expenses. This was caused by the change in presentation of certain categories of expenses within operating expenses, following the restructuring of the entities within the Group.

External services

External services costs increased by PLN 6.0 million, or 3.7%, from PLN 160.6 million for the three-month period ended March 31, 2014 to PLN 166.5 million for the three-month period ended March 31, 2015. This increase was primarily due to the increase in advertising and promotion expenses by PLN 9.9 million as well as an increase in cost of advisory services provided by shareholders by PLN 1.5 million, driven by the increase in revenue. These expenses were partially off-set by a decrease in customer relation costs by PLN 2.5 million resulting from the reductions in billing and printing expenses and a decrease in network maintenance, leased lines, site rent and energy by PLN 3.9 million due to the change in presentation of certain categories of expenses within operating expenses, following the restructuring of the entities within the Group.

Taxes and fees

The cost of taxes and fees decreased by PLN 7.3 million, or 35.5%, from PLN 20.5 million for the three-month period ended March 31, 2014 to PLN 13.2 million for the three-month period ended March 31, 2015, primarily due to one-off civil law activities tax of PLN 7.2 million on sale of 10.52% shares in P4 Sp. z o.o. from Play Holdings 2 S. à r. l. to P4BIS incurred in the three-month period ended March 31, 2014.

Other Operating Income and Costs

Other operating income decreased by PLN 3.7 million, or 22.1%, from PLN 16.6 million for the three-month period ended March 31, 2014 to PLN 12.9 million for the three-month period ended March 31, 2015. Higher other operating income in the three-month period ended March 31, 2014 resulted primarily from the one-off reversal of provision for potential liability towards Competition and Consumer Protection Office (“UOKiK”) of PLN 4.8 million which was due to change in the Group’s risk assessment concerning the potential liability.

Other operating costs increased by PLN 11.7 million, or 80.1% for the same period under review. This increase resulted primarily from the increase of costs of impairment of SAC assets by PLN 5.1 million resulting from higher SAC acquisition/retention cost capitalised as at March 31, 2015 as well as from unrealized foreign exchange losses of PLN 7.1 million. Foreign exchange losses resulted from the valuation of funds collected from Additional Notes issued in March 2015, maintained on bank accounts denominated in EUR, and were caused by the depreciation of EUR against PLN in the first quarter of 2015. These losses were offset by the unrealized foreign exchange gains on valuation of the EUR-denominated debt presented within finance income.

Depreciation and amortization

Depreciation and amortization increased by PLN 64.1 million, or 22.0%, from PLN 291.4 million for the three-month period ended March 31, 2014 to PLN 355.5 million for the three-month period ended March 31, 2015. This increase resulted primarily from an increase in amortization of subscriber acquisition costs assets and subscriber retention costs assets by PLN 40.2 million as a result of higher SAC acquisition/retention cost capitalized.

Finance Income and Cost

	Three-month period ended		Change %
	March 31, 2014	March 31, 2015	
	(PLN in millions)		
Interest income	4.4	3.3	(26.1)
Interest expense	(91.2)	(57.0)	(37.5)
<i>Interest expense - Notes</i>	(34.0)	(52.0)	53.0
<i>Amortization of LOF - Notes</i>	(1.0)	(3.0)	203.2
<i>Interest expense - other</i>	(56.2)	(2.0)	(96.5)
Exchange rate gains	5.4	156.9	2,823.5
	4.4	17.1	286.9
Net gain on finance assets at fair value through profit or loss			
Financial income and costs	(76.9)	120.3	(256.3)

Interest expense

Interest expense decreased by PLN 34.1 million, or 37.5%, from PLN 91.2 million for the three-month period ended March 31, 2014 to PLN 57.0 million for the three-month period ended March 31, 2015. Higher interest expense in the three-month period ended March 31, 2014 resulted primarily from a one-off write-off of not yet amortized loan origination costs of PLN 28.3 million as well as PLN 12.4 million of break costs related to CBD and Alior bank loans due to the extinguishment of these loans in January 2014.

Exchange rate gains

Exchange rate gains increased from PLN 5.4 million for the three-month period ended March 31, 2014 to PLN 156.9 million for the three-month period ended March 31, 2015. This increase resulted mainly from the valuation of the EUR-denominated debt due to depreciation of EUR against PLN in the first quarter of 2015.

Liquidity and Capital Resources

Liquidity

The Group has historically been financed through equity capital (including contributions in kind), cash from operations, and borrowings under bank loans and, following the issuance of the Notes, through bonds. The Company has entered into the Revolving Credit Facility Agreement with Alior Bank S.A. as a lender and Bank Zachodni WBK S.A. as a lender and facility agent, which provides for a Revolving Credit Facility in the amount of PLN 400 million, which was undrawn and fully available as of March 31, 2015. The Group also has a revolving credit line agreements with Bank Millennium S.A. for the amount of PLN 50 million and with Bank Zachodni WBK S.A. for the amount of PLN 150 million, which were undrawn and fully available as of March 31, 2015.

Cash flows

	Three-month period ended March 31, 2014	Three-month period ended March 31, 2015
	(PLN in millions)	(PLN in millions)
	Unaudited	Unaudited
Profit before income tax	41.4	331.1
Depreciation and amortization	291.4	355.5
Interest expense (net)	86.7	53.7
Gain on valuation of finance assets	(4.4)	(17.1)
Foreign exchange (gains)/losses	1.4	(149.6)
Gain on disposal of non-current assets	(2.5)	(0.4)
Impairment of non-current assets	6.0	11.3
Change in provisions and retention programs liabilities	10.2	21.0
Changes in working capital and other	(33.6)	(270.5)
Cash provided by operating activities	396.7	335.0
Interest received	4.7	2.9
Income tax paid	(0.4)	(0.1)
Net cash provided by operating activities	401.0	337.8
Proceeds from sale of non-current assets	3.4	0.8
Proceeds from loans granted	-	0.0
Purchase of fixed assets and intangibles and prepayments for assets under construction	(328.9)	(402.8)
Loans given	(0.1)	-
Purchase of debt securities (Notes issued by Play Topco)	-	(75.2)
Transfer to other finance assets	(720.3)	-
Net cash used in investing activities	(1,045.8)	(477.2)
Proceeds from finance liabilities	3,816.0	543.8
Distribution of share premium	(718.1)	-
Repayment of finance liabilities	(2,507.9)	(7.8)
Paid finance costs relating to finance liabilities	(105.6)	(112.4)
Transfers from restricted cash	134.7	-
Net cash provided by financing activities	619.1	423.6
Net change in cash and cash equivalents	(25.8)	284.1
Effect of exchange rate change on cash and cash equivalents	(0.0)	(7.2)
Cash and cash equivalents at the beginning of the period	172.6	497.8
Cash and cash equivalents at the end of the period	146.8	774.7

Net cash provided by operating activities

Net cash provided by operating activities decreased by PLN 63.2 million, or 15.8%, from PLN 401.0 million for the three-month period ended March 31, 2014 to PLN 337.8 million for the three-month period ended March 31, 2015. In February 2015 the Group paid PLN 183.6 million deposit to UKE in relation with Group's participation in auction for frequencies in the 800 MHz and in the 2600 MHz band. The deposit will be refunded, regardless of the outcome of the auction. Excluding the impact of the above mentioned cash outflow, the net cash provided by operating activities increased by PLN 117.3 million, or 29.3%, from PLN 401.0 million to PLN 518.3 million, primarily due to increase in the profit before income tax from PLN 41.4 million to PLN 331.1 million.

Net cash used in investing activities

Net cash used in investing activities decreased by PLN 568.6 million or 54.4%, from PLN 1,045.8 million for the three-month period ended March 31, 2014 to PLN 477.2 million for the three-month period ended March 31, 2015. This decrease primarily reflects one-off transfer of some proceeds from Senior Notes to an escrow account in the three-month period ended March 31, 2014 of PLN 720.3 million. This effect was partially offset by the purchase of bonds from Play Topco S.A. in the amount of PLN 75.2 million and higher cash capex in the three-month period ended March 31, 2015.

Net cash provided by financing activities

Net cash inflow provided by financing activities decreased and totalled PLN 423.6 million for the three-month period ended March 31, 2015 compared to PLN 619.1 million for the three-month period ended March 31, 2014. In the three-month period ended March 31, 2015 the Group issued Additional Notes resulting in the cash inflow in the amount of PLN 543.8 million, partially offset with the paid finance cost of PLN 112.4 million. In the three-month period ended March 31, 2014 total proceeds from Notes issue amounted to PLN 3,816.0 million and were mainly used for the repayment of bank loans (PLN 2,499.5 million) and distribution of share premium (PLN 718.1 million).

Certain other contractual commitments

Operating leases

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

	December 31, 2014	March 31, 2015
	(PLN in millions)	(PLN in millions)
	Unaudited	
Liabilities payable within:		
Not later than 1 year	134.4	132.8
Later than 1 year and not later than 5 years	283.9	293.3
Later than 5 years	35.1	42.7
	453.4	468.8

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, and 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 have installed 1800 MHz equipment on 3,928 base sites as of December 31, 2014, of which more than 1,600 in communes of less than 100,00 inhabitants, thus fulfilling the license requirements.

Contingent liabilities

We have certain contingent liabilities.

Universal service liability to Orange Polska 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 Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) ("**Orange**") as the operator required to provide universal services until May 8, 2011. On May 9, 2011, Orange'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.

Orange 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 Orange's application are discussed in Note 37.2 to our 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 May 2015, whereas decisions relating to the Group's contribution to universal service for the years 2008, 2009, 2010 are expected no sooner than in third quarter of 2015 and for the year 2011 no sooner than in fourth 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 Orange.

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 consolidated financial statements included elsewhere in this Report.

Off-Balance Sheet Arrangements

As of March 31, 2015, we had no off-balance sheet arrangements.

Qualitative and Quantitative Information on Market Risks

Our activities expose us to a variety of market risks including currency, interest rate, credit and liquidity risks. Our overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. Financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements.

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

Currency risk

Following the Refinancing and Recapitalization, substantially all of our borrowings are denominated in euro (other than indebtedness under the Floating Rate Senior Secured Notes and our finance leases drawn in zloty). Amounts under the Revolving Credit Facility can also be drawn in zloty. Certain of our operating costs are in euros and other currencies other than zloty (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 Notes Indenture.

Interest rate risk

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

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

We did not hedge or otherwise seek to reduce interest rate risk as of March 31, 2015. 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 Notes Indenture.

Credit risk

A substantial part of the Group's receivables consists of billing receivables. The Group follows certain principles and procedures to limit the risks connected with billing receivables. These procedures include: verification of the credit

quality of potential subscribers before signing the contract, payment monitoring, sending payment reminders, credit limits and debt collection.

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

Liquidity risk

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

The table below presents the maturity of 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. The Company has also entered into the Revolving Credit Facility Agreement, which provides for a Revolving Credit Facility in the amount of PLN 400 million, which was undrawn and fully available as of March 31, 2015. The Group also has revolving credit line agreements with Bank Millennium S.A. for the amount of PLN 50 million and with Bank Zachodni WBK S.A. for the amount of PLN 150 million, which were undrawn and fully available as of March 31, 2015. As they are not drawn, these facilities are not shown below.

March 31, 2015, unaudited

PLN in millions

	Liabilities payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	170.2	4,938.4	-	5,108.6
Finance lease	28.7	16.6	-	45.2
	198.9	4,955.0	-	5,153.9

December 31, 2014

PLN in millions

	Liabilities payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	217.4	4,629.6	-	4,847.0
Finance lease	36.0	16.2	-	52.3
	253.5	4,645.8	-	4,899.3

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 7.5.1 of the 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 7.7 to our 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 7.7.8 (Summary of significant accounting policies—Subscriber acquisition and retention costs) to our 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 consolidated 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. For the description of the programs please refer to discussed under the heading “Critical Accounting Policies, Estimates and Judgments” in the Offering Memorandum of the Initial Notes dated January 24, 2014 and Additional Notes dated March 12, 2015.

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 March 31, 2015 was established using the multiply method on the basis of business projections for years 2015 - 2018.

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

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

	March 31, 2015	December 31, 2014
Liquidity event date	December 31, 2018	December 31, 2017
Volatility	29%	27%
Probability that liquidity event will not occur till liquidity event date mentioned above	50%	50%

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 issued in January 2014 the respective early redemption options require separate recognition due to differences between option's exercise price and Notes' value at amortized cost and due to the fact that implied fee for early redemption to be paid to the lender does not reimburse the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes and Senior Secured Notes issued in March 2015 it was concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that 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 and Senior Secured Notes issued in March 2015 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 value bonds and interest rate (American-style) options.

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

- model is arbitrage-free and consistent with the term structure of interest rates observed as at valuation date,
- value of an option is determined as payoff from its exercise in the future discounted to valuation date,
- binomial tree technique is used as primary tool for estimation of future path of interest rates and Notes prices. Length of period for binomial tree is assumed as 1 month. An equal probability (of 50%) is assigned for increase or decrease of interest rates within next period of time,
- short risk free rates are lognormally distributed at all times,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark). No volatility of credit spread through maturity / exercise date is assumed,
- volatility of risk free rate is determined as constant through maturity / exercise date.

Thus critical valuation inputs of the option are as follows:

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

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 March 31, 2015 the assets retirement obligation provision was calculated using discount rate of 2.05% (2.95% as at December 31, 2014), representing interest rate of 10-years 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, 2014).

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 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 March 31, 2015.

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

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2015-2019.

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, 2014. 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 March 31, 2015, 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 10.28% (10.28% as at December 31, 2014), 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 March 31, 2015 remained on a comparable level to December 31, 2014. There have been no other changes to the assumptions made by the Group as at March 31, 2015.

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

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

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

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

EBITDA reconciliation

The table below presents reconciliation of EBITDA and Adjusted EBITDA of Play Topco S.A. and Play Holdings 2 S. à r. l. for the three-month period ended March 31, 2015.

Three-month period ended March 31, 2015, PLN in millions, unaudited

	Play Holdings 2 consolidated	Play Holdings 1 (b)	Play Topco (c)	Play Topco bridge (b) + (c) = (d)	Play Topco consolidated (a) + (d)
Operating revenue	1,227.7	-	-	-	1,227.7
Direct costs	(397.8)				(397.8)
General and administrative expenses	(250.2)	(0.0)	(0.3)	(0.3)	(250.5)
Depreciation and amortization	(355.5)				(355.5)
Other operating income	12.9				12.9
Other operating costs	(26.3)				(26.3)
Operating profit	210.9	(0.0)	(0.3)	(0.3)	210.5
Depreciation and amortization	355.5				355.5
Reversal of capitalized subscriber acquisition costs and subscriber retention costs	(289.3)				(289.3)
Impairment of subscriber acquisition costs assets and subscriber retention costs assets	11.2				11.2
EBITDA	288.3	(0.0)	(0.3)	(0.3)	287.9
Costs of advisory services provided by shareholders	6.6				6.6
Valuation of retention programs adjustment and costs of special bonuses	21.2				21.2
Other one off operating costs	7.4	0.0	0.0	0.0	7.4
Adjusted EBITDA	323.5	(0.0)	(0.3)	(0.3)	323.2

Net debt reconciliation

On August 6, 2014 Play Topco S.A. issued €415,000,000 7³/₄% / 8¹/₂% 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 March 31, 2015.

Consolidated Capitalization of Play Topco S.A. As at March 31, 2015, unaudited

PLAY HOLDINGS 2 S.à r.l.	PLN in millions	EUR in millions ¹	xLHA Adjusted EBITDA ²
Cash and cash equivalents	774.9	189.5	0.63x
Finance Leases	43.5	10.6	0.04x
Senior Secured Notes	3,118.2	762.6	2.55x
<i>of which EUR fixed rate Notes³</i>	2,987.0	730.5	2.44x
<i>of which PLN floating rate Notes⁴</i>	131.2	32.1	0.11x
Secured debt	3,161.7	773.2	2.58x
Net secured debt	2,386.8	583.7	1.95x
Senior Unsecured Notes ⁵	1,115.9	272.9	0.91x
Total debt	4,277.5	1,046.1	3.49x
Net debt	3,502.7	856.6	2.86x

PLAY TOPCO S.A.	PLN in millions	EUR in millions ¹	xLHA Adjusted EBITDA ⁶
PIK notes ⁷	1,708.3	417.8	1.40x
Total debt pro forma	5,985.8	1,463.9	4.90x
Net debt pro forma	5,210.9	1,274.4	4.26x

- (1) Currency exchange rate as of March 31, 2015 1 EUR = 4.0890 PLN
- (2) LHA Adjusted EBITDA of PLAY HOLDINGS 2 S.à r.l. as of March 31, 2015 of PLN 1,224.1 million, calculated as sum of Adjusted EBITDA for three-month period ended December 31, 2014 of PLN 288.6 million and Adjusted EBITDA for three-month period ended March 31, 2015 of PLN 323.5 million, multiplied by two
- (3) EUR 725 million 5¹/₄% Fixed Rate Senior Secured Notes due 2019 including EUR 5.5 million / PLN 22.4 million of accrued interest
- (4) PLN 130 million WIBOR+3¹/₂% Floating Rate Senior Secured Notes due 2019 including PLN 1.2 million / EUR 0.3 million of accrued interest
- (5) EUR 270 million 6¹/₂% Senior Notes due 2019 including EUR 2.9 million / PLN 11.8 million of accrued interest
- (6) LHA Adjusted EBITDA of PLAY TOPCO S.A. as of March 31, 2015 of PLN 1,222.6 million, calculated as sum of Adjusted EBITDA for three-month period ended December 31, 2014 of PLN 288.1 million and Adjusted EBITDA for three-month period ended March 31, 2015 of PLN 323.2 million, multiplied by two
- (7) EUR 415 million 7³/₄% / 8¹/₂% Senior PIK Toggle Notes due 2020 including EUR 2.76 million / PLN 11.3 million of accrued interest

Cash interest reconciliation**Three-month period ended March 31, 2015, PLN in millions, unaudited**

	Play Holdings 2 consolidated	Play Holdings 1 (b)	Play Topco (c)	Play Topco bridge (b) + (c) = (d)	Play Topco consolidated (a) + (d)
Cash interest expense	52.5	-	31.8	31.8	84.3

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 (Główny Urząd Statystyczny).

Devices	Handsets, modems, routers, MCDs (Mobile Computing Devices, <i>e.g.</i> , 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 (<i>e.g.</i> 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 (<i>spółka z ograniczoną odpowiedzialnością</i>).
Spectrum.....	A range of frequencies available for over-the-air transmission.

Telecommunications Law.....	Act on Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
T-Mobile.....	T-Mobile Polska S.A. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the T-Mobile brand.
TP S.A	Telekomunikacja Polska S.A. with its registered office in Warsaw, Poland, a Polish telecom operator, currently Orange Polska S.A.
Traffic	Calls or other transmissions being sent and received over a communications network.
UOKiK.....	Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).
UOKiK President.....	The President of the Office for Competition and Consumer Protection.
UKE.....	Office of Electronic Communications (Urząd Komunikacji Elektronicznej), which supervises and regulates the Polish telecommunications market.
UKE President	The President of the Office of Electronic Communications.
UMTS	Universal Mobile Telecommunications System. A set of third-generation (3G) handset technologies.
USSD.....	Unstructured Supplementary Service Data. Allows for the transmission of information via a GSM network. Contrasting with SMS, it offers real time connection during a session. A USSD message can be 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.

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

Interim condensed consolidated financial
statements

As at and for the three-month period ended
March 31, 2015

PLAY

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1. Condensed consolidated statement of financial position

	Notes	March 31, 2015 Unaudited	December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	8	935,494	941,595
Intangible assets	9	2,254,663	2,259,234
Assets under construction	10	284,879	285,160
Prepayments for assets under construction		715	306
Long term receivables - Debt securities	11	74,324	-
Other long term receivables	12	14,490	14,336
Finance assets at fair value through profit or loss	13	74,724	57,611
Deferred tax asset	31	223,860	291,011
Non-current assets		3,863,149	3,849,253
Current assets			
Inventories	14	165,158	147,213
Trade and other receivables	15	984,223	779,649
Current income tax receivables		599	559
Prepaid expenses	16	83,125	62,513
Cash and cash equivalents	17	774,866	497,981
Current assets		2,007,971	1,487,915
TOTAL ASSETS		5,871,120	5,337,168
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	19	52	52
Share premium	19	5,635,996	5,635,996
Retained losses		(5,344,261)	(5,604,550)
Total equity		291,787	31,498
Non-current liabilities			
Long-term finance liabilities	20	4,174,119	3,795,168
Long-term provisions	21	58,515	53,523
Long-term retention programs liabilities	22	109,348	95,702
Deferred tax liability	31	196	-
Other non-current liabilities		13,218	12,730
Non-current liabilities		4,355,396	3,957,123
Current liabilities			
Short-term finance liabilities	20	62,923	119,541
Trade and other payables	23	764,939	812,779
Current income tax payable		11,545	8,078
Accruals	24	23,787	61,226
Short-term provisions	21	969	1,653
Short-term retention programs liabilities	22	22,087	14,129
Deferred income	25	337,687	331,141
Current liabilities		1,223,937	1,348,547
TOTAL LIABILITIES AND EQUITY		5,871,120	5,337,168

2. Condensed consolidated statement of comprehensive income

	Notes	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
		Unaudited	Unaudited
Operating revenue	26	1,227,655	986,094
Direct costs	27	(397,771)	(318,361)
General and administrative expenses	28	(250,152)	(259,969)
Depreciation and amortization		(355,521)	(291,400)
Other operating income	29	12,909	16,579
Other operating costs	29	(26,262)	(14,585)
Operating profit		210,858	118,358
Finance income	30	177,266	14,226
Finance costs	30	(57,014)	(91,159)
Profit before income tax		331,110	41,425
Income tax charge	31	(70,821)	(10,070)
Net profit for the period		260,289	31,355
Other comprehensive income for the period		-	-
Total comprehensive income for the period		260,289	31,355

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

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

3. Condensed consolidated statement of changes in equity

Current period:

	Attributable to the Company's shareholders				Notes
	Share capital	Share premium	Retained losses	Total equity	
As at January 1, 2015	52	5,635,996	(5,604,550)	31,498	
Net profit for the period	-	-	260,289	260,289	
As at March 31, 2015, unaudited	52	5,635,996	(5,344,261)	291,787	19

Comparative period:

	Attributable to the Company's shareholders				Notes
	Share capital	Share premium	Retained losses	Total equity	
As at January 1, 2014	-	-	-	-	
Issue of shares	52	-	-	52	
Issue of shares - contribution in kind of P4 Sp. z o.o. and its subsidiaries	-	7,052,087	(6,124,128)	927,959	
Distribution of share premium	-	(718,117)	-	(718,117)	
Net profit for the period from the date of Incorporation to March 31, 2014	-	-	64,622	64,622	
As at March 31, 2014, unaudited	52	6,333,970	(6,059,506)	274,516	19

4. Condensed consolidated statement of cash flows

	Notes	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
		Unaudited	Unaudited
Profit before income tax		331,110	41,425
Depreciation and amortization		355,521	291,400
Interest expense (net)		53,733	86,722
Gain on valuation of finance assets		(17,112)	(4,423)
Foreign exchange (gains)/losses	34	(149,648)	1,394
Gain on disposal of non-current assets		(436)	(2,483)
Impairment of non-current assets		11,270	6,034
Change in provisions and retention programs liabilities		21,018	10,185
Changes in working capital and other	33	(270,474)	(33,602)
Cash provided by operating activities		334,982	396,652
Interest received		2,870	4,686
Income tax paid		(75)	(358)
Net cash provided by operating activities		337,777	400,980
Proceeds from sale of non-current assets		772	3,371
Proceeds from loans granted		27	-
Purchase of fixed assets and intangibles and prepayments for assets under construction		(402,821)	(328,858)
Loans given		-	(53)
Purchase of debt securities (Notes issued by Play Topco)		(75,198)	-
Transfer to other finance assets	18	-	(720,256)
Net cash used in investing activities		(477,220)	(1,045,796)
Proceeds from finance liabilities	35	543,773	3,816,016
Distribution of share premium		-	(718,117)
Repayment of finance liabilities	35	(7,824)	(2,507,945)
Paid finance costs relating to finance liabilities	35	(112,396)	(105,620)
Transfers from restricted cash		-	134,722
Net cash provided by financing activities		423,553	619,056
Net change in cash and cash equivalents		284,110	(25,760)
Effect of exchange rate change on cash and cash equivalents		(7,225)	(17)
Cash and cash equivalents at the beginning of the period	32	497,781	172,575
Cash and cash equivalents at the end of the period	32	774,666	146,798

5. The Company and the Play Group

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

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

49.7% of Play Topco S.A.'s shares are owned by Telco Holdings S.à r.l.

6. 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 March 31, 2015	As at December 31, 2014
<u>Subsidiaries held directly and indirectly:</u>			
Play Holdings 3 S. à r. l.	Luxembourg	100%	100%
Play Finance 1 S.A.	Luxembourg	100%	100%
Play Finance 2 S.A.	Luxembourg	100%	100%
Glenmore Investments Sp. z o.o.	Poland	100%	100%
P4 Sp. z o.o.	Poland	100%	100%
3GNS Sp. z o.o.	Poland	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	100%	100%

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

7. Summary of significant accounting policies

7.1 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.

Accounting policies applied in these interim condensed consolidated financial statements are consistent with the policies applied in the consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries as at and for the year ended December 31, 2014 and described therein, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2015 as described in Note 7.2.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2014.

These interim condensed consolidated financial statements were approved for issuance by the Management Board of the Company on May 5, 2015.

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 7.7.

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.

7.2 New standards, interpretations and amendments to existing standards

The Group has adopted the following new standards, amendments to standards and interpretations for the three-month period ended March 31, 2015:

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
Improvements to IFRS 2011-2013 Cycle	December 12, 2013	July 1, 2014	January 1, 2015	Permitted	Fully implemented

The following new standards, amendments to standards and interpretations have been issued but are not effective for the three-month period ended March 31, 2015 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'	November 21, 2013	July 1, 2014	February 1, 2015	Permitted	Assessment in progress
Improvements to IFRS 2010-2012 Cycle	December 12, 2013	July 1, 2014	February 1, 2015	Permitted	Assessment in progress
IFRS 14 'Regulatory Deferral Accounts'	January 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
Amendments to IAS 16 and IAS 41: Bearer Plants	June 30, 2014	January 1, 2016	Not endorsed yet	-	Assessment in progress
Amendments to IAS 27: Equity Method in Separate Financial Statements	August 12, 2014	January 1, 2016	Not endorsed yet	-	Assessment in progress
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 11, 2014	January 1, 2016 to be amended	Not endorsed yet	-	Assessment in progress
Improvements to IFRS 2012-2014 Cycle	September 25, 2014	January 1, 2016	Not endorsed yet	-	Assessment in progress
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	December 18, 2014	January 1, 2016	Not endorsed yet	-	Assessment in progress
Amendments to IAS 1: Disclosure Initiative	December 18, 2014	January 1, 2016	Not endorsed yet	-	Assessment in progress
IFRS 9: 'Financial Instruments'	July 24, 2014	January 1, 2018	Not endorsed yet	-	Assessment in progress

7.3 Consolidation

Subsidiaries, i.e. those entities which the Play Group has a control over, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

7.4 Foreign currency translation

7.4.1 Functional and presentation currency

Items included in the financial statements of each of the Play Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The interim condensed consolidated financial statements are presented in Polish Złoty ("PLN"), which is the Company's presentation and functional currency.

7.4.2 Transactions and balances

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

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

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

	March 31, 2015	December 31, 2014
EUR	4.0890	4.2623
GBP	5.6295	5.4648
USD	3.8125	3.5072
XDR	5.2164	5.0768

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

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

7.5 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.

7.5.1 Liquidity risk

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

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

Other non-current liabilities, which are deposits received from business partners (mainly dealers) as a collateral for their liabilities towards the Group, were classified as due within over 5 years from the end of the reporting period as the Group expects that they will be settled only after termination of cooperation with its partners.

The table below presents the maturity of bonds and finance lease liabilities in contractual values (i.e. excluding the impact of nominal expenses incurred in relation to the liability), increased by projected value of interest payments. Values are not discounted.

March 31, 2015, unaudited

	Liabilities payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	170,227	4,938,402	-	5,108,629
Finance lease	28,672	16,566	-	45,238
	198,899	4,954,968	-	5,153,867

December 31, 2014

	Liabilities payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	217,417	4,629,618	-	4,847,035
Finance lease	36,041	16,216	-	52,257
	253,458	4,645,834	-	4,899,292

7.6 Fair value estimation

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

The methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 7.7.1 and 7.7.3 respectively.

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.

7.7 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.

7.7.1 Valuation of the liabilities relating to retention programs

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

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

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

	March 31, 2015	December 31, 2014
Liquidity event date	December 31, 2018	December 31, 2017
Volatility	29%	27%
Probability that liquidity event will not occur till liquidity event date mentioned above	50%	50%

Had the major inputs remained the same as at December 31, 2014, the value of retention programs liabilities as at March 31, 2015 and relating costs for the three-month period ended March 31, 2015 would be higher by 8,391.

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

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

7.7.3 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 value bonds and interest rate (American-style) options.

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

- model is arbitrage-free and consistent with the term structure of interest rates observed as at valuation date,
- value of an option is determined as payoff from its exercise in the future discounted to valuation date,
- binomial tree technique is used as primary tool for estimation of future path of interest rates and Notes prices. Length of period for binomial tree is assumed as 1 month. An equal probability (of 50%) is assigned for increase or decrease of interest rates within next period of time,
- short risk free rates are lognormally distributed at all times,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark). No volatility of credit spread through maturity / exercise date is assumed,
- volatility of risk free rate is determined as constant through maturity / exercise date.

Thus critical valuation inputs of the option are as follows:

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

The above inputs are unobservable inputs.

Due to the nature of embedded derivative (American-style call option on debt instrument which is not quoted on active markets) and due to designed valuation model that uses unobservable inputs subject to significant assumptions the analyzed early redemption options are categorized within Level 3 of fair value hierarchy.

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

Early redemption option embedded in Senior Notes:

Risk factor	decrease		Actual (base)	increase	
Credit spread	-0.50%	-0.25%	4.78%	+0.25%	+0.50%
Option fair value	30,526	22,944	15,916	13,190	10,831
Impact on profit before tax	14,610	7,028	-	(2,725)	(5,085)
Risk free rate	-0.00%	-0.00%	0.00%	+1.00%	+2.00%
Option fair value	15,916	15,916	15,916	14,735	13,883
Impact on profit before tax	-	-	-	(1,181)	(2,033)
Volatility of risk free rate	-50.00%	-25.00%	320.25%	+25.00%	+50.00%
Option fair value	15,916	15,916	15,916	15,916	15,916
Impact on profit before tax	0	0	-	(0)	(0)

Early redemption option embedded in Senior Secured Notes:

Risk factor	decrease		Actual (base)	increase	
Credit spread	-0.50%	-0.25%	3.45%	+0.25%	+0.50%
Option fair value	94,219	76,403	58,808	41,431	27,725
Impact on profit before tax	35,411	17,595	-	(17,376)	(31,083)
Risk free rate	-0.00%	-0.00%	0.00%	+0.50%	+1.00%
Option fair value	58,808	58,808	58,808	54,238	51,805
Impact on profit before tax	-	-	-	(4,570)	(7,002)
Volatility of risk free rate	-50.00%	-25.00%	320.25%	+25.00%	+50.00%
Option fair value	58,808	58,808	58,808	58,808	58,808
Impact on profit before tax	(0)	(0)	-	0	0

Actual (base) values of risk factors are presented as at March 31, 2015. Actual value for risk free rate is presented as average rate of quoted yields for full yearly periods from March 31, 2015 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 credit 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. However, by risk free rate close or equal nil, the impact of the changes of volatility is insignificant. Option value is mostly sensitive to change of credit spread. Potential change of the

Group's rating in the future will trigger change of benchmark for credit spread calculation and therefore such event will also have an impact on option value calculated from applied valuation model.

7.7.4 Valuation of the assets retirement obligation provision

As at March 31, 2015 the assets retirement obligation provision was calculated using discount rate of 2.05% (2.95% as at December 31, 2014), representing interest rate of 10-years treasury bonds as at that date.

The discount period comprised the period from the balance sheet date to the date of expiration of the telecommunications licenses, i.e. December 31, 2027 for March 31, 2015 and December 31, 2014.

7.7.5 Valuation of the installment sales receivables

In the three-month period ended March 31, 2015, 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.

7.7.6 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.

7.7.7 Impairment of Play Group's long-lived assets

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at March 31, 2015, 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, 2014. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2015-2019.

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, 2014. 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 March 31, 2015, 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.

7.7.8 Subscriber acquisition and retention costs (SAC)

Costs to acquire or retain subscribers who enter into a fixed term contract are capitalized if the criteria for recognition of intangible assets are met. To verify if it is probable that expected future economic benefits flowing from the customers to the Group exceed the SAC asset's carrying value, the Group estimates the current value of projected future benefits using the pre-tax discount rate equal 10.28% (10.28% as at December 31, 2014), calculated according to IAS 36 "Impairment of Assets".

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

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

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

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

7.7.10 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.

7.7.11 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 March 31, 2015 remained on a comparable level to the year ended December 31, 2014.

7.8 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):

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Operating profit	211	118
Add depreciation and amortization	356	291
Reverse SAC and SRC capitalization	(289)	(219)
Add impairment of SAC/SRC asset	11	6
Add advisory services provided by shareholders	7	5
Add valuation of retention programs	22	33
Add one-off special bonuses	(0)	0
Add one-off office and POS maintenance (remodelling)	0	-
Add one-off finance and legal services	0	1
Add one-off taxes and fees	-	7
Add one-off other operating (income)/costs	7	(5)
Adjusted EBITDA	323	238

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

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

8. Property, plant and equipment

Current period:	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2015	46	718,563	175,071	964,390	27,121	49,616	1,934,807
Asset retirement obligation	-	4,887	-	-	-	-	4,887
Transfers and reclassifications	-	35,007	71	24,881	990	853	61,802
Disposals	-	(164)	(13,757)	(55,209)	(929)	(102)	(70,161)
As at March 31, 2015, unaudited	46	758,293	161,385	934,062	27,182	50,367	1,931,335
Accumulated depreciation							
As at January 1, 2015	4	280,402	116,078	544,169	15,231	37,328	993,212
Charge	-	16,933	6,820	38,270	1,740	2,406	66,169
Charge from asset retirement obligation	-	6,374	-	-	-	-	6,374
Disposals	-	(164)	(13,756)	(54,984)	(912)	(98)	(69,914)
As at March 31, 2015, unaudited	4	303,545	109,142	527,455	16,059	39,636	995,841
Net book value as at March 31, 2015, unaudited	42	454,748	52,243	406,607	11,123	10,731	935,494

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

During the three-month period ended March 31, 2015 the Group has not capitalized any interest expense or exchange rate differences.

As at March 31, 2015 the net book value of computer or telecommunications equipment and motor vehicles recognized under finance leases amounted to PLN 52,521 thousand and PLN 11,121 thousand respectively. These amounts represent used assets as well as assets under construction.

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Comparative periods:	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
Asset retirement obligation	-	1,220	-	-	-	-	1,220
Transfers and reclassifications	-	40,400	10,413	48,684	170	1,801	101,468
Disposals	-	(1,265)	(638)	(4,980)	(431)	(1,417)	(8,731)
As at March 31, 2014, unaudited	46	597,318	148,590	902,081	23,609	46,024	1,717,668
Accumulated depreciation							
As at January 1, 2014	3	202,080	88,635	538,222	12,307	30,406	871,653
Charge	1	12,067	6,467	30,341	1,723	2,402	53,001
Charge from asset retirement obligation	-	(214)	-	-	-	-	(214)
Disposals	-	(1,249)	(638)	(4,955)	(431)	(975)	(8,248)
As at March 31, 2014, unaudited	4	212,684	94,464	563,608	13,599	31,833	916,192
Accumulated impairment							
As at January 1, 2014	-	-	245	4,132	-	-	4,377
Impairment charge	-	-	-	-	-	-	-
As at March 31, 2014, unaudited	-	-	245	4,132	-	-	4,377
Net book value as at March 31, 2014, unaudited	42	384,634	53,881	334,341	10,010	14,191	797,099

During the three-month period ended March 31, 2014 the Group capitalized PLN 546 thousand of interest expense and PLN 224 thousand of exchange rate differences arising from foreign currency borrowings relating to construction of property, plant and equipment and intangible assets regarded as an adjustment to interest costs.

The rate used to determine the amount of borrowing costs eligible for capitalization was 4.20%, which was the effective interest rate of the CDB borrowing.

As at March 31, 2014 net book value of computer or telecommunications equipment and motor vehicles recognized under finance leases amounted to PLN 64,004 thousand and PLN 9,990 thousand respectively. These amounts represent used assets as well as assets under construction.

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9. Intangible assets

Current period:

	Telecommunications licenses	Computer and network software	Goodwill	SAC assets	Other intangible assets	Total
Cost						
As at January 1, 2015	1,061,522	764,901	238,301	1,949,731	26,402	4,040,857
Additions	-	-	-	289,309	-	289,309
Transfers and reclassifications	-	290	-	-	-	290
Disposals	-	-	-	(228,907)	-	(228,907)
As at March 31, 2015, unaudited	1,061,522	765,191	238,301	2,010,133	26,402	4,101,549
Accumulated amortization						
As at January 1, 2015	309,688	497,586	-	868,527	21,315	1,697,116
Charge	17,675	27,108	-	237,414	778	282,975
Charge correction resulted from reversal of impairment charge	-	-	-	599	-	599
Disposals	-	-	-	(215,218)	-	(215,218)
As at March 31, 2015, unaudited	327,363	524,694	-	891,322	22,093	1,765,472
Accumulated impairment						
As at January 1, 2015	-	-	-	84,507	-	84,507
Impairment charge	-	-	-	10,596	-	10,596
Utilization of impairment charge	-	-	-	(13,689)	-	(13,689)
As at March 31, 2015, unaudited	-	-	-	81,414	-	81,414
Net book value as at March 31, 2015, unaudited	734,159	240,497	238,301	1,037,397	4,309	2,254,663

Disposals comprise mainly subscriber acquisition and retention costs relating to telecommunication contracts terminated during the period. The transfers recorded during three-month period ended March 31, 2015 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software.

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 March 31, 2015 the carrying value of the 2100 MHz license was PLN 169,272 thousand.

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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 March 31, 2015 the carrying value of the 900 MHz license was PLN 126,991 thousand.

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 PLN 498,000 thousand 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 March 31, 2015 the carrying value of the 1800 MHz license was PLN 437,896 thousand.

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

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Comparative 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	-	-	-	219,345	-	219,345
Transfers and reclassifications	-	664	-	-	473	1,137
Disposals	-	(87)	(303)	(216,788)	(138)	(217,316)
As at March 31, 2014, unaudited	1,061,522	647,864	238,301	1,678,419	26,379	3,652,485
Accumulated amortization						
As at January 1, 2014	238,989	401,291	-	750,696	18,919	1,409,895
Charge	17,675	22,622	-	197,217	1,103	238,617
Charge correction resulted from reversal of impairment charge	-	-	-	953	-	953
Disposals	-	(88)	-	(200,366)	(19)	(200,473)
As at March 31, 2014, unaudited	256,664	423,825	-	748,500	20,003	1,448,992
Accumulated impairment						
As at January 1, 2014	-	-	-	92,205	-	92,205
Impairment charge	-	-	-	5,141	-	5,141
Utilization of impairment charge	-	-	-	(16,422)	-	(16,422)
As at March 31, 2014, unaudited	-	-	-	80,924	-	80,924
Net book value as at March 31, 2014, unaudited	804,858	224,039	238,301	848,995	6,376	2,122,569

The movements in goodwill recorded during the three-month period ended March 31, 2014 result from the disposal of part of business acquired in 2013.

10. Assets under construction

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
Cost	Unaudited	Unaudited
As at January 1	286,141	344,284
Additions	61,899	90,948
Radio network	37,995	73,680
Core network and network operations center	6,043	5,189
IT	8,807	9,595
Other capital expenditures	9,054	2,484
Transfers and reclassifications	(62,092)	(102,605)
As at March 31	285,948	332,627
Accumulated impairment		
As at January 1	981	1,579
Impairment charge/(reversal)	88	(60)
As at March 31	1,069	1,519
Net book value as at March 31	284,879	331,108

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

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

11. Long term receivables – debt securities

	March 31, 2015	December 31, 2014
Long term receivables - Debt securities	Unaudited	
EUR 8.22% A Series Bonds due in 2020	74,324	-
	74,324	-

On February 11, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Bonds issued by Play Topco S.A. The notes mature on February 28, 2020 (Repurchase Date). Interest on the A Series Bonds is calculated at the rate of 8.22% per annum and is payable on the Bonds Repurchase Date.

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

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

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

- fair value of bonds is determined as future cash flows from repayment of notes and interest discounted to valuation date,
- interest is calculated using risk free rate increased by credit spread,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central

- government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of Play Topco S.A. and adjusted by the actual change in broad market credit index for corporations with rating as of Play Topco S.A. (actually CDS index for entities rated "CCC" is assumed as a benchmark),
- the discount rate is an effective interest rate of cash flows with recalculated interest value.

12. Other long-term receivables

	March 31, 2015 Unaudited	December 31, 2014
Long-term receivables	15,656	15,502
Impairment of long-term receivables	(1,166)	(1,166)
	14,490	14,336

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 7.7.2 and Note 7.7.3).

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

- a) for Senior Secured Notes:
 - (i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem:
 - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 105.25% of the principal amount, or
 - during each twelve-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount at a redemption price equal to 103% of the principal amount, or
 - all or a portion of principal amount at a redemption price equal to 100% of the principal amount plus the applicable premium as of redemption date. The premium is determined as maximum of 1% of the principal amount or excess of the present value of sum of 102.625% and interests payments due through February 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Fixed Rate Senior Secured Notes.
 - (ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
 - 102.625% - in period from February 1, 2016 to February 1, 2017,
 - 101.313% - in period from February 1, 2017 to February 1, 2018,
 - 100.000% - in period from February 1, 2018 to February 1, 2019.
- b) for Senior Notes:
 - (i) at any time prior to August 1, 2016 the Senior Notes Issuer is entitled to redeem:
 - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 106.50% of the principal amount, or
 - all or a portion of principal amount at a redemption price equal to 100.00% of the principal amount plus the applicable premium as of redemption date. The premium is

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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 January 1, 2015	38,948	18,663	57,611
Valuation as at March 31, 2015, unaudited	58,808	15,916	74,724
Impact of change in fair value on profit or loss for the three-month period ended March 31, 2015	19,860	(2,747)	17,113

14. Inventories

	March 31, 2015 Unaudited	December 31, 2014
Goods for resale	172,803	153,716
Impairment of goods for resale	(7,645)	(6,503)
	165,158	147,213

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

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

	Three-month period ended March 31, 2015 Unaudited	Three-month period ended March 31, 2014 Unaudited
Beginning of period	6,503	4,494
- charged to income statement	1,334	1,402
- utilized	(192)	-
End of period	7,645	5,896

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

15. Trade and other receivables

	March 31, 2015	December 31, 2014
	Unaudited	Unaudited
Trade receivables	891,357	863,724
Impairment of trade receivables	(92,673)	(87,596)
Trade receivables (net)	798,684	776,128
VAT and other government receivables	1,665	3,061
Loans given	51	80
Other receivables	183,823	380
Other receivables (net)	185,539	3,521
	984,223	779,649

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

The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements. The Group does not hold any collateral as security.

Other receivables include deposit paid to UKE in relation with Group's participation in auction for frequencies in the 800 MHz and in the 2600 MHz band. The deposit will be refunded, regardless of the outcome of the auction.

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

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	
Beginning of period	87,596	82,407
- charged to income statement	5,077	9,667
- write-downs applied	-	(867)
End of period	92,673	91,207

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

16. Prepaid expenses

	March 31, 2015	December 31, 2014
	Unaudited	
Deferred cost of devices sold	35,948	31,149
Distribution and selling costs	9,102	8,745
Other	38,075	22,619
	83,125	62,513

As of March 31, 2015, other prepaid expenses include mainly security deposits paid to UKE in relation with Group's participation in auction for frequencies in the 800 MHz and in the 2600 MHz band.

17. Cash and cash equivalents

	March 31, 2015 Unaudited	December 31, 2014
Petty cash	740	809
Balances deposited with banks:		
Current accounts	773,013	496,749
Term deposits with original maturity of less than 90 days	844	12
Restricted cash	200	200
Other cash assets	69	211
	774,866	497,981

18. Other finance assets

On January 31, 2014, proceeds from Senior Notes of EUR 170,000 were deposited into Escrow account and recognized as other finance assets. 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. As at March 31, 2015 the balance of other finance assets was nil.

Cash flows to Escrow account were presented as investing activity in the consolidated statement of cash flows in the three-month period ended March 31, 2014.

19. Shareholders' equity

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

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

During the year ended December 31, 2014, the Company distributed share premium in the amount of PLN 1,416,091 thousand, using the proceeds from Senior Notes issued on January 31, 2014. See Note 20.1.3.

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

20. Finance liabilities

	March 31, 2015 Unaudited	December 31, 2014
Long-term finance liabilities		
Long-term notes liabilities	4,158,060	3,775,543
Finance lease	16,059	19,625
	4,174,119	3,795,168
Short-term finance liabilities		
Short-term notes liabilities	35,467	89,087
Finance lease	27,456	30,454
	62,923	119,541
	4,237,042	3,914,709

20.1 Notes

	March 31, 2015 Unaudited	December 31, 2014
Long-term notes liabilities		
EUR 5.25% Senior Secured Notes due 2019	2,415,999	2,516,028
PLN Floating Rate Senior Secured Notes due 2019	128,036	127,878
EUR 6.5% Senior Notes due 2019	1,086,555	1,131,637
2015 EUR 5.25% Senior Secured Notes due 2019	527,470	-
	4,158,060	3,775,543
Short-term notes liabilities		
Accrued interest related to notes	35,467	89,087
	35,467	89,087

20.1.1 EUR 5.25% Senior Secured Notes due 2019

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

Proceeds from Fixed Rate Senior Secured Notes were used for the repayment of CDB and Alior Bank loans – see also Note 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 37,400 thousand as at March 31, 2015 and 41,352 thousand as at December 31, 2014. The effective interest rate was 5.77% as at March 31, 2015 and December 31, 2014.

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

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

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

20.1.2 PLN Floating Rate Senior Secured Notes due 2019

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

Proceeds from Floating Rate Senior Secured Notes were used mainly for the repayment of CDB and Alior Bank loans – see also Note 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 PLN 1,964 thousand as at March 31, 2015 and 2,122 thousand as at December 31, 2014. The effective interest rate was 6.14% as at March 31, 2015 and 6.13% as at December 31, 2014.

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

20.1.3 EUR 6.50% Senior Notes due 2019

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

Proceeds from Senior Notes of EUR 170,000 thousand were initially deposited into escrow account and on July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction. See also Note 18. The 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 PLN 17,475 thousand as at March 31, 2015 and 19,184 thousand as at December 31, 2014. The effective interest rate was 7.04% as at March 31, 2015 and December 31, 2014.

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

20.1.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015

On March 19, 2015, the Group issued EUR 125,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Fixed Rate Senior

Secured Notes is calculated at the rate of 5.25% per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2015.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes, adjusted by the value of premium, were included in the calculation of the effective interest rate. As a result of the purchase of notes at a premium the balance of unamortized expenses was negative and amounted to 16,344 thousand as at March 31, 2015. The effective interest rate was 4.56% as at March 31, 2015.

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

20.2 Bank loans

20.2.1 Revolving Credit Facility

The Play Group has a multi-currency revolving facility with Alior Bank S.A. as a lender, and Bank Zachodni WBK S.A. as a lender and facility agent for the amount of PLN 400,000 thousand. The funds can be used to finance general corporate and working capital purposes of the Group (including the acquisition of 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 March 31, 2015, 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 PLN 50,000 thousand. The funds are available to finance working capital needs.

The bank loan is available until November 12, 2015. Interest is calculated based on the 1M WIBOR rate plus margin.

As at March 31, 2015, the Group has not drawn down any funds under the above revolving credit line agreement.

20.2.3 Bank Zachodni WBK loan

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

The bank loan in the amount of PLN 150,000 thousand is available until September 4, 2015. After this period the bank loan in the amount of PLN 75,000 thousand is available until March 4, 2016. Interest is calculated based on the 1M WIBOR rate plus margin.

As at March 31, 2015, the Group has not drawn down any funds under the above revolving credit line agreement.

20.2.4 CDB loan

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

The loan 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 thousand or PLN equivalent.

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

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

20.2.5 Alior Bank loan

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

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

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

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

20.2.6 Bank Pekao loan

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

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

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

20.2.7 BZ WBK loan

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

Interest was calculated based on 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.

20.3 Finance lease liabilities

The maturity of future minimum lease payments under finance lease (contractual undiscounted cash flows) is presented in Note 7.5.1.

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

No contingent rents resulting from finance lease agreements were recognized as an expense and there were no subleases of property leased under finance lease agreements during the three-month period ended March 31, 2015 and three-month period ended March 31, 2014.

20.4 Assets pledged as security for finance liabilities

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

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

The Senior Notes are secured by:

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

21. Provisions

	March 31, 2015	December 31, 2014
	Unaudited	
Assets retirement provision	36,535	31,640
Other long-term provisions	21,980	21,883
Short-term provisions	969	1,653
	59,484	55,176

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, 2015	31,640	21,883	1,653	55,176
Increase	5,141	122	20	5,283
Decrease:	(246)	(25)	(704)	(975)
- reversal of provisions	(246)	-	-	(246)
- utilization	-	(25)	(704)	(729)
As at March 31, 2015, unaudited	36,535	21,980	969	59,484

22. Retention programs liabilities

During the three-month period ended March 31, 2015 and during the comparative period, the Play Group operated following cash-settled share-based retention programs:

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

A detail description of these retention programs is disclosed in the Group's annual consolidated financial statements as at and for the year ended December 31, 2014 issued on February 6, 2015.

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

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014	
	Unaudited	Unaudited	
	VDP 2 Plan	VDP 1 Plan	VDP 2 Plan
As at January 1	12,085,617	-	11,935,517
Granted in prior periods (correction)	70,601	184,320	-
Exercised during the period	-	(184,320)	-
As at March 31	12,156,218	-	11,935,517
Exercisable at March 31	12,156,218	-	-

Fair value of the programs:

The Group estimates fair value of the liabilities resulting from the plans at each end of the reporting period. Changes in the value of a liability are recognized in statement of comprehensive income. Changes in fair value of the plans in current period are presented below.

	Long-term retention programs liabilities	Short-term retention programs liabilities
As at January 1, 2015	95,702	14,129
Granted in prior periods (correction)	-	84
Changes in valuation during the period	21,433	87
Transferred during the period	(7,787)	7,787
As at March 31, 2015, unaudited	109,348	22,087
Vested at March 31, 2015, unaudited	92,188	22,088

23. Trade and other payables

	March 31, 2015	December 31, 2014
	Unaudited	
Trade payables	599,092	605,553
Investment payables	82,132	145,288
Government payables	76,017	59,390
Employee payables	3,157	55
Other	4,541	2,493
	764,939	812,779

24. Accruals

Accruals include accruals for bonuses and unused holidays.

25. Deferred income

	March 31, 2015	December 31, 2014
	Unaudited	
Airtime from pre-paid products	97,918	100,368
Fees related to post-paid contracts	163,064	159,811
Deferred revenue from sales of devices	47,244	42,803
Activation fees	29,331	27,949
Other	130	210
	337,687	331,141

26. Operating revenue

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Service revenue	1,156,225	937,981
Usage revenue	958,888	801,273
Retail contract revenue	787,511	648,875
Retail prepaid revenue	147,859	130,624
Other revenue	23,518	21,774
Interconnection revenues	197,337	136,708
Sales of goods and other revenue	71,430	48,113
	1,227,655	986,094

27. Direct costs

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Interconnection costs	(229,784)	(168,351)
National roaming/network sharing	(37,867)	(54,640)
Subscriber acquisition and retention costs not eligible for capitalization	(18,202)	(16,918)
Cost of goods sold	(73,152)	(48,785)
Other direct costs	(38,766)	(29,667)
	(397,771)	(318,361)
Subscriber acquisition and retention costs incurred in the period and recognized as intangible assets:		
Subscriber acquisition costs, net	(172,050)	(125,545)
Subscriber retention costs, net	(135,461)	(110,719)
Subscriber acquisition and retention costs capitalized	289,309	219,346
	(18,202)	(16,918)

28. General and administrative expenses

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Employee benefits	(70,390)	(78,879)
Salaries	(42,579)	(39,468)
Social security	(6,594)	(5,939)
Special bonuses	388	(84)
Retention programs	(21,605)	(33,388)
External services	(166,528)	(160,561)
Network maintenance, leased lines, site rent and energy	(57,232)	(61,125)
Advertising and promotion expenses	(48,540)	(38,658)
Customer relations costs	(16,136)	(18,657)
Office and points of sale maintenance	(10,509)	(10,325)
IT expenses	(7,679)	(8,243)
People related costs - cars, trainings and other	(4,002)	(3,332)
Finance and legal services	(4,056)	(4,684)
Advisory services provided by shareholders	(6,624)	(5,150)
Other external services	(11,750)	(10,387)
Taxes and fees	(13,234)	(20,529)
	(250,152)	(259,969)

The Play Group is legally required to make contributions to the Government's retirement benefit scheme. During the three-month period ended March 31, 2015, the three-month period ended March

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31, 2014, 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.

29. Other operating income and other operating costs

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Other operating income		
Income from early contract termination	6,815	4,261
Marketing revenues	-	315
Gain on disposal of non-current assets	436	2,483
Reversal of impairment of other non-current assets	-	60
Reversal of provisions	2	4,824
Other miscellaneous operating income	5,656	4,636
	12,909	16,579
Other operating costs		
Impairment of SAC asset	(11,194)	(6,094)
Impairment of other non-current assets	(76)	-
Bad debt	(5,387)	(6,364)
Other miscellaneous operating costs	(9,605)	(2,127)
	(26,262)	(14,585)

Play Group has changed presentation of reversals of provisions for potential liabilities as well as reversals of impairment provisions. Previously such reversals had been presented as correction of other operating costs and currently as other operating income.

30. Finance income and finance costs

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Finance income		
Interest	3,281	4,437
- <i>on restricted finance assets</i>	-	69
Net gain on finance assets at fair value through profit or loss	17,112	4,423
Exchange rate gains	156,873	5,366
	177,266	14,226
Finance costs		
Interest expense	(57,014)	(91,159)
- <i>on finance liabilities valued at fixed rate</i>	(53,102)	(34,591)
- <i>on finance liabilities valued at variable rate</i>	(3,659)	(56,318)
	(57,014)	(91,159)

31. Taxation

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Current tax charge	(3,479)	(474)
Deferred tax charge	(67,342)	(9,596)
Income tax charge	(70,821)	(10,070)

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

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Profit before income tax	331,110	41,425
Tax calculated at tax rates applicable to profit (19%)	(62,911)	(7,871)
Effect of difference between tax rates in Cyprus and Luxembourg and in Poland	(2,243)	38
Income not subject to tax, net	4,046	261
Previous years tax income/ (costs) included in current year accounting profit / (loss)	(9)	7
Adjustments relating to previous years tax	(15,136)	(299)
Change in unrecognized deferred tax asset arising from tax losses	5,461	(2,168)
Current income tax advance payments	(29)	(38)
Income tax charge	(70,821)	(10,070)

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg is 29.22%. The corporate income tax rate applied to the subsidiary incorporated in Cyprus for the three-month period ended March 31, 2014 was 2.5%.

The line "Effect of lower tax rates in Cyprus and Luxembourg and in Poland" consists of the effect of different tax rates used in Cyprus, Luxembourg and Poland.

Deferred income tax

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

As at March 31, 2015 deferred income tax was recognized according to the Group's estimation which assumes that the Group will achieve taxable profits in the future. The estimation is based upon long term financial projections and the budget for the year 2015.

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.

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Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

	March 31, 2015 Unaudited	December 31, 2014
Temporary differences:		
net deductible timing differences	856,770	1,279,817
unutilized tax loss carry-forwards	325,434	285,689
	1,182,204	1,565,506
Potential deferred income tax net asset arising from:		
net deductible timing differences	162,757	243,165
unutilized tax loss carry-forwards	62,330	54,726
	225,087	297,891
Recognized deferred income tax assets	223,860	291,011
Recognized deferred income tax liability	(196)	-
Not recognized deferred income tax assets	1,423	6,880

As at March 31, 2015 and December 31, 2014 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

The 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.

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts. Restricted cash is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

	March 31, 2015 Unaudited	March 31, 2014 Unaudited
Cash and cash equivalents in statement of financial position	774,866	147,011
Restricted cash	(200)	(200)
Bank overdrafts	-	(13)
Cash and cash equivalents in statement of cash flows	774,666	146,798

33. Changes in working capital and other

	Three-month period ended March 31, 2015 Unaudited	Three-month period ended March 31, 2014 Unaudited
(Increase)/decrease of inventories	(17,945)	6,241
(Increase)/decrease of receivables	(204,721)	29,863
Increase of prepaid expenses	(20,641)	(23,480)
Increase of payables excluding investment payables	3,392	5,396
Decrease of accruals	(37,439)	(44,197)
Increase/(decrease) of deferred income	6,546	(7,901)
Increase of long term receivables	(154)	(123)
Increase of other non-current liabilities	488	599
	(270,474)	(33,602)

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

	Three-month period ended March 31, 2015 Unaudited	Three-month period ended March 31, 2014 Unaudited
Foreign exchange gains in statement of comprehensive income	(156,873)	(5,366)
Realized foreign exchange gains classified as operating cash flows:		
- on purchase of currency for repayment of finance liabilities	-	(3,911)
- on restricted cash management	-	(2,832)
	-	(6,743)
Foreign exchange gains on valuation of cash and cash equivalents	(7,225)	(17)
Foreign exchange (gains)/losses presented as adjustment of operating cash flows in statement of cash flows	(149,648)	1,394

35. Cash flows relating to finance liabilities

	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Proceeds from finance liabilities		
notes	543,773	3,816,016
	543,773	3,816,016
Repayment of finance liabilities		
loans	-	(2,499,536)
finance lease	(7,824)	(8,409)
	(7,824)	(2,507,945)
Paid finance costs relating to finance liabilities		
- interest	(106,137)	(25,418)
loans	-	(24,801)
notes	(105,647)	-
finance lease	(490)	(617)
- other finance costs	(6,259)	(80,202)
loans	(1,212)	(17,216)
notes	(5,047)	(62,986)
	(112,396)	(105,620)

36. Commitments

36.1 Operating lease commitments

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

	March 31, 2015	December 31, 2014
	Unaudited	
Liabilities payable within:		
Not later than 1 year	132,808	134,420
Later than 1 year and not later than 5 years	293,262	283,909
Later than 5 years	42,701	35,110
	468,771	453,439

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 has fulfilled 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 Orange Polska S.A.

The Telecommunications Law states that the obligation to provide universal services shall rest with the operator selected pursuant to a decision of the President of Polish regulator Urząd Komunikacji Elektronicznej ("UKE") issued after a tender procedure. The President of UKE issued a decision assigning Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) as the operator required to provide universal services until May 8, 2011. Telecommunications providers whose revenues from telecom activities exceed PLN 4,000 thousand have to co-finance the fulfillment of this obligation. The share in the funding that a telecommunications provider will be required to provide shall also be established by a decision of the President of UKE; however, it may not exceed 1% of the telecommunications provider's revenues in the given calendar year, and must be proportionate to its market share vis a vis other entities obliged to co-fund the universal service. The amount of the share in the funding of the universal service shall constitute a deductible cost, as defined by the Act on Corporate Income Tax.

On May 9, 2011, the decision of the President of UKE imposing a universal service obligation on Orange Polska S.A. expired, and since then Orange Polska S.A. is not required to provide this service.

The President of UKE for the moment has not initiated a procedure for the designation of the entrepreneur or entrepreneurs required to provide universal service.

Orange Polska S.A. applied to the President of UKE for a subsidy towards the incurred costs of the universal service provision. The application pertains to the subsidy towards the costs for the period from May 8, 2006 to December 31, 2006 and for the years 2007-2009, 2010, 2011 (from January 1, 2011 to May 8, 2011).

On May 24, 2011 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 66,994 thousand (the total amount requested by Orange Polska S.A. was PLN 803,653 thousand). On January 10, 2012 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of PLN 55,102 thousand (the amount requested by Orange Polska S.A. was PLN 269,436 thousand). On September 17, 2013 the President of UKE issued a decision that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period from January to May 2011 in the amount of PLN 14,903 thousand (the amount requested by Orange Polska S.A. was PLN 33,839 thousand).

Based on those decisions the Group has prepared the estimation of P4's share in the universal service contributions for the years 2006-2009, 2010 and 2011. Accordingly the provision has been recognized in these interim condensed consolidated financial statements.

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008 - on November 30, 2011, for the year 2009 - on December 9, 2011, for the year 2010 – on May 22, 2012, for the year 2011 – on October 14, 2013. Decision relating to P4's contribution to universal service for the year 2007 is expected by the end of May 2015, whereas decisions relating to P4's contribution to universal service for the years 2008, 2009, 2010 are expected no sooner than in third quarter of 2015 and for the year 2011 no sooner than in fourth quarter of 2015.

37.3 Legal and regulatory proceedings

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodfuzji 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 PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info-TV-FM's wholesale offer and agreeing public questioning the said offer. 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.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at March 31, 2015, the Group recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of the pending cases.

38. Related party transactions

38.1 Transactions with Shareholders and with entities related via Shareholders

	March 31, 2015	December 31, 2014
	Unaudited	
Loans given	51	80
Long term receivables - Debt securities	74,324	-
Trade and other payables	6,624	-
	Three-month period ended March 31, 2015	Three-month period ended March 31, 2014
	Unaudited	Unaudited
Advisory services provided by shareholders	(6,624)	(5,150)
Interest income	530	-

38.2 Remuneration of Management and Supervisory Board

Cost of remuneration (including accrued bonuses) of members of Management Boards of Group entities incurred for the three-month period ended March 31, 2015 amounted to PLN 2,259 thousand (PLN 929 thousand for the three-month period ended March 31, 2014).

Cost of remuneration of members of Supervisory Board of P4 incurred during the three-month period ended March 31, 2015 amounted to PLN 580 thousand (for the three-month period ended March 31, 2014 PLN 568 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 22). The cost resulting from the valuation of the programs amounted to PLN 21,273 thousand for the three-month period ended March 31, 2015, whereas for the the three-month period ended March 31, 2014 the valuation resulted in cost of PLN 29,660 thousand. 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

The Group has not identified any events after the reporting period that should be disclosed in the interim condensed consolidated financial statements.