PLAY

PLAY COMMUNICATIONS S.A.

SEPARATE FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IFRS
AS ADOPTED BY THE EUROPEAN UNION AS AT
AND FOR THE YEAR ENDED 31 DECEMBER 2019

Index to the financial statements

Statement of comprehensive income

	Notes	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Operating expenses		**(14,951)**	**(22,701)**	**(91,336)**
General and administrative expenses	4	(14,708)	(22,460)	(91,220)
Depreciation and amortization		(243)	(241)	(116)
Other operating income		920	9,905	12,183
Other operating costs		(19)	-	-
Operating loss		**(14,050)**	**(12,796)**	**(79,153)**
Finance income	5	537,163	909,998	114,895
Finance costs	5	(98,890)	(118,907)	(180,461)
Profit/(Loss) before income tax		**424,223**	**778,295**	**(144,719)**
Income tax benefit/(charge)	6	1	118	(92)
Net profit/(loss)		**424,224**	**778,413**	**(144,811)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income/(loss)		**424,224**	**778,413**	**(144,811)**
Earnings/(loss) per share (in PLN) (basic)	7	1.67	3.07	(0.57)
Earnings/(loss) per share (in PLN) (diluted)	7	1.66	3.06	(0.57)
Weighted average number of shares (in thousands) (basic)	7	253,953	253,913	252,110
Weighted average number of shares (in thousands) (diluted)	7	255,571	254,318	252,110

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

Statement of financial position

	Notes	December 31, 2019	December 31, 2018	December 31, 2017
ASSETS				
Non-current assets				
Property, plant and equipment		26	44	57
Right-of-use assets		733	949	1,164
Long-term investments	8	5,755,794	5,740,198	5,729,185
Long-term finance receivables	9	58,195	114,285	173,133
Other long-term receivables		139	141	136
Total non-current assets		**5,814,887**	**5,855,617**	**5,903,675**
Current assets				
Trade and other receivables	10	26	9,334	1,031
Prepaid expenses		89	72	14
Cash and cash equivalents	11	8,569	5,077	12,183
Total current assets		**8,684**	**14,483**	**13,228**
TOTAL ASSETS		**5,823,571**	**5,870,100**	**5,916,903**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	12	128	128	128
Share premium	12	3,673,350	3,673,350	3,673,350
Other reserves	12,14	54,737	39,123	28,110
Retained losses		86,439	30,402	(95,980)
Total equity		**3,814,654**	**3,743,003**	**3,605,608**
Non-current liabilities				
Long-term finance liabilities - debt	13	1,945,262	1,914,082	2,114,025
Deferred tax liability		5	6	122
Total non-current liabilities		**1,945,267**	**1,914,088**	**2,114,147**
Current liabilities				
Short-term finance liabilities - debt	13	61,050	205,599	143,810
Trade and other payables	15	2,045	6,979	53,247
Accruals		555	431	91
Total current liabilities		**63,650**	**213,009**	**197,148**
TOTAL LIABILITIES AND EQUITY		**5,823,571**	**5,870,100**	**5,916,903**

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

Statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained losses	Total equity
As at January 1, 2019		**128**	**3,673,350**	**39,123**	**30,402**	**3,743,003**
Net profit for the period		-	-	-	424,224	424,224
Issue of Loyalty and Award shares	14	0	-	(0)	-	-
Issue of shares without consideration (PIP3 Investment Shares)	14	0	-	1,292	-	1,292
Effect of valuation of equity-settled incentive and retention programs	14	-	-	14,309	-	14,309
Dividend payment	12	-	-	-	(368,174)	(368,174)
Other		-	-	13	(13)	-
As at December 31, 2019		**128**	**3,673,350**	**54,737**	**86,439**	**3,814,654**

	Notes	Share capital	Share premium	Other reserves	Retained losses	Total equity
As at January 1, 2018		**128**	**3,673,350**	**28,110**	**(95,980)**	**3,605,608**
Net profit for the period		-	-	-	778,413	778,413
Issue of shares without consideration (PIP2 Initial Investment Shares)	14	0	-	5,087	-	5,087
Effect of valuation of equity-settled incentive and retention programs	14	-	-	5,926	-	5,926
Dividend payment	12	-	-	-	(652,031)	(652,031)
As at December 31, 2018		**128**	**3,673,350**	**39,123**	**30,402**	**3,743,003**

	Notes	Share capital	Share premium	Other reserves	Retained losses	Total equity
As at January 1, 2017		**52**	**5,644,191**	**-**	**48,831**	**5,693,074**
Net loss for the period		-	-	-	(144,811)	(144,811)
Issue of shares		76	114,123	-	-	114,199
Issue of shares without consideration (VDP4 Original shares)	14	0	-	19,379	-	19,379
Effect of valuation of equity-settled incentive and retention programs	14	-	-	8,731	-	8,731
Increase of share premium	12	-	171,184	-	-	171,184
Redemption of share premium	12	-	(2,256,148)	-	-	(2,256,148)
As at December 31, 2017		**128**	**3,673,350**	**28,110**	**(95,980)**	**3,605,608**

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

Statement of cash flows

	Notes	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Income/ (loss) before income tax		**424,223**	**778,295**	**(144,719)**
Depreciation and amortization		243	241	116
Interest (income)/ expense (net)		91,643	108,356	(13,848)
Dividends received		(530,000)	(900,000)	-
Loss on finance instruments at fair value		-	-	16,374
Foreign exchange (gains)/losses		283	351	63,041
Change in provisions and liabilities or equity related to incentive and retention programs		5	-	(1,321)
Changes in working capital and other	16	9,528	(57,344)	49,469
Net cash used in operating activities		**(4,075)**	**(70,101)**	**(30,888)**
Dividends (received)	5	530,000	900,000	-
Proceeds from loans granted	9	45,312	-	-
Proceeds from debt securities	9	312,942	677	-
Cash received from disposal of a subsidiary		-	-	(56)
Purchase of notes issued by P4 Sp.z.o.o.	9	(250,000)	-	(285,309)
Purchase of fixed assets and intangibles and prepayments for assets under construction		(11)	(14)	(178)
Loans given	9	(45,000)	-	-
Net cash used in investing activities		**593,243**	**900,663**	**(285,543)**
Proceeds from equity increase		-	-	285,383
Proceeds from finance liabilities	17	274,000	209,000	2,394,314
Dividends (paid)	12	(368,264)	(652,498)	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	17	(483,315)	(385,512)	(118,839)
Purchase of notes issued by Impera Holdings S.A.	17	-	-	(2,227,933)
Other payments relating to financing activities		(7,898)	(8,869)	(7,590)
Net cash provided by financing activities		**(585,477)**	**(837,879)**	**325,335**
Net change in cash and cash equivalents		**3,691**	**(7,317)**	**8,904**
Effect of exchange rate change on cash and cash equivalents		(199)	211	2,644
Cash and cash equivalents at the beginning of the period		**5,077**	**12,183**	**635**
Cash and cash equivalents at the end of the period	11	**8,569**	**5,077**	**12,183**

The accompanying notes are an integral part of these financial statements

Notes

1. The Company and the Play Group

Play Communications S.A. (the "Company") was incorporated under Luxembourg law on January 10, 2014 under the name Play Holdings 2 S. à r. l. The Company's registered office is in Luxembourg. On June 21, 2017, the Company was transformed from a private limited liability company (*société à responsabilité limitée*) Play Holdings 2 S. à r. l. to a public limited liability company (*société anonyme*) Play Communications S.A. The Company's ordinary shares have been listed and traded on the Warsaw Stock Exchange ("WSE") since July 27, 2017. For shareholding structure please see Note 12.

Play Communications S.A. is registered in 4/6 rue du Fort Bourbon L-1249 Luxembourg, RCS number is B183803.

The Company is a strategic and financial holding company of the Play Group (together the Company and its subsidiaries). The Group's business activity embraces the provision of mobile telecommunications services, sales of mobile devices and managing a distribution network for mobile telecommunications products under the brand "PLAY".

The Company exercises its holding function among others through monitoring the Group's operational and investment objectives and policies and review of the Group's performance in this regard, detailed financial analysis of the operations of the Group, supervision over the preparation and performance of the budget and long term business plan of the Group, supervision over strategic and investment projects of the Group, including in particular capital structure changes, as well as assessment of the effectiveness of internal control procedures, therein internal audit and risk management.

These Financial Statements comprise:
- statement of financial position;
- statement of comprehensive income;
- statement of changes in equity;
- statement of cash flows;
- summary of significant accounting policies and other notes

as at and for the year ended December 31, 2019 and comparative periods, hereafter the "Financial Statements".

The Company's financial year begins on January 1 and ends on December 31.
The Company prepares consolidated financial statements.

2. Basis of preparation

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, issued and effective as at December 31, 2019. The preparation of the Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.3.

The Financial Statements are prepared under the historical cost convention except for liabilities relating to cash-settled incentive and retention programs which are measured at fair value and equity items relating to equity-settled incentive and retention programs which are measured at fair value at the grant date.

These Financial Statements were authorized for issue by the Board of Directors of the Company on February 26, 2020.

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

2.1 New standards, interpretations and amendments to existing standards

The Financial Statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") issued and effective as at December 31, 2019. For the purpose of the Financial Statements the Company has adopted the following standards, amendments to standards and interpretations:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Company's assessment of the regulation
Amendments to IFRS 9: Prepayment Features with Negative Compensation	October 12, 2017	January 1, 2019	January 1, 2019	Fully implemented
IFRIC 23: Uncertainty over Income Tax Treatments	June 7, 2017	January 1, 2019	January 1, 2019	Fully implemented
Annual Improvements to IFRS Standards 2015-2017 Cycle	December 12, 2017	January 1, 2019	January 1, 2019	Fully implemented
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	February 7, 2018	January 1, 2019	January 1, 2019	Fully implemented
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	October 12, 2017	January 1, 2019	January 1, 2019	Fully implemented

Please note that in the year ended December 31,2016 the Company had early adopted IFRS 16: Leases applying the full retrospective method.

The other standards referred to above had no significant impact for the Company.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended December 31, 2019 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	Company's assessment of the regulation
Amendments to References to the Conceptual Framework in IFRS Standards	March 29, 2018	January 1, 2020	January 1, 2020	Assessment in progress
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018	January 1, 2020	January 1, 2020	Assessment in progress
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 26, 2019	January 1, 2020	January 1, 2020	Assessment in progress
Amendments to IFRS 3: Business Combination	October 22, 2018	January 1, 2020	Not endorsed yet	Assessment in progress
IFRS 17: Insurance contracts	May 18, 2017	January 1, 2021	Not endorsed yet	Assessment in progress

2.2 Going concern

The Financial Statements disclose all matters of which the Company is aware and which are relevant to the Company's ability to continue as a going concern, including all significant events and the Company's plans. The Company expects to finance its operations as well as payouts of dividends to its shareholders from future dividends from its subsidiaries. Accordingly, the Financial Statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

2.3 Critical accounting estimates and judgements

The Company 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 years are discussed below.

2.3.1 Valuation of lease liabilities and right-of-use assets

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

The lease term determined by the Company comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

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

2.3.2 Valuation of the equity-settled incentive and retention programs

Upon the IPO, on July 27, 2017, the members of the Management Board of P4 Sp. z o.o. (Company's direct subsidiary, further "P4") and key employees have entered into new equity-settled incentive and retention programs PIP and VDP 4. During financial year 2018, the Group established new equity-settled incentive and retention programs PIP 2 and VDP 4 bis. For the description of the programs please see Note 14.

PIP and VDP 4
The estimated fair value of right to receive Award Shares per Original Share granted or purchased under the PIP and VDP 4 was calculated by applying a Monte Carlo simulation model. The key model assumptions were:
- the share price at the grant date of PLN 36,
- expected annualized volatility of 30% calculated based on the historical volatilities of stock prices of the companies which, at the grant date, were included in the WIG Telekomunikacja Index (i.e. index covering the largest telecommunications companies listed on Warsaw Stock Exchange),
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 2.38%)
- correlation matrix and volatility parameters for stock included in WIG 20 at the IPO date and the set group of companies,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price at IPO.

It was assumed that the members of the programs would not have incentive to sell shares before the fifth anniversary of the IPO date. Expected turnover of key employees was established based on historical data regarding similar incentive plans.

VDP 4 bis
The estimated fair value of right to receive Award Shares per Maximum Number of Award Shares to which a member of VDP 4 bis is entitled was calculated by applying a Monte Carlo simulation model. The key model assumptions were:
- the share price at the IPO date of PLN 36,
- expected annualized volatility of 24% calculated based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 2.33%)

- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price.

Expected turnover of key employees was established based on historical data regarding similar incentive plans.

PIP 2

The estimated fair value of right to receive Award Shares per Qualifying Investment Share and Loyalty Shares was calculated by applying a Monte Carlo simulation model. The key model assumptions were:

- the share price at the Start Date of PLN 24.74,
- expected annualized volatility of 24% calculated based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 2.53%),
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price.

It was assumed that the members of the programs would not have incentive to sell shares before the fifth anniversary of the Start Date. No turnover of members of the program is assumed.

PIP 3

The estimated fair value of right to receive Award Shares per Qualifying Investment Share and Investment Shares was calculated by applying a Monte Carlo simulation model. The key model assumptions were:

- the share price differs depending on the Start date, which is different for individual members of the program: PLN 20.80 for January 1, 2019 and PLN 33.90 for June 12, 2019,
- expected annualized volatility of 35% calculated based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 1.7%),
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price.

It was assumed that the members of the programs would not have incentive to sell shares before the fifth anniversary of the Start Date. No turnover of members of the program is assumed.

2.3.3 Impairment of financial assets

The impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model. The Company applies expected credit loss model to trade receivables and long-term investments.

Trade receivables

Trade receivables are recognized initially at fair value less provision for impairment and subsequently measured at amortized cost using the effective interest method. The impairment provision reflects the expected credit loss estimated in accordance with IFRS 9 and is recognized in the statement of comprehensive income within “other operating costs”.

Long-term investments

As at December 31, 2019 the Company presented a significant amount of investment in shares in P4 Sp. z o.o. (see Note 8) and in long-term financial receivables comprised of notes issued by P4 Sp. z o.o. (see Note 9), which is a fully owned subsidiary of the Company with no indicators of financial difficulty. The Company assessed that there is no risk of P4 Sp. z o.o. being insolvent. As a result, no impairment related to the investment in P4 Sp. z o.o. and the notes was recognized as at December 31, 2019.

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

3. Financial risk management

The Company's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Company. 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. During the year ended December 31, 2019, there were no significant changes in financial risk management.

3.1 Currency risk

Company's borrowings are mostly denominated in PLN. The major part of the operating costs is incurred in EUR. Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (expressed in PLN) arising from fluctuations in the exchange rate of PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (expressed in PLN).

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

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

Most of the trade and other receivables were denominated in EUR as at December 31, 2019, December 31, 2018 and December 31, 2017.
The trade and other payables as at December 31, 2019 were mainly denominated in EUR (63% in EUR and 27% in PLN) while the value of trade and other payables denominated in EUR prevailed as at December 31, 2018 (10% in EUR and 90% in PLN) and December 31, 2017 (13% in EUR and 87% in PLN).

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

	Change in EUR rate	Effect on profit before tax
December 31, 2019	+5%	(74)
	-5%	74
December 31, 2018	+5%	483
	-5%	(483)
December 31, 2017	+5%	119
	-5%	(119)

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

In the year ended December 31, 2017 the exposure on the currency risk decreased with comparison to the year ended December 31, 2016 due to the settlement of retention programs denominated in EUR. For more details please see Note 14.
In the year ended December 31, 2018 the exposure on the currency risk increased with comparison to the year ended December 31, 2017 due to the higher trade receivables denominated in EUR.

In the year ended December 31, 2019 the exposure on the currency risk decreased with comparison to the year ended December 31, 2018 due to the lower trade receivables denominated in EUR.

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

3.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company is not exposed to significant credit risk with any non-related party.

3.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In March 2017, the Company and P4 Sp. z o.o. entered into a PLN 7,000,000 thousand Senior Facilities Agreement bearing floating interest rate. The Company has drawn down PLN 2,278,000 thousand under the above facility agreement. This has increased the interest rate risk of the Company going forward. Please see Note 13.1

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

	Increase / decrease in basis points (EURIBOR / WIBOR)	**Effect on profit before tax**
Year ended December 31, 2019	+50	(9,842)
	-50	9,842
Year ended December 31, 2018	+50	(10,144)
	-50	10,144
Year ended December 31, 2017	+50	(10,545)
	-50	10,545

Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

The sensitivity analysis assumes that a 50 basis points change in the EURIBOR and 50 basis points change in the WIBOR PLN interest rates had been applied to the outstanding balance of appropriate floating rate liabilities as at reporting dates presented.

Interest risk of the Company is regularly monitored by the Company. The following instruments may be used to minimize the interest rate risk relating to the Company:

- Forward rate agreements (FRAs);
- Interest rate swaps;
- Interest rate options.

None of the derivatives were used during the year ended December 31, 2019, December 31, 2018 and December 31, 2017.

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

3.4 Liquidity risk

Liquidity risk management implies maintaining sufficient cash as well as availability of funding through an adequate amount of committed debt facilities. The liquidity depends on ability of the Company to upstream money to the entity.

The tables below present the maturity of financial liabilities in contractual values, increased by projected value of interest payments. Values are not discounted.

December 31, 2019	Liabilities (including projected interest) payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	136,511	1,883,080	-	2,019,591
Notes	7,170	216,302	-	223,472
Lease	227	568	-	795
	143,908	**2,099,950**	**-**	**2,243,858**

December 31, 2018	Liabilities (including projected interest) payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	297,233	2,147,737	-	2,444,970
Notes	-	12	-	12
Lease	235	817	-	1,052
	297,468	**2,148,566**	**-**	**2,446,034**

December 31, 2017	Liabilities (including projected interest) payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	235,585	1,992,091	452,880	2,680,556
Loans received	6,867	-	-	6,867
Lease	228	909	111	1,248
	242,680	**1,993,000**	**452,991**	**2,688,671**

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

3.5 Capital management

The Company'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, to enable the repayment of debt and to maintain an optimal capital structure to reduce the cost of capital.

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

4. General and administrative expenses

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefits	**(6,327)**	**(6,534)**	**(3,171)**
Salaries	(6,038)	(6,013)	(3,067)
Social security	(284)	(521)	(104)
Incentive and retention programs, including:	(5)	-	-
- equity settled	*(5)*	-	-
External services	**(3,760)**	**(7,595)**	**(76,170)**
Advertising and promotion expenses	-	-	(64)
Office and points of sale maintenance	(144)	(95)	(411)
IT expenses	(188)	(144)	(36)
People related costs	(235)	(733)	(344)
Finance and legal services	(2,083)	(4,250)	(39,919)
Management fees	-	(250)	(35,000)
Other external services	(1,110)	(2,123)	(396)
Taxes and fees	**(4,621)**	**(8,331)**	**(11,879)**
	(14,708)	**(22,460)**	**(91,220)**

Costs of finance and legal services were in 2017 higher than in subsequent years mainly because of expenses related to the IPO. Management fees resulted from advisory services provided in connection with the IPO. The management fees for the year ended December 31, 2018 comprised the foreign exchange losses incurred on payment of the management fees invoices. The management fee agreement was terminated following the IPO in 2017.

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

5. Finance income and finance costs

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Finance income			
Interest income	7,163	9,989	114,895
Dividends received	530,000	900,000	-
Net gain on finance instruments at fair value	-	9	-
	537,163	**909,998**	**114,895**
Finance costs			
Interest expense, including:	(95,952)	(106,424)	(91,314)
- on lease liabilities	*(25)*	*(31)*	*(18)*
Net loss on finance instruments at fair value	-	-	(16,374)
- hedging instruments at fair value through profit or loss	-	-	*(16,374)*
Exchange rate losses	(84)	(562)	(63,040)
Other	(2,854)	(11,921)	(9,733)
	(98,890)	**(118,907)**	**(180,461)**

The interest income in the year ended December 31, 2017 resulted mainly from early redemption fee as well as one-off recognition of income from unamortized loan origination fees in the total amount of PLN 67,756 thousand in relation to early redemption of the notes issued by Impera Holdings S.A. in July 2017 (see Note 9). The interest income in the year ended December 31, 2019 and year ended December 31, 2018 comprised mainly the interest earned on the A bonds issued by P4 Sp.z.o.o. in 2017.

Dividend received in the year ended December 31, 2019 represent the dividend of PLN 530,000 (and PLN 900,000 in the year ended December 31, 2018) paid by P4 Sp. z o.o., which is fully owned by the Company.

The interest expense mainly includes interest expense on SFA loan in the amount of PLN 87,109 for the year ended December 31, 2019 and 96,735 thousand for the year ended December 31, 2018 and PLN 82,550 thousand for the year ended December 31, 2017. Interest expense caption also includes amortization of loan arrangement fees, interest on bonds issued to P4 Sp.z.o.o. and lease costs.

The loss on finance assets at fair value in the year ended December 31, 2017 resulted from losses on derivatives used to hedge the currency risk related to purchase of the EUR-denominated Notes (please see Note 9) issued by Impera Holdings S.A.

6. Taxation

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Current tax benefit	-	-	-
Deferred tax benefit/(charge)	1	118	(92)
Income tax benefit/(charge)	**1**	**118**	**(92)**

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

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

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Profit/(Loss) before income tax	**424,223**	**778,295**	**(144,719)**
Tax calculated at the prevailing tax rate applicable to profit	(96,723)	(177,451)	32,996
Expenses not subject to tax	(220)	(194)	(1,121)
Income not subject to tax	120,848	205,208	6,449
Change in unrecognized deferred tax asset	(23,904)	(27,445)	(38,416)
Income tax benefit/(charge)	**1**	**118**	**(92)**

The corporate income tax rate applied to the Company was 22.80% in all presented periods.

Deferred income tax

	December 31, 2019	December 31, 2018	December 31, 2017
Potential base for deferred income tax calculation			
net deductible temporary differences	(34)	(35)	(559)
carry-forwards of unused tax losses	403,445	298,602	177,716
	403,411	**298,567**	**177,157**
Potential deferred income tax net asset/(liability) arising from:			
net deductible temporary differences	(5)	(6)	(122)
carry-forwards of unused tax losses	91,985	68,081	40,519
	91,980	**68,075**	**40,397**
- recognized deferred income tax assets	**-**	**-**	**-**
- recognized deferred income tax liabilities	**(5)**	**(6)**	**(122)**
- not recognized deferred income tax assets	**91,985**	**68,081**	**40,519**

The Company did not recognize deferred income tax assets relating to tax losses based on the likelihood of future taxable profits that would allow realization of these tax losses. Future taxable profits were considered to be insufficient. Losses have no expiry period except for those generated since January 1, 2017 which have an expiry period of 17 years.

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

7. Earnings per share

Basic earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The shares issued without consideration are included in the calculation as if the issue had occurred at the beginning of the earliest period presented.

Diluted earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares.

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
Net profit/(loss)	424,224	778,413	(144,811)
Beginning of period:	253,913	253,913	250,743
Initial shares	*250,000*	*250,000*	*250,000*
VDP4 shares issued without consideration in 2017	*538*	*538*	*538*
PIP shares issued in 2017	*3,170*	*3,170*	-
PIP 2 shares issued without consideration in 2018	*204*	*204*	*204*
PIP 3 shares issued without consideration in 2019	*40*	*40*	*40*
Shares issued during the period:	40	-	1,367
*Issue of PIP shares**	-	-	*1,367*
Issue of Loyalty and Award shares	*40*	-	-
Weighted average number of shares (basic)	**253,953**	**253,913**	**252,110**
Potential Loyalty and Investment Shares	137	60	-
Potential Award shares	1,481	346	-
Weighted average number of shares (diluted)	**255,571**	**254,318**	**252,110**
Earnings/(loss) per share (in PLN) (basic)	1.67	3.07	(0.57)
Earnings/(loss) per share (in PLN) (diluted)	1.66	3.06	(0.57)

** Number of shares (3,170 thousand of PIP shares issued in July 2017) is adjusted by time-weighting factor*

The dilutive potential ordinary shares are shares which will potentially be issued under the equity-settled incentive and retention programs as Award Shares, Loyalty Shares and Investment Shares throughout the duration of the programs, estimated based on historical performance of the Company's shares in comparison to peer companies for the period from the IPO date (or Start Date) to December 31, 2019 – please see Note 14.

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

8. Long-term investments

P4 Sp. z o.o.

On January 11, 2016, P4 Sp. z o.o. redeemed the 19,347 own shares by decreasing its share capital. On the same date, P4 Sp. z o.o. increased its share capital by issuing 19,347 new shares subscribed proportionally by Play Holdings 2 S.à r.l (currently – Play Communications S.A. – the Company) (19,149 shares) and Play Holdings 3 S.à r.l (198 shares). As a consequence, the Company increased its ownership in P4 Sp. z o.o. from 79.38% to 98.98%.

On May 9, 2016, further to the merger with Play Holdings 3 S.à r.l., the 998 shares held by Play Holdings 3 S.à r.l. in P4 Sp. z o.o. were transferred to the Company at the book value recorded in its annual accounts as at December 31, 2015 and totally amounting to PLN 66,988 thousand. Since then, the Company owns 97,713 shares in the capital of P4 Sp. z.o.o., representing 100% of the issued capital of the company.

No other movement occurred during the year ended December 31, 2017 and December 31, 2018 and December 31, 2019.

Valuation of the investment resulting from valuation of corresponding retention programs

The Company established retention programs for members of the Management Board of P4 Sp. z o.o. and key personnel of the Group (please see Note14). Providing the goods or services to P4 Sp. z o.o. is considered as an addition to the cost of investment. As a result, valuation of the retention programs has a positive impact on the valuation of the Company's investment in P4 for an amount of PLN 15,611 thousand in 2019 and 11,013 thousand in 2018 (2017 – a negative impact of PLN 117,093 thousand).

The Board of Directors of the Company did not recognize any impairment on the shares held in P4 Sp. z o.o.

Tonhill Investments S.A.

On August 29, 2016, the Company acquired 100,000 class A shares of Tonhill Investments S.A., a Polish joint stock company, with a nominal value of PLN 1.00 each and representing 100% of the issued capital of the company for a total purchase price amounting to PLN 117 thousand.

On December 21, 2017 the Company sold its participation in Tonhill Investments S.A. for the aggregate sale price of PLN 30 thousand.

9. Finance receivables

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term finance receivables			
PLN notes issued by P4 due in 2022	58,195	114,285	173,133
	58,195	**114,285**	**173,133**

EUR Notes due in 2023 issued by Impera Holdings S.A. (redeemed in 2017)

On March 20, 2017, the Company purchased EUR 524,000 thousand in aggregate principal amount of A Series Notes issued by Impera Holdings S.A. The purpose of the notes was to facilitate the repayment of the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Impera Holdings S.A., using the proceeds from the Senior Facilities Agreement (see Note 13.1). The initial maturity date of A Series Notes was March 31, 2023. Interest was calculated based on EURIBOR 3M plus margin. Interest could be paid for the 3-month interest periods or capitalized at the Company's discretion. On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium (see Note 12.2).

The notes receivables were measured at amortized cost using the effective interest rate. Fees received in relation to issuance of the notes were included in the calculation of the effective interest rate.

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

Critical assumptions and implemented valuation techniques for measuring the fair value for the fixed-rate notes were as follows:

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

PLN Notes due in 2022 from P4 Sp. z o.o.

On July 27, 2017, the Company purchased 285,309 thousand A Series notes issued by P4 Sp. z o.o. Their maturity date is scheduled on June 30, 2022. Interest is calculated at the variable rate of PLN WIBOR 1Y + margin per annum. Each bond amounted to PLN 1 thousand so the total issue price was PLN 285,309 thousand.

On December 22, 2017, the A Series notes have been partially repurchased by P4 Sp. z o.o. for an aggregate amount of PLN 119,074 thousand composed of notes nominal value of PLN 116,315 thousand and interest accrued on the repurchased notes as at December 22, 2017 of PLN 2,759 thousand. Please see also Note 13.3.

On December 19, 2018, the Company and P4 Sp. z o.o. concluded a set-off and redemption agreement for the set-off between the notes issued by the Company to P4 Sp. z o.o. and part of the notes issued by P4 Sp. z o.o. and subscribed by the Company. Further to such set-off agreement, the A Series notes have been partially repurchased by P4 Sp.z.o.o. for an aggregate amount of PLN 68,161 thousand, composed of notes nominal value of PLN 67,000 thousand and accrued interest amounting to PLN 1,161 thousand (ref. Note 13.3).

On August 30, 2019 the A Series have been partially repurchased by P4 Sp. z o.o. for an for an aggregate amount of PLN 61,597 thousand composed of notes nominal value of PLN 61,000 thousand and interest accrued on the repurchased notes as at August 30, 2019 of PLN 597 thousand.

As at December 31, 2019 carrying value amounted to PLN 56,522 thousand and accrued interest to PLN 1,673 thousand.

On March 22, 2019 the Company purchased 250,000 thousand A1 Series notes issued by P4 Sp. z o.o. Their maturity date was scheduled on June 24, 2019. Interest was calculated at the variable rate of PLN WIBOR 3M+ margin per annum. The notes were repurchased by P4 on in two installments: PLN 50,000 thousand in May 2019 and PLN 200,000 thousand in June 2019 plus interest of PLN 1,344 thousand.

Loan given to P4 (repaid in 2019)

On August 14, 2019 the Company signed a loan agreement with P4 up to the amount of PLN 50,000 thousand. Maturity scheduled on December 31, 2019. Interest was calculated at the variable rate of PLN WIBOR 1M plus margin per annum. The total amount of the loan given to P4 was PLN 45,000 thousand. The loan was repaid by P4 in two installments: PLN 25,000 thousand on September 30, 2019 and PLN 20,000 thousand on December 31, 2019 plus interest of PLN 312 thousand.

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

10. Trade and other receivables

	December 31, 2019	December 31, 2018	December 31, 2017
Trade receivables	2	234	837
VAT receivables	-	9,047	-
Other receivables	24	53	194
	26	**9,334**	**1,031**

11. Cash and cash equivalents

	December 31, 2019	December 31, 2018	December 31, 2017
Balances deposited with banks	8,569	5,077	12,183
	8,569	**5,077**	**12,183**

12. Shareholders' equity

12.1 Share capital

As at December 31, 2016, the Play Group's share capital consisted of 12,501 shares issued, paid and authorized with a par value of EUR 1 per share. Play Holdings 1 S. à r. l. was the owner of 12,501 shares, constituting 100% of the Play Group's share capital.

In June 2017, following the transformation to a public limited liability company, the Company's shares were split and the capital was increased to PLN 126 thousand. As a result the capital consisted of 250,000,000 shares issued, paid and authorized with a par value of EUR 0.00012 per share.

Additionally, on July 27, 2017, 3,170,119 new shares were issued under new PIP for the members of the Management Board of P4. The members of the Management Board of P4 purchased these shares at the price of PLN 36.0 per share. Also, on July 27, 2017, 538,325 shares were issued for no consideration to 84 managers and key employees in relation to VDP 4.

As of December 31, 2017 the Company's share capital consisted of 253,708,444 shares issued, of which 27.65% were owned by Tollerton Investment Limited, 27.32% by Telco Holdings S.à r.l. and 45,02% by other shareholders.

On 2 July 2018, based on the IPO Prospectus as well as Annual General Meeting resolution of June 7, 2018 the Board of Directors resolved to increase the Company's share capital by an amount of EUR 24.53 raising it from EUR 30,445 to EUR 30,469 through the issue of 204,450 shares in bearer form with a nominal value of EUR 0.00012 each. The shares were admitted to trading on November 7, 2018. These shares were issued without consideration to PIP2 member.

As of December 31, 2018, the Company's share capital consisted of 253,912,894 shares issued, of which 28.00% were owned by Tollerton Investments Limited, 28.85% by Kenbourne Invest S.A. (a successor entity of Telco Holdings S.à r.l. after their merger effective October 8, 2018), 5.34% by Nationale-Nederlanden Otwarty Fundusz Emerytalny and 37.81% by other shareholders.

During year ended December 31, 2019 the Company's share capital increased by an amount of EUR 31.34 raising it from EUR 30,469 to EUR 30,501 through the issue of 261,108 shares in bearer form with a nominal value of EUR

0.00012 each. These shares were issued to PIP2 member (Loyalty and Award shares), VDP4, VDP4bis and PIP members (Award Shares) and PIP3 members (Investment shares).

As of December 31, 2019, the Company's share capital amounted to EUR 30,500.88 and comprised of 254,174,002 bearer shares with a nominal value of EUR 0.00012 each. According to the most recent major holdings notifications received by the Company, Kenbourne Invest S.A. controlled 25.43% of shares, Tollerton Investments Limited controlled 24.66% of shares, Investec Asset Management Ltd / Investec Asset Management (Pty) Ltd (acting in concert) controlled 5.02% and Nationale-Nederlanden Otwarty Fundusz Emerytalny 5.01% shares. The remaining 39.88% was owned by other shareholders.

On May 10, 2019 the Company distributed a gross interim dividend of PLN 1.45 per ordinary share to its shareholders, in total PLN 368,174 thousand. Due to the foreign exchange rate losses the corresponding cash outflow amounted to PLN 368,264 thousand.

On May 10, 2018 the Company distributed a gross interim dividend of PLN 2.57 per ordinary share to its shareholders, in total PLN 652,031 thousand. Due to the foreign exchange rate losses on the payment of the withholding tax, the corresponding cash outflow amounted to PLN 652,498 thousand.

At December 31, 2019, no treasury shares were held by the Company.

The Company's shares have been listed on the Warsaw Stock Exchange ("WSE") since July 2017.

12.2 Share premium

On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium (see Note 9) resulting in the decrease of share premium in the amount of PLN 2,256,148 thousand.

On July 27, 2017, Play Holdings 1 S.à r.l. (the former shareholder of the Company) paid in cash additional share premium in the amount of PLN 171,184 thousand, which was used for repayment of the liabilities resulting from settlement of the cash-settled retention programs to the members of the Management Board of P4.

In the year ended December 31, 2018 and December 31, 2019 there were no changes in share premium.

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

13. Finance liabilities

Financial liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities and notes liabilities are subsequently stated at amortized cost (see Note 20.9).

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term finance liabilities			
Long-term bank loans	1,742,723	1,913,315	2,113,094
Long-term lease liabilities	541	756	931
Long-term notes liabilities	201,998	11	-
	1,945,262	**1,914,082**	**2,114,025**
Short-term finance liabilities			
Short-term bank loans	60,526	205,367	137,054
Short-term lease liabilities	230	232	225
Short-term notes liabilities	294	-	-
Loans received	-	-	6,531
	61,050	**205,599**	**143,810**
	2,006,312	**2,119,681**	**2,257,835**

13.1 Bank loans

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term bank loans			
Senior Facilities Agreement	1,742,723	1,913,315	2,113,094
	1,742,723	**1,913,315**	**2,113,094**
Short-term bank loans			
Senior Facilities Agreement	60,526	205,367	137,054
	60,526	**205,367**	**137,054**
	1,803,249	**2,118,682**	**2,250,148**
the balance of unamortized fees	19,848	21,238	28,399
the weighted average effective interest rate	4.70%	4.87%	4.85%

Senior Facilities Agreement (SFA)
On March 7, 2017 the Company and P4 Sp.z.o.o. entered into PLN 7,000,000 thousand Senior Facilities Agreement with a consortium of banks. The amount includes PLN 6,600,000 term loan facilities and PLN 400,000 thousand revolving credit facility.

On March 20 and 21, 2017 the Company and P4 Sp. z.o.o. drew down the amount of PLN 6,443,000 thousand (PLN 4,165,000 thousand by P4 Sp. z o.o. and PLN 2,278,000 thousand by the Company) under the above facility agreement and the remaining amounts under term loan facilities were cancelled. Additionally, under the SFA, the Company and P4 Sp. z.o.o. can use PLN 400,000 thousand revolving credit facility, which was undrawn as at December 31, 2019.

The funds were used to repay EUR 5.25% Senior Security Notes due 2019, Floating Rate Senior Security Notes due 2019 and EUR 6.5% Senior Notes due 2019 issued by the Group and to cover all costs related to repayment of the notes as well as to purchase A Series Notes issued by Impera Holdings S.A. on March 20, 2017 (see Note 9).

The loan drawn down under Facility A in the amount of PLN 2,443,000 thousand was initially repayable in semi-annual installments. The first two installments, each one in the amount of 8% of the total Facility A amount, were due and repaid in March 2018 and September 2018 respectively (a total amount of PLN 390,800 thousand). Further installments of the total Facility A amount, were planned to be repaid semi-annually till March 2022. According to the Amendment signed on January 8, 2019 (for more details please see below), the repayment schedule was changed: the future semi-annual installments were decreased and the repayment of the last installment in March 2022 was increased to PLN 1,011,700 thousand.

The loan drawn down under Facility B in the amount of PLN 2,732,000 thousand is repayable in full on September 20, 2022. The loan drawn down under Facility C in the amount of PLN 1,268,000 thousand is repayable in full on March 20, 2023.

Interest on each loan under SFA Agreement is calculated based on the 3M WIBOR rate plus margin and repayable in quarterly periods.

The loan is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the loan are included in the calculation of the effective interest rate.

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

The Senior Facilities Agreement contains three financial covenants requiring the Group to ensure that:

- senior secured leverage: the ratio of consolidated senior secured net debt (limited to borrowings ranking pari passu with the facilities under the Intercreditor Agreement) to consolidated EBITDA shall not exceed certain thresholds on each relevant quarter test date, the threshold starting from the level 4.25:1 and gradually decreasing to 3.75:1;
- total leverage: the ratio of consolidated total net debt to consolidated EBITDA shall not exceed certain thresholds on each relevant quarter test date, the threshold starting from the level 5.25:1 and gradually decreasing to 3.75:1;
- cashflow cover: the ratio of consolidated cashflow to net debt service shall not be less than 1.0 on each relevant quarter test date starting from 30 June 2017.

All covenants were met during the years 2019, 2018 and 2017.

Additionally, in case of change of control there a certain procedure is launched. The SFA also lists certain permitted acquisition transactions. Any acquisition transactions outside the list require prior written consent of the majority lenders. The SFA also restricts the Company and P4 Sp. z.o.o from making certain type of unusual payments at the same time allowing the Company and P4 Sp. z.o.o to run normal operations under permitted payments definition.

On January 8, 2019 the Company and Company and P4 Sp. z.o.o has entered into a Second Amendment and Restatement Agreement to the Senior Facilities Agreement, which, among other, have the following amendments to the SFA:

1. Amending the SFA amortization profile by decreasing annual capital repayments to PLN 346.8 million (from PLN 586.3 million) in the years 2019-2021 and increasing repayment in March 2022 to PLN 1,011.7 million (from PLN 293.1 million);
2. Ability to allocate voluntary prepayment to any term loan or any instalment of the SFA at Play Groups's sole discretion;
3. Ability to request release of security established in connection with the SFA (excluding the release of guarantees granted pursuant to the SFA) when the level of consolidated net debt to consolidated EBITDA (the "Total Leverage") is less than or equal to 2.00:1 with an obligation to re-establish the released security if the Total Leverage becomes greater than 2.00:1;
4. Modification of Change of Control definition in a way that change of control occurs if any shareholders, other than the Relevant Holders, possess more than 33⅓% of share capital, while any restrictions on Relevant Holders have been removed;

5. Decrease of the margin over WIBOR by 0.25pp when Total Leverage falls below 3.00:1 and introduction of new levels of total Leverage which trigger further decrease of margin.
6. Amendment to the financial covenant changing the level of Total Leverage below which interest cover is tested instead of cashflow cover from 2.75:1 to 3.00:1;
7. Amending the Consolidated EBITDA calculation base from last half a year annualized to a market common last twelve months;
8. Optional introduction of unsecured bond program as part of Permitted Financial Indebtedness in the amount of up to PLN 2 billion;
9. Other amendments to definitions of Consolidated Cashflow, Consolidated EBITDA, Acceptable Funding Sources and Permitted Acquisitions, with adjustments to the Calculations clause;
10. Other technical amendments and clean-ups.

During the year ended December 31, 2019, due to favorable cash position, the company repaid the principal of Senior Facilities Agreement (SFA) in the amount of 316,823 thousand made four voluntary prepayments of:

1. On February 26, 2019 Facility A instalment originally maturing on March 29, 2019 in the amount of PLN 61,256 plus accrued interest,
2. on August 30, 2019 Facility A installment originally maturing on September 30, 2019 in the amount of PLN 61,256 plus accrued interest,
3. On December 13, 2019 the Facility C installment originally maturing on March 20, 2023 in the amount of PLN 133,056 plus accrued interest,
4. on December 17, 2019 the Facility A installment originally maturing on March 31, 2020 in the amount of PLN 61,256 plus accrued interest.

13.2 Loan received

On October 9, 2014, the Company (as Borrower) concluded a loan facility with Play Finance 2 S.A. (an indirectly held subsidiary) (as Lender) under which Play Finance 2 S.A. undertook to make available to the Company funding up to a total amount of EUR 1,000 thousand (the "Loan"). The parties also agreed that each payment shall be evidenced by a drawdown notice. Further on September 7, 2016 the loan facility agreement was amended to increase the funding limit to EUR 2,000 thousand with effect as at August 18, 2016.

Interest is calculated based on an annual rate of 5.845% (or any other interest rate agreed upon by the parties from time to time) applied to the outstanding loans.

The Company shall repay all outstanding loans on demand by Play Finance 2 S.A. at any time. Therefore, the carrying amount of the loan approximates its fair value. Notwithstanding the foregoing, the Company shall be entitled to make earlier payments, without bonus or penalty, to reduce or repay the Loan in whole or in part, at its discretion.

As at December 31, 2016, a total amount of EUR 1,266,000 served by 4 different drawdowns has been paid to the Company:

- 1st drawdown of EUR 324 thousand (PLN 1,366 thousand) as at November 20, 2014;
- 2nd drawdown of EUR 292 thousand (PLN 1,186 thousand) as at April 8, 2015;
- 3rd drawdown of EUR 300 thousand (PLN 1,280 thousand) as at November 11, 2015;
- 4th drawdown of EUR 350 thousand (PLN 1,500 thousand) as at August 18, 2016.

On May 9, 2016, further to the merger with Play Holdings 3 S.à r.l., the Company assumed the loan facility liability granted by Play Finance 2 S.A. to Play Holdings 3 S.à r.l. The loan facility was concluded to provide funding up to a total amount of EUR 1,000 thousand.

On June 21, 2017 a partial repayment amounting to EUR 17 thousand (PLN 74 thousand) has been done as an in kind contribution to the share capital of the Company performed by Play Holdings 1 S.à r.l. Also see Note 9.

At December 31, 2017, the carrying value of the loans amounted to PLN 5,737 thousand. The accrued interests amounted to PLN 794 thousand and the interest income recorded in the statement of comprehensive income amounted to PLN 344 thousand.

The loan was fully repaid on April 26, 2018.

13.3 Notes issued to P4 Sp. z o.o.

During the year ended December 31, 2019 the Company issued to P4 following notes:

- on February 1, 2019, the Company issued 11,000 series J unsecured registered notes to P4 Sp. z o.o. with maturity date scheduled on June 30, 2022 , with a nominal value of PLN 1 thousand each and an aggregate value of PLN 11,000 thousand. The interest on the series J notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. On March 20, 2019 the notes have been fully repurchased. See also Note 13.4.

- on February 25, 2019, the Company issued 61,000 series A unsecured registered notes to P4 Sp. z o.o. with maturity date scheduled on February 28, 2022, with a nominal value of PLN 1 thousand each and an aggregate value of PLN 61,000 thousand. The interest on the series E notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. On March 20, 2019 the notes have been fully repurchased. See also Note 13.4

- on December 16, 2019, the Company issued 202,000 series B unsecured registered notes to P4 Sp. z o.o. with maturity date scheduled on December 16, 2022 , with a nominal value of PLN 1 thousand each and an aggregate value of PLN 202,000 thousand. The interest on the series B notes is calculated based on the PLN WIBOR 6M + margin per annum, payable in semi-annual interest periods. As at December 31, 2019 the accrued interest amounted to PLN 294 thousand. See also Note 13.4.

During the year ended December 31, 2018 the Company issued five kinds of interest bearing notes: E, F, G, H and I with maturity date scheduled on June 30, 2022, in particular:

- on February 8, 2018, the Company issued 22,000 series E unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 22,000 thousand. The interest on the series E notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. On May 9, 2018 the notes have been fully repurchased.

- on March 27, 2018, the Company issued 120,000 series F unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 120,000 thousand. The interest on the series F notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. On May 9, 2018 the notes have been fully repurchased.

- on June 26, 2018, the Company issued 40,000 series G unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 40,000 thousand. The interest on the series G notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. On December 19, 2018 the principal of 40,000 thousand have been repurchased through set-off agreement described below. As at December 31, 2018 the accrued and capitalized interest amounted to PLN 12 thousand.

- on September 21, 2018, the Company issued 15,000 series H unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 15,000 thousand. The interest on the series H notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods.

- on December 10, 2018, the Company issued 12,000 series I unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 12,000 thousand. The interest on the series I notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods.

On December 19, 2018, the Company and P4 Sp. z o.o. concluded a set-off and redemption agreement for the set-off between the notes issued by the Company to P4 Sp. z o.o. and part of the notes issued by P4 Sp. z o.o. and subscribed by the Company. Further to such set-off agreement, the series G, H and I notes issued by the Company have been fully repurchased for an aggregate amount of PLN 68,161 thousand, composed of notes nominal value of PLN 67,000 thousand and accrued interest amounting to PLN 1,161 thousand.

The Company issued in the financial year ending on December 31, 2017 four kinds of interest bearing notes with maturity date scheduled on June 30, 2022, in particular:

- on June 28, 2017, the Company issued 18,315 series A unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 18,315 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 520 thousand;

- on July 28, 2017, the Company issued 30,000 series B unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 30,000 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 716 thousand;

- on September 27, 2017, the Company issued 40,000 series C unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 40,000 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 539 thousand;

- on December 15, 2017, the Company issued 28,000 series D unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 28,000 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 31 thousand.

On December 22, 2017, the Company and P4 Sp. z o.o. concluded a set-off and redemption agreement for the set-off between the notes issued by the Company to P4 Sp. z o.o. and part of the notes issued by P4 Sp. z o.o. and subscribed by the Company. Further to such set-off agreement, the series A, B, C and D notes issued by the Company have been fully repurchased for an aggregate amount of PLN 118,121 thousand, composed of notes nominal value of PLN 116,315 thousand and accrued interest amounting to PLN 1,806 thousand.

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

13.4 Changes in finance liabilities

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Bank loans			
As at January 1	**2,118,682**	**2,250,148**	**-**
Cash inflows	-	-	2,278,000
Interest accrued	95,373	104,063	89,181
Cash outflows: interest paid	(87,109)	(97,282)	(82,550)
Cash outflows: other payments	(6,874)	(167)	(34,483)
Cash outflows: repayment of principal	(316,823)	(138,080)	-
As at December 31	**1,803,249**	**2,118,682**	**2,250,148**

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Notes			
As at January 1	**11**	**-**	**-**
Cash inflows	274,000	209,000	116,314
Interest accrued	556	2,213	1,807
Cash outflows: interest paid	(264)	(1,041)	(1,615)
Set-off (principal and interest)	-	(68,161)	(116,506)
Cash outflows: repayment of principal	(72,011)	(142,000)	-
As at December 31	**202,292**	**11**	**-**

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Lease			
As at January 1	**988**	**1,156**	**102**
New leases	-	-	1,270
Modifications or terminations of lease contracts	-	-	(101)
Interest accrued	25	31	18
Effect of changes in foreign exchange rates	(8)	33	(16)
Lease payments	(234)	(232)	(117)
As at December 31	**771**	**988**	**1,156**

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Loans received			
As at January 1	**-**	**6,531**	**6,647**
Additions from merger	-	-	-
Cash inflows	-	-	-
Interest accrued	-	116	310
Cash outflows: interest paid	-	(910)	-
Effect of changes in foreign exchange rates	-	63	(352)
Cash outflows: repayment of principal	-	(5,800)	(74)
As at December 31	**-**	**-**	**6,531**

13.5 Assets pledged as security for finance liabilities

The Senior Facilities are currently secured by:

- financial and registered pledge over the shares in P4 sp. z o.o. established by Play Communications S.A. as pledgor in favor of Santander Bank Polska S. A. as pledgee;
- civil and registered pledge over the rights of the general partner in Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. established by 3GNS sp. z o.o. as pledgor in favor of Santander Bank Polska S.A. as pledgee;
- civil and registered pledge over the rights of the limited partner in Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. established by P4 sp. z o.o. as pledgor in favor of Santander Bank Polska S.A. as pledgee;
- pledges over bank accounts established by Play Communications S.A. as pledgor in favor of Santander Bank Polska S. A. as pledgee;
- financial pledges over bank accounts established by P4 sp. z o.o. as pledgor in favor of Santander Bank Polska S. A. as pledgee;
- financial pledges over bank accounts established by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k as pledgor in favor of Santander Bank Polska S. A. as pledgee;
- powers of attorney to the bank accounts granted by P4 sp. z o.o. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. in favor of Santander Bank Polska S.A.;
- registered pledge over the collection of assets (including, without limitation, material intellectual property and insurance (if any)) of P4 sp. z o.o. established by P4 sp. z o.o. as pledgor in favor of Santander Bank Polska S. A. as pledgee;
- registered pledge over the collection of assets (including, without limitation, material intellectual property and insurance (if any)) of Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. established by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. as pledgor in favor of Santander Bank Polska S. A. as pledgee;
- assignment relating to intra-group receivables executed by P4 sp. z o.o. as assignor in favor of Santander Bank Polska S.A. as assignee;
- assignment relating to intra-group receivables executed by Play Communications S.A. as assignor in favor of Santander Bank Polska S.A. as assignee/ registered pledge over the Intercompany Bonds established by Play Communications S.A. as pledgor in favor of Santander Bank Polska S.A. as pledgee;
- assignment relating to intra-group receivables executed by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. as assignor in favor of Santander Bank Polska S.A. as assignee; and
- submissions to enforcement executed by P4 sp. z o.o., Play Communications S.A. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. in favor of Santander Bank Polska S.A.

Please note that following the Amendment to SFA from January 8, 2019 the Group is able to request release of security established in connection with the SFA (excluding the release of guarantees granted pursuant to the SFA) when the level of consolidated net debt to consolidated EBITDA (the "Total Leverage") is less than or equal to 2.00:1 with an obligation to re-establish the released security if the Total Leverage becomes greater than 2.00:1.

14. Retention programs

14.1 Cash-settled retention programs

During the year ended December 31, 2017 and during the comparative periods, the Play Group operated following cash-settled share-based retention programs, which were settled in the year ended December 31, 2017:

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

EGA MB Plan

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by the Company. In accordance with the conditions of the EGA MB Plan upon disposal of shares by the shareholders (a liquidity event), including the following transactions: sale of shares, initial public offering, cancellation or redemption of shares, at or above a minimum required liquidity event price, program members were entitled to receive amounts calculated as number of rights multiplied by the value of one right which was dependent on liquidity event price corrected by excess equity contributions, if they have not resigned or been dismissed by the Group during the vesting period. In case of the distribution of equity to shareholders program members were entitled to receive additional payments. The number of rights granted under the plan was 2,181 as at December 31, 2016 and as at December 31, 2015. The fair value of share appreciation rights was estimated using a geometric Brownian motion process (a Monte Carlo model).

The EGA MB Plan was settled in cash upon the IPO in the year ended December 31, 2017.

PSA 1, PSA 2 and PSA 3 Plans

Under the PSA 1 Plan the members of P4's Management Board were granted share appreciation rights by the Company. In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members were entitled to receive amounts calculated as number of rights multiplied by the value of one right which was dependent on the excess of liquidity event price above base value defined in the agreement, if they have not resigned or been dismissed by the Group during the vesting period. The number of rights granted under the plan was 2,181 as at December 31, 2016 and as at December 31, 2015. In accordance with the conditions of the PSA 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members were entitled to receive amounts calculated as number of rights multiplied by the value of one right which was dependent on the excess of liquidity event price above base value defined in the agreement less amount paid under PSA 3 Plan. The amount paid under PSA 2 Plan could not be greater than the limit set in agreement. The number of rights granted under the plan was 727 as at December 31, 2016 and as at December 31, 2015. In accordance with the conditions of the PSA 3 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members were entitled to receive amounts defined in the agreement. In case of the distribution of equity to shareholders program members were entitled to receive interim payments. The fair value of share appreciation rights of PSA 1, PSA 2 and PSA 3 Plans was estimated using a geometric Brownian motion process (a Black-Scholes model).

The agreement relating to one member of PSA 1, PSA 2 and PSA 3 Plans was transformed into EGA MB Plan in the year ended December 31, 2017 before the IPO.

The PSA 1, PSA 2 and PSA 3 Plans were settled in cash upon the IPO in the year ended December 31, 2017.

SF 1 and SF 2 Plans

Under the SF 1 and SF2 Plan the member of P4's Management Board was granted share appreciation rights by the Company. In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member was entitled to receive amount calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under SF 1 Plan. The amount paid from SF 2 Plan could not be greater than the limit set in agreement. Percentage granted under the plan was 0.20% as at December 31, 2016 and as at December 31, 2015. In case of the distribution of equity to shareholders program member was entitled to receive interim payments. The fair value of share appreciation rights of SF 1 and SF 2 Plans was estimated using a geometric Brownian motion process (a Black-Scholes model).

The agreements relating to SF 1 and SF 2 Plans were terminated in March 2017. The member of the program received a payout based on the agreed liquidity option.

These awards have been granted only to management of the subsidiaries and therefore no related charge has been recorded by the Company.

14.2 Equity-settled incentive and retention programs

PIP and VDP 4
Upon the IPO, on July 27, 2017, the members of the Management Board of P4 and key employees have entered into new equity-settled Performance Incentive Plan ("PIP") and Value Development Plan 4 ("VDP4") respectively.

Under the PIP the members of the Management Board of P4 purchased on the IPO date (July 27, 2017) 3,170,119 shares of the Company ("Original Shares") for which they paid cash at IPO price (36 PLN per share).

Under the VDP4 on the IPO date the members of the scheme received the shares of the Company ("Original Shares") without consideration.

On the first to fifth anniversaries of the IPO date the members of PIP and VDP4 schemes will receive Award Shares, provided that:

a) they remain an employee of the Group at the respective IPO anniversary (and no notice being given in respect of the termination of their employment);
b) they continue to hold Original Shares; and
c) certain performance measures, as specified in the programs, are met in whole or in part.

The members of the schemes will receive Award Shares with maximum number: of 0.10, 0.15, 0.20, 0.25 and 0.30 Award Shares per Original Share held by or on behalf of a member respectively on the first, second, third, fourth and fifth anniversary of the IPO Date.

The exact number of Award Shares will depend on the performance measures, i.e. the value of the Company's shares in comparison to other companies among WIG20 index and the set group of companies (comprising selected European telecommunications companies), measured with the total shareholders reward (in relation to a company, the change of such company's market capitalization over the relevant performance period, plus any dividends or any other cash payments to the company's shareholders, other than in respect of services provided, expressed as a percentage of the opening value at the start of the relevant performance period). 50% of the multiple will depend on WIG20 percentage and the other 50% of the multiple will depend on set companies percentage.

There are certain lock-up arrangements on Original Shares and on Award Shares. The percentage of Original Shares subject to lock-up is 100%, 80% and 40% in the periods commencing on the IPO date and ending on respectively the first, second and third IPO anniversary. The percentage of Award Shares subject to lock-up is 100% and 50% in the periods commencing on the date of issuance of the Award Shares and ending on respectively the first and second anniversary of the date of issuance of the Award Shares.

PIP 2
In the year ended December 31, 2019 the Group established a new equity-settled Performance Incentive Plan V2 ("PIP 2").

Under the PIP 2 members of the program can be granted shares of the Company ("Initial Investment Shares") without consideration on any "Initial Investment Shares Issue Date".

According to PIP 2 rules, on the first to third anniversaries of the Initial Investment Shares Issue Date the members of PIP 2 will receive Loyalty Investment Shares, provided that they remain an employee of the Group at the respective anniversary (and no notice being given in respect of the termination of their employment). The members of the schemes will receive 0.20, 0.35 and 0.45 Loyalty Investment Shares per Initial Investment Share respectively on the first, second and third anniversary of the Initial Investment Shares Issue Date.

An Investment Share held by or on behalf of the member for at least 365 consecutive days as at the Award Share issue date becomes a Qualifying Investment Share.

On the first to fifth anniversaries of the Start Date (July 27, 2018) the members of PIP 2 will receive Award Shares, provided that:

a) they remain an employee of the Group at the respective anniversary (and no notice being given in respect of the termination of their employment);
b) they continue to hold Qualifying Investments Shares; and
c) certain performance measures, as specified in the programs, are met in whole or in part.

The members of the schemes will receive Award Shares with maximum number: of 0.20, 0.30, 0.40, 0.50 and 0.60 Award Shares per Qualifying Investments Share held by or on behalf of a member respectively on the first, second, third, fourth and fifth anniversary of the Start Date.

The exact number of Award Shares will depend on the performance measures, i.e. the value of the Company's shares in comparison to other companies among WIG20 index and the set group of companies (comprising selected European telecommunications companies), measured with the total shareholders reward (in relation to a company, the change of such company's market capitalization over the relevant performance period, plus any dividends or any other cash payments to the company's shareholders, other than in respect of services provided, expressed as a percentage of the opening value at the start of the relevant performance period). 50% of the multiple will depend on WIG20 percentage and the other 50% of the multiple will depend on set companies percentage.

There are certain lock-up arrangements on Initial Investment Shares, Loyalty Investment Shares and Award Shares. The percentage of Initial Investment Shares subject to lock-up is 100%, 80% and 40% in the periods commencing on the Initial Investment Shares Issue Date and ending on respectively the first, second and third anniversary of the Initial Investment Shares Issue Date. The percentage of Loyalty Investment Shares subject to lock-up is 100%, 80% and 40% in the periods commencing on the Loyalty Investment Shares Issue Date and ending on respectively the first, second and third anniversary of the Loyalty Investment Shares Issue Date. The percentage of Award Shares subject to lock-up is 100% and 50% in the periods commencing on the date of issuance of the Award Shares and ending on respectively the first and second anniversary of the date of issuance of the Award Shares.

On July 2, 2018 (which is the Initial Investment Shares Issue Date) a member of the Management Board of P4 entered into PIP 2 and was granted 204,450 shares of the Company (which qualify as Initial Investment Shares) without consideration.

PIP 3

In the year ended December 31, 2019 the Group established a new equity-settled Performance Incentive Plan V3 ("PIP 3").

According to PIP 3 rules, on the Start Date and on the first to fourth anniversaries of the Start Date the members of PIP 3 will receive Investment Shares, provided that: they remain an employee of the Group at the respective anniversary (and no notice being given in respect of the termination of their employment). The members of the schemes will receive 10%, 15%, 20%, 25% and 30% of the number of Investment Shares on the Start Date, first, second, third and fourth anniversary of the Start Date.

An Investment Share held by or on behalf of the member on the day before each anniversary of the Start Date becomes a Qualifying Investment Share.

On the first to fifth anniversaries of the Start Date (the date can differ for each member) the members of PIP 3 will receive Award Shares, provided that:

a) they remain an employee of the Group at the respective anniversary (and no notice being given in respect of the termination of their employment);
b) they continue to hold Qualifying Investment Shares; and
c) certain performance measures, as specified in the programs, are met in whole or in part.

The members of the schemes will receive Award Shares with maximum number: of 0.20, 0.30, 0.40, 0.50 and 0.60 Award Shares per Qualifying Investment Share held by or on behalf of a member respectively on the first, second, third, fourth and fifth anniversary of the Start Date.

The exact number of Award Shares will depend on the performance measures, i.e. the value of the Company's shares in comparison to other companies among WIG20 index and the set group of companies (comprising selected European telecommunications companies), measured with the total shareholders reward (in relation to a company, the change of such company's market capitalization over the relevant performance period, plus any dividends or any other cash payments to the company's shareholders, other than in respect of services provided, expressed as a percentage of the opening value at the start of the relevant performance period). 50% of the multiple will depend on WIG20 percentage and the other 50% of the multiple will depend on set companies percentage.
There are certain lock-up arrangements on Investment Shares and Award Shares. The percentage of Investment Shares subject to lock-up is 100%, 80% and 40% in the periods commencing on the Start Date and ending on respectively the first, second and third anniversary of the Start Date. The percentage of Award Shares subject to lock-up is 100% and 50% in the periods commencing on the date of issuance of the Award Shares and ending on respectively the first and second anniversary of the date of issuance of the Award Shares.

On November 22, 2019 members of the Management Board of P4 entered into PIP 3 and were granted 40,384 shares of the Company (first tranche of Investment Shares: 10%) without consideration.

VDP 4 bis
In the year ended December 31, 2019 the Group established a new equity-settled Value Development Program 4 bis ("VDP 4 bis").

Under the VDP 4 bis the members of the scheme were conditionally entitled to receive a respective portion of Maximum Number of Award Shares at the end of each Performance Period without consideration.

On the first to fifth anniversaries of the IPO date the members of VDP 4 bis schemes will receive Award Shares, provided that:

a) they remain an employee of the Group at the respective IPO anniversary (and no notice being given in respect of the termination of their employment); and
b) certain performance measures, as specified in the programs, are met in whole or in part.

The members of the schemes will receive Award Shares with maximum number: of 0.10, 0.15, 0.20, 0.25 and 0.30 Award Shares per Maximum Number of Award Shares on the first, second, third, fourth and fifth anniversary of the IPO Date. Any member joining VDP 4 bis after commencement of the first or subsequent performance period shall not be entitled to receive the relevant portion of the Award Shares for already completed performance period(s); however, shall be entitled to receive the relevant full portion of the Award Shares for commenced performance period during which they joined VDP4 bis.

The exact number of Award Shares will depend on the performance measures, i.e. the value of the Company's shares in comparison to other companies among WIG20 index and the set group of companies (comprising selected European telecommunications companies), measured with the total shareholders reward (in relation to a company, the change of such company's market capitalization over the relevant performance period, plus any dividends or any other cash payments to the company's shareholders, other than in respect of services provided, expressed as a percentage of the opening value at the start of the relevant performance period). 50% of the multiple will depend on WIG20 percentage and the other 50% of the multiple will depend on set companies percentage.

There are certain lock-up arrangements on Award Shares. The percentage of Award Shares subject to lock-up is 100% and 50% in the periods commencing on the date of issuance of the Award Shares and ending on respectively the first and second anniversary of the date of issuance of the Award Shares.

In July 2018 Key Employees of P4 who entered into VDP 4 bis become entitled to Maximum Number of Award Shares amounting to 218,473.

No Award Shares were granted under PIP, VDP 4 or VDP 4 bis on the first IPO anniversary on July 27, 2018. After the second IPO anniversary (July 27, 2019) 179,834 of Award Shares were granted under PIP, PIP2, VDP 4 and VDP 4 bis.

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

14.3 Additional information

Change of value of the programs

The Company estimates value of the liabilities and equity resulting from the plans at each end of the reporting period. Changes in the value of a liability or equity are recognized in statement of comprehensive income. Changes in value of the plans are presented below.

	Long-term cash-settled incentive and retention programs liabilities	Short-term cash-settled incentive and retention programs liabilities	Other reserves - effect of valuation of equity-settled incentive and retention programs
As at January 1, 2019	**-**	**-**	**39,123**
Granted during the period	-	-	1,292
Changes in valuation during the period	-	-	14,309
As at December 31, 2019	**-**	**-**	**54,724**
Vested at December 31, 2019	-	-	n/a

	Long-term cash-settled incentive and retention programs liabilities	Short-term cash-settled incentive and retention programs liabilities	Other reserves - effect of valuation of equity-settled incentive and retention programs
As at January 1, 2018	**-**	**-**	**28,110**
Granted during the period	-	-	5,087
Forfeited during the period	-	-	(13,321)
Changes in valuation during the period	-	-	19,247
As at January 1, 2018	**-**	**-**	**39,123**
Vested at December 31, 2018	-	-	n/a

The termination of employment in the Play Group of the following members of the programs: Jørgen Bang-Jensen (formerly Chief Executive Officer of P4 sp. z o.o.) and Bartosz Dobrzyński and Hans Cronberg (formerly Members of the Board of P4 sp. z o.o.) in the year ended December 31, 2018 and Jacek Niewęgłowski (formerly Member of the Board of P4 sp. z o.o.) in the year ended December 31, 2019 resulted in decrease of number of Original Shares entitled to Award Shares.

	Long-term cash-settled incentive and retention programs liabilities	Short-term cash-settled incentive and retention programs liabilities	Other reserves - effect of valuation of equity-settled incentive and retention programs
As at January 1, 2017	**135,729**	**10,913**	**-**
Granted during the period	-	-	19,379
Exercised during the period	-	(372,644)	-
Changes in valuation during the period	226,002	-	8,731
Transferred during the period	(361,731)	361,731	-
As at December 31, 2017	**-**	**-**	**28,110**
Vested at December 31, 2017	-	-	n/a

The amounts exercised during the year ended December 31, 2017 comprise the interim payments exercised under EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans in March 2017 and April 2017, amounts paid under SF 1 and SF 2 Plans in March 2017 and final settlement of the liabilities resulting from EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans upon the IPO.

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

15. Trade and other payables

	December 31, 2019	December 31, 2018	December 31, 2017
Trade payables	982	1,856	38,425
Government payables	507	264	10,595
Employee payables	87	83	79
Other	469	4,776	4,148
	2,045	**6,979**	**53,247**

16. Changes in working capital and other presented in statement of cash flows

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
(Increase)/decrease of receivables	9,308	(8,303)	(933)
(Increase)/decrease of prepaid expenses	(17)	(58)	122
Increase/(decrease) of payables excluding investment payables	111	(49,318)	50,312
Increase/(decrease) of accruals	124	340	91
(Increase)/decrease of long-term receivables	2	(5)	(123)
Changes in working capital and other	**9,528**	**(57,344)**	**49,469**

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

17. Related party transactions

17.1 Transactions with management and supervisory bodies

Cost of remuneration of members of the Boards of Directors of the Company incurred for the year ended December 31, 2019 amounted to PLN 3,305 thousand (PLN 3,209 thousand for the year ended December 31, 2018 and PLN 1,700 thousand for the year ended December 31, 2017).

17.2 Transactions with other related parties

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term receivables - debt securities	58,195	114,285	173,133
Trade receivables	2	234	837
Long-term finance liabilities - debt	201,998	-	-
Short-term notes liabilities	294	-	-
Loans received	-	-	6,531
Trade and other payables	469	4,992	4,396

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Dividends received	530,000	900,000	-
Management fees	-	(250)	(35,000)
General and administrative expenses	(287)	(289)	(542)
Other operating income	255	-	11,432
Interest income	7,163	9,989	114,895
Interest costs	(557)	(2,320)	(2,116)
Other finance cost	(2,854)	(12,088)	-

a) In the year ended December 31, 2017 the Series A Notes issued by Impera Holdings S.A. were redeemed against Company's share premium (see Notes 9 and 12.2).
b) During the year ended December 31, 2019, the Company has received a total dividend in an amount PLN 530,000 thousand from P4 Sp.z.o.o. (and PLN 900,000 thousand during the year ended December 31, 2018)
c) Management fees costs incurred in the year ended December 31, 2017 resulted from the additional advisory services related to the initial public offering of the Company rendered by Novator Partners LLP and Tollerton Investment Limited. Management fee agreement was terminated after the IPO in 2017.
d) The interest income in the year ended December 31, 2018 resulted mainly from early redemption fee as well as one-off recognition of income from unamortized loan origination fees in the total amount of PLN 67,756 thousand in relation to early redemption of the notes issued by Impera Holdings S.A. in July 2017 (see Note 9). The interest income in the year ended December 31, 2018 comprised mainly the interest earned on the A bonds issued by P4 Sp. z.o.o.

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

18. Auditor's fees

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Audit fees	1,061	1,358	2,408
	1,061	**1,358**	**2,408**

19. Events after the reporting period

The Company has not identified any other events after the reporting period that should be disclosed in the Financial Statements.

20. Summary of significant accounting policies

20.1 Foreign currency translation

20.1.1 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in Polish złoty ("PLN"), which is the Company's presentation and functional currency, due to the fact that the operating activities of the Group for which the Company is a holding entity, are conducted primarily in Poland.

20.1.2 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 actual spot rate applied as at this date resulting from the type of transaction - in case of foreign currency purchases and sales.
- 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.

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

Currency	December 31, 2019	December 31, 2018	December 31, 2017
EUR	4.2585	4.3000	4.1709
GBP	4.9971	4.7895	4.7001
USD	3.7977	3.7597	3.4813

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

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

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

20.2 Long-term investments

Long term investments are entities controlled by the Company. The Company controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Long-term investments are valued at cost level less impairment.

At each reporting date, the Company reviews the carrying amount of its long-term investments and determines whether there is any indication that the carrying amount of those assets may not be recoverable. If any such indications exists, the recoverable amount of the assets is reviewed in order to determine the amount of the impairment, if any.

20.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost includes direct costs (materials, direct labor and work contracted out) and directly attributable own work costs.

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

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

Depreciation is calculated using the straight-line method to allocate the surplus of the cost of the asset over its residual values over its estimated useful life. The estimated useful lives are as follows:

Description	Term in years
Computers	3
Office machinery and equipment	3

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

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

20.4 Right-to-use assets and lease liabilities

The Company is a party to lease contracts for, among others:

a) office space;
b) equipment.

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

Accounting by the lessee
The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short term leases

in relation to leases of billboards and not to apply exemptions for other short term leases or for leases for which the underlying asset is of low value.

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

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

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

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

Description	Term in years
Buildings	6
Office machinery and equipment	5

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

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

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

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

The lease payments are discounted using the Company's incremental borrowing rate or the rate implicit in the lease contract.

The lease term determined by the Company comprises:

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

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

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

Accounting by the lessor
There are no contracts based on which the Company is acting as a lessor.

20.5 Trade and other receivables

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

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

20.6 Prepaid expenses

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

20.7 Cash and cash equivalents in statement of financial position

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

In the statement of financial position cash and cash equivalents are carried at nominal value increased by interest accrued.

20.8 Incentive and retention programs

The Company might operate cash-settled and equity-settled share-based retention programs. Membership in programs are granted to members of the Management Board of P4 Sp.z.o.o. ("P4") and key employees of the Group.

Under the terms of the cash-settled programs, members of the programs are entitled to remuneration paid in cash which value is dependent on the fair value of the Group as at the disposal of the shares by the shareholder or shareholders (liquidity event) or at the end of a program if the liquidity event has not occurred. Liabilities relating to cash–settled share-based retention programs are measured at the fair value of the liability at each end of the reporting period. Changes in the fair value of the liability are recognized in the profit or loss (if program is granted to employees of the Company) or as investment in shares (if program is granted to employees of the Company's subsidiary).

Under the terms of equity-settled programs the members of the programs are entitled to receive Company's shares if certain conditions are met. The equity relating to share-based retention programs is measured at the fair value at the grant date by applying a Monte Carlo simulation model. For significant accounting estimates in relation to valuation of the programs please see Note 2.3. The cost is recognized in the statement of comprehensive income in line with vesting conditions, which are described in Note 14 (if program is granted to employees of the Company) or as investment in shares (if if program is granted to employees of the Company's subsidiary).

20.9 Financial liabilities

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

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

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

20.10 Trade liabilities

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

20.11 Other operating income

Other operating income mainly refers to exchange rate gains on operating services, interest income on trace receivables and cash items and other miscallenious items.

The Company recognizes such income when the amount can be reliably determined and when it is sufficiently certain that economic benefit will flow to the entity. The Company makes estimates using historical experience and taking into account customer-specific and contract-specific features.

20.12 Interest income

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

20.13 Current income tax

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in countries where the Company and its subsidiaries operate and generate taxable income.

Income tax payable represents the amounts payable at the reporting date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognized in the statement of financial position as an income tax receivables.

20.14 Deferred income tax

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

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

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

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

20.15 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 equity relating to incentive and retention programs are described in the Note 2.3.
The nominal values of liabilities and receivables less impairment with a maturity up to one year are assumed to approximate their fair values.

Ioannis Karagiannis
Director

Andrzej Klesyk
Director

Directors' Report

Principal activities and background

Play Communications S.A. (the "Company"), a Luxembourg Société Anonyme, has its registered office at 4/6, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 183 803.

The Company and its subsidiaries (together - "Play Group") operate in the mobile telecommunications sector in Poland. The Company is a strategic and financial holding company of the Play Group.

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

The Company exercises its holding function among others through monitoring the Play Group's operational and investment objectives and policies and review of the Play Group's performance in this regard, detailed financial analysis of the operations of the Play Group, supervision over the preparation and performance of the budget and long term business plan of the Play Group, supervision over strategic and investment projects of the Play Group, including in particular capital structure changes, as well as assessment of the effectiveness of internal control procedures, therein internal audit and risk management.

The Company has no branches.

The Company's ordinary shares have been listed and traded on the Warsaw Stock Exchange ("WSE") since July 27, 2017.

Play Group's performance

Operating revenue increased by PLN 201.6 million, or 2.9% from PLN 6,839.1 million for the year ended December 31, 2018, to PLN 7,040.8 million for the year ended December 31, 2019. This increase resulted primarily from growth in retail contract usage revenue.

Operating expenses increased by PLN 48.9 million, or 0.9%, from PLN 5,426.1 million for the year ended December 31, 2018, to PLN 5,475.0 million for the year ended December 31, 2019. This change resulted primarily from an increase in costs of salaries and social security, network maintenance, leased lines and energy as well as depreciation and amortization costs, partially offset by a decrease in interconnection, roaming and other service costs.

Our operating profit amounted to PLN 1,499.6 million, at a margin of 21.3%, compared to PLN 1,370.7 million for the year ended December 31, 2018.

Net financial expenses amounted to PLN 344.9 million for the year ended December 31, 2019 and have decreased by PLN 28.1 million compared to PLN 373.0 million for the year ended December 31, 2018 mainly due to lower nominal value of the SFA following the scheduled and voluntary repayments.

Profit before income tax amounted to PLN 1,154.7 million, compared to PLN 997.7 million for the year ended December 31, 2018, and included the effect of the increase in operating revenue.

The Group tax charge amounted to PLN 287.8 million leaving a net profit for the year ended December 31, 2019 of PLN 866.9 million, up by 16.4% YoY as compared to PLN 744.6 million for the year ended December 31, 2018.

As a result, EPS for the year ended December 31, 2019 reached PLN 3.41, compared to PLN 2.93 for the year ended December 31, 2018.

Results of the Company

The net profit of the Company for the year ended 31 December 2019 amounted to PLN 424.2 million (2018: net profit of PLN 778.4 million).

Share Capital of the Company

The Company's share capital amounted to EUR 30,500.88 at December 31, 2019, comprising 254,174,002 bearer shares with a nominal value of EUR 0.00012 each.

For information on shares issued without consideration please refer to Note 7 and Note 14 of the Company's separate financial statements.

On May 10, 2019 the Company distributed a gross interim dividend of PLN 1.45 per ordinary share to its shareholders, in total PLN 368,174 thousand.

At December 31, 2019 no treasury shares were held by the Company.

Non-financial information

Non-financial information, such as environmental, social, human rights and the fight against corruption are set out in the Corporate Responsibility – section 12 of the Annual Report, which is published on the Company's website.

Risks and uncertainty factors

The Group offers mobile voice, messaging, data, video services (including TV distribution) and data transmission, as well as value added services and sales of handsets and other devices, to individual and business customers exclusively in Poland, where substantially all of our reported subscribers are located. For this reason, macroeconomic conditions in Poland, as well as global economic, financial or geopolitical conditions may have a material impact on our business, financial condition and results of operations and prospects.

The mobile telecommunications industry is characterized by rapidly changing technology and related changes in subscriber demand for new offerings and services at competitive prices and the Group cannot assure you that the Group will be able to sufficiently and efficiently adapt the services the Group provides to keep up with rapid developments in the industry. In particular, the Group expects certain communications technologies that have recently been developed or are currently under development to become increasingly important in our market.

The Group faces strong competition for subscribers from established competitors, including, in particular, the other mobile operators operating under following brands: Plus, Orange and T-Mobile, which along with the Group, as of December 31, 2018, based on the UKE's most recent analysis regarding SIM cards in the Polish market, together held above 95% of reported subscriber market share in the Polish market.

Although in recent years we have made extensive capital investments and capital expenditures in order to build and further improve our network, our business remains capital intensive and the Group expects it will always require significant amounts of capital investment.

Further information on these and other key risks as well as our risk management framework are set out in section 11 of the Annual Report.

Internal controls and risk management over the preparation of the consolidated financial statements are set out in sections 9 and 10 of the Annual Report.

Financial risk management objectives and policies

Play's financial risk management policies and objectives, together with a description of the various risks and hedging activities undertaken by the Play Group, are set out in section 11 of the Annual Report.

Research and development

The Group does not have any design department dealing with R&D, however such activities are scattered throughout the organization. The Group considers research and development activities an important tool for competing effectively and commits certain resources to such activities. In order to ensure the quality of our network and to offer the latest mobile technology as well as innovative services and products to subscribers, we test new equipment, systems and products regularly, install new equipment and systems that we consider useful or cost effective, undertake modifications to existing equipment and systems and test the network quality on a regular basis. We established dedicated team ("UX") that focuses on approaching products/services design from the perspective of customers' usability and efficiency. UX is responsible inter alia for research and enhancement of customers' satisfaction from the innovative products/services by improving the usability and accessibility.

Outlook for the Play Group

The Outlook for the Group for year 2020 is described in section 9 of the Annual Report.

Subsequent events

The Company has not identified any events after the reporting period that should be disclosed in the separate financial statements.

Luxembourg, February 26, 2020

Ioannis Karagiannis	Andrzej Klesyk
Director	Director

Play Communications S.A.
Société anonyme
4/6, rue du Fort Bourbon, L-1249 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 183.803
(the **Company**)

RESPONSIBILITY STATEMENT

February 26, 2020

The board of directors of the Company (the **Board**) confirms that, to the best of its knowledge:

- the separate financial statements of the Company prepared in accordance with IFRS as at and for the year ended December 31, 2019 give a true and fair view of the assets, liabilities, financial position and results of the Company; and

- the directors' report on the activity of the Company in the year ended December 31, 2019 provides a fair review of the important events of the development and performance of the business and the position of the Company, as well as the description of the principal risks and uncertainties that the Company faces.

Approved by the Board and signed on its behalf by

Ioannis Karagiannis
Director

Andrzej Klesyk
Director

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Independent auditor's report

To the Shareholders of
Play Communications S.A.
4/6, rue du Fort Bourbon
L-1249 Luxembourg

Opinion

We have audited the financial statements of Play Communications S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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1. *Valuation of Shares in and Loans to Affiliated Undertakings*

Risk identified

Play Communications S.A. holds shares in and loans to P4 Sp. z.o.o. amounting to PLN 5,756 million and PLN 58 million respectively as at 31 December 2019 as further disclosed in Notes 8 and 9 to the financial statements. As stated in Note 20.2 to the financial statements, the Company performs an annual review of the carrying amount on an individual investment basis with resulting impairments reflected in the profit and loss account in the relevant period. Valuation of shares in and loans to affiliated undertakings is considered a significant risk due to the business industry in which P4 Sp. z.o.o. operates.

Our response

Our audit procedures over the valuation of the shares in affiliated undertakings included, among others:

- Obtaining shareholder register of the affiliated undertakings to verify the ownership;
- Obtaining and reading the latest financial statements of the investment in order to identify whether any going concern issue or liquidity issue exist at the investment level and ultimately if the investment is recoverable.
- Assessing the valuation model prepared by Management and its impairment test for the determination of the recoverable amount of the investments.
- Recomputing the fair value of equity interests of the investments prepared by Management and comparing the carrying value of the investments to the fair market value of equity interests in order to determine whether an impairment exists.

Our audit procedures over the valuation of the loans granted to affiliated undertakings included, among others:

- Obtaining the loan agreements to confirm the nominal value of the loans and the movement of the year.
- Obtaining and reading the latest financial statements of the affiliated undertaking in order to identify whether any going concern issue or liquidity issue exist and ultimately if the loan is recoverable.
- Assessing the valuation model prepared by Management for the determination of the recoverable amount of the loans.
- Recomputing the recoverable amount of the loans prepared by Management and comparing the carrying value of the loans to their recoverable value in order to determine whether an impairment exists.

We also considered the adequacy of the Company's disclosures as reflected in relation to the above matters as set out in Notes 8 and 9.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

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Report on other legal and regulatory requirements

We have been appointed as réviseur d'entreprises agréé by the General Meeting of the Shareholders on 16 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, which is included in the Group Annual Report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 26 February 2020