PLAY

PLAY COMMUNICATIONS S.A.

ANNUAL REPORT ON THE ACTIVITY FOR THE YEAR ENDED 31 DECEMBER 2019

Play Communications S.A. and its subsidiaries
26 February 2020

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CHAIRMAN'S LETTER

Dear Shareholders,

2019 was the first year of implementing our strategy to build strong, digital and efficient mobile-centric telecommunication leader for families and small businesses in Poland, as announced in November 2018. As a reminder, the key pillars of our approach are:

- ✓ mobile-centric convergence – provisioning of all voice, broadband, and TV services via single mobile technology platform,
- ✓ first in digital – constant simplification of operating model giving us the edge in digitisation of customer-facing & back-office processes,
- ✓ lean and 5G-ready infrastructure network – highly efficient, designed for data and equipped with a high capacity transmission.

PLAY has been progressing in all the above areas, launching to the market new mobile-convergent services such as PLAY Now TV Box and more-for-more offers for all customer segments, automating business processes, successfully rolling-out and upgrading its network to 5G Ready for close to half of the population, reaching top data speed rating in Poland. Alongside with these developments and by leveraging the Company's cost-efficient operating model combined with commercial excellence, PLAY fully met its guidance and posted remarkable financial results – all-time best across all metrics. Revenue exceeded PLN 7 billion growing 3% year-on-year, adjusted EBITDA was above PLN 2.4 billion – up by close to 13%, while net profit reached PLN 877 million and Free Cash Flow to Equity arrived at PLN 929 million, both recording also double digit growth. PLAY also strengthened its balance sheet improving Net Debt to adjusted EBITDA ratio to 2.7x from 3.1 at the end of 2018.

Reported customer base of 15.3 million confirms PLAY's leadership in this very competitive and saturating mobile market. I would like to thank all our stakeholders for their support, and the Group employees in particular – for their efforts in achieving and exceeding the targets. And I dare to ask for more.

2020 and beyond is now all about 5G. PLAY continues network roll-out and upgrade to 5G Ready, which will make implementation of 5G extremely cost efficient. 5G Legacy, based on 2.1 GHz frequency is already operating in Tricity and PLAY is rolling it out further to provide coverage in 16 cities by the end of February. And soon we will also know conditions for 5G C-band spectrum auction, which will be key for further development of 5G coverage and data transmission speeds. We are well prepared in all aspects: technologically, organisationally and financially. And we will fully embrace the opportunities stemming from 5G.

Finally, as per our strategic ambition for shareholder remuneration to be 40-50% of Free Cash Flow to Equity, I am looking forward to communicating to you in a couple of months the decision of our Board of Directors concerning level of dividend to be paid this year.

With kind regards,

Ioannis Karagiannis

Chairman of the Board of Directors
Play Communications S.A.

PART I

GENERAL INFORMATION

PLAY

1. DEFINITIONS

Unless otherwise required by the context or explicitly stated, the following definitions shall apply throughout the document. Certain terms relating to Play and industry-specific terms are defined in the Glossary of Technical Terms.

Term	Definition
"ATO Act"	Refers to the Act dated June 10, 2016 on Anti-terrorist Operations (Journal of Laws 2016, item 904), which came into force in Poland in July 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards.
"Bond Issue Program"……………………..	Refers to agreement dated November 14, 2019 for the establishment of the Bond Issue Program with Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. under which P4 sp. z o.o., wholly owned subsidiary of Play, is entitled to conduct multiple issues of bonds up to the maximum total nominal amount of PLN 2,000,000,000 (two billion zloty) of bond issued and outstanding under the Program at a given time.
"DNB Overdraft Facility"	Overdraft agreement between the Group and DNB Bank Polska Spółka Akcyjna in an aggregate principal amount of PLN 50 million.
"EC"	European Commission.
"EU"	European Union.
"euro," "EUR" or "€"	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
"Group," "we," "us," "our" or "ourselves"	Refers to the Company and its consolidated subsidiaries.
"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"IFRS 15"	International Financial Reporting Standard 15 "Revenue from contracts with customers".
"IFRS 16"	International Financial Reporting Standard 16 "Leases".
"IPO"..	Initial Public Offering of shares of the Play Communications S.A. on the Warsaw Stock Exchange
"Kenbourne Invest II S.à r.l."……………………..	Kenbourne Invest II S.à r.l., a Luxembourg private limited liability company with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg.
„mBank Overdraft Facility"	Overdraft agreement between the Group and mBank S.A. in an aggregate principal amount of PLN 50 million.
„Millennium Overdraft Facility"	Overdraft agreement between the Group and Millennium S.A. in an aggregate principal amount of PLN 50 million.
"MNP" …………………………………………….	Mobile Number Portability, regulation allowing for swift change of mobile operator maintaining owned mobile number.
"Novator Partners LLP"…………………..	Novator Partners LLP, a private equity company with registered office in the United Kingdom, at 25 Park Lane, London, W1K 1RA.
"NPS"…………………………………………….	Net Promoter Score, a measure of customer experience based on likelihood of recommending a particular brand to a friend or colleague.
"OTT TV"………………………………………….	Over-the-top television service which delivers content streamed over internet in an on-demand manner.
"PLN" or "zloty"............................	Polish zloty, the lawful currency of Poland.

"Prospectus"	Prospectus approved by Luxembourg Financial Supervision Authority (*Commission de Surveillance du Secteur Financier*) on June 30, 2017
"Refinancing and Recapitalization"..	Refers collectively to entry into Senior Facilities Agreement with syndication of banks on March 7, 2017, and issue of the Senior PIK Toggle Notes on March 22, 2017. The entry into the Senior Facilities Agreement and the application of proceeds therefrom to the repayment of EUR bond indebtedness and payments of certain amounts to shareholders of the Parent and payment of fees and expenses related to such transactions.
"Report"	The present report "Board of Directors' report on the activity in the year ended December 31, 2019"
"Revolving Credit Facility"	The PLN 400 million multi-currency revolving credit facility made available pursuant to the Senior Facilities Agreement.
"Santander Overdraft Facility"	Overdraft agreement between the Group and Santander Bank Polska S.A. (previously: Bank Zachodni WBK S.A.) in an aggregate principal amount of PLN 50 million.
"SEC"	The United States Securities and Exchange Commission.
"Senior Facilities Agreement"………	Refers to Senior Facilities Agreement with syndication of banks entered into on March 7, 2017, and Amendment and Restatement Agreements installed afterwards.
"Tollerton Investments Limited"……	Tollerton Investments Ltd is a private equity holding company established in 2006 with registered office in Cyprus, at Arch. Makariou III Av. & Nikolaou Gyzi str. 2, 3060 Limassol.
"U.S." or "United States"	United States of America.
"U.S. GAAP".................................	Generally accepted accounting principles in the United States.
"U.S. Securities Act".....................	The United States Securities Act of 1933, as amended.

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

- The Statistical Office of the European Communities ("Eurostat"); unless otherwise indicated, historical GDP, historical real GDP growth rate and harmonized unemployment and inflation rate refer to data retrieved from the Eurostat website. Real GDP growth rate forecast refers to the Winter 2019 European Economic Forecast;

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

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

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

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

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

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

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

Key Performance Indicators

The subscriber data included in this Report, including ARPU, unit SAC cash, unit SRC cash, reported subscribers (including contract subscribers and prepaid subscribers), net additions (including contract net additions and prepaid net additions), churn (including contract churn and prepaid churn) and data traffic (collectively, key performance indicators ("**KPIs**")) are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by independent auditors, consultants or experts.

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

Certain industry, market and subscriber terms used by the Group

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

Term	*Usage by Play*
Terms related to subscribers	
subscriber	We define a subscriber as any customer that we provide services to until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards which are registered on our network and have not been disconnected.
contract subscribers	We define contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a number of SIM cards that have been issued pursuant to family calling plans.
active contract subscribers	We define active contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for active contract subscribers **do not** include inactive (not used within the last 90 calendar days) technical SIMs and inactive SIM cards which are used in 'Play Elastyczny' promotion.
technical SIM (techSIM)	We define techSIM as additional SIM card issued to tariffs which include two or more subscribers. TechSIM can be used by subscribers only for data transfer. The key functionality of the techSIM card, from the Company's perspective, is to consolidate all family members SIM cards and support the billing structure. A TechSIM which is not used (within the last 90 calendar days) by a subscriber for data transfer becomes inactive. TechSIMs not actively used for data transfer do not represent active contract subscribers.
prepaid subscribers	We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value.
active prepaid subscribers	We define active prepaid subscribers as the number of prepaid subscribers who have used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)).
reported subscriber base	We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base.

Term	*Usage by Play*
active subscriber base	We define active subscriber base as the sum of the number of active contract subscribers and active prepaid subscribers at the end of a given period.
average subscriber base (reported or active)	We define average subscriber base in a reporting period as follows: • for a one-month period, the average subscriber base is calculated as our beginning of month subscriber base plus our end of month subscriber base divided by two; and • for over a one-month period (*e.g.*, several months, quarters or annual), the average subscriber base is calculated as the average of the monthly averages (*i.e.*, the sum of monthly averages divided by the number of months in a given period). The above methodology is used to calculate our average reported subscriber base or average active subscriber base.
retained subscribers	We define retained subscribers as every contract subscriber who renewed their contract (by signing a contract extension) in a given period.
net additions	We define net additions as the change in our reported subscriber base in a given period. Net additions for a given period are calculated as the difference between the end of period reported subscriber base and the beginning of period reported subscriber base.
total gross additions	We define total gross additions as the sum of contract gross additions and prepaid gross additions.
contract gross additions	We define contract gross additions as every new contract subscriber added to the subscriber base in a given period (in a standard acquisition or through mobile number portability ("**MNP**") as well as through migrations from prepaid tariff plans to contract tariff plans). Other migrations (*e.g.*, between different contract plans) are not recognized as gross additions.
prepaid gross additions	We define prepaid gross additions as every new prepaid subscriber added to the subscriber base (through making a "first call," defined as the first-time usage of any outgoing voice call, SMS or MMS sent or data transmission). Migrations from contract tariff plans to prepaid tariff plans as well as other migrations (*e.g.*, between different prepaid tariff plans) are not recognized as gross additions.
churn	We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period. Contract subscribers are recognized as churned when they voluntarily applied to terminate their agreement with us (voluntary churn), where we disconnect them due to a lack of payment (collection churn) or due to certain other events such as the non-renewal of contracts by new subscribers who subscribed for services on a trial basis, or extraordinary events (such as the death of a subscriber). Prepaid subscribers are recognized as churned when they are deactivated, which generally occurs if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the tariff plan chosen and the last top-up value. Migration of a subscriber: • from a contract tariff plan to a prepaid tariff plan; • from a prepaid tariff plan to a contract tariff plan; or • within a segment (*e.g.*, individual contract subscriber migrating to a business plan),

Term	*Usage by Play*
	is not recognized as churn and therefore does not affect the churn rate of a particular segment.
churn rate/churn (%)	We define churn rate (as a percentage) as the churn divided by the average reported subscriber base in a given period. Churn rate (as a percentage) is calculated on a monthly basis, therefore churn rate (as a percentage) for over a one-month period (*e.g.*, quarterly or annual) is calculated as the churn for the period divided by the number of months and further divided by the average reported subscriber base for such period.
migrations	We define migrations as subscribers who switch (i) from contract tariff plans to prepaid tariff plans or from prepaid tariff plans to contract tariff plans; or (ii) within a segment (*e.g.*, an individual contract subscriber migrating to a business plan or the reverse). Movements between tariff plans in the same category are not counted as migrations.
Terms related to service usage	
4G LTE Ultra	We define 4G LTE Ultra as aggregate frequency bands (LTE carrier aggregation).
5G Ready	5G Ready network uses prerequisite 5G technologies on 4G LTE Ultra: • MIMO4x4 - (multiple-input and multiple-output) - i.e. increasing the number of antennas receiving and sending signals, this technology allows to increase the speed of data transmission. • Bandwidth aggregation, i.e. combining bands, allows you to use the Internet at an even higher speed. • Quadrature Amplitude Modulation (256QAM) allows you to send more data at the same time, which means that by sending a file or downloading photos from the Internet, we will send and download them faster than before, or we will be able to download or send even larger files at the same time that we have been sending these smaller files so far. • Phase synchronization is needed to dynamically share frequencies between technologies, mitigate and eliminate network disturbances, as well as to be able to use the resources of two base stations at the same time. • Cloud Air allows dynamic sharing of the same bandwidth between different technologies (e.g. LTE and GSM) - this is moving network resources depending on the demand for a given technology.
ARPU ("average revenue per user")	We define ARPU as service revenue recognized in accordance with IFRS 15 and divided by the average active subscriber base in a given period. ARPU is calculated on a monthly basis, therefore ARPU for over a one-month period (*e.g.*, quarterly or annual) is calculated as the sum of service revenue divided by the number of months and further divided by the average active subscriber base for a given period. In our definition of ARPU, service revenue includes usage revenue (*i.e.*, monthly fees, payments above commitment, one-time payments for minutes, SMS or data bundles, *etc.*) and charges for incoming traffic (interconnection revenue). We do not take into account roaming services rendered to subscribers of other international networks and transit of traffic services. Unless otherwise stated, we calculate ARPU net of any VAT payable.
data usage per subscriber	We define data usage per subscriber as total billed data transfer from and to our mobile subscribers divided by the average subscriber base (with the average subscriber base for these purposes being the sum of active prepaid subscribers and contract subscribers) in a given period. Data usage per subscriber is calculated on a monthly basis, therefore data usage per subscriber for over a one-month period (*e.g.*, quarterly or annual) is calculated as a sum of data transfer from and to our mobile subscribers over the period divided by the number of months and further divided by the average subscriber base for a given period.

Term	*Usage by Play*
on-net and off-net traffic	We define on-net traffic as a traffic originated and terminated within our network, while off-net traffic originates in our network and terminates in another operator's network.
Terms related to costs	
subscriber acquisition costs (SAC)	We define subscriber acquisition costs as the sum of contract subscriber acquisition costs and prepaid subscriber acquisition costs. We define contract subscriber acquisition costs as total costs relating to new contract subscribers acquired (or migrated from prepaid tariff plans to contract tariff plans) in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less all the amounts we receive from the subscriber as payments for the device; (ii) commission costs paid to dealers and our own sales force and (iii) other SAC costs (primarily SIM cards). We define prepaid subscriber acquisition costs as the total costs relating to the acquisition of new prepaid subscribers in a given period, which mainly consist of the costs of SIM cards and the costs of rebates for distributors of prepaid starter packs.
unit SAC	We define unit SAC as subscriber acquisition costs divided by the total gross additions in a given period.
SAC cash	We define subscriber acquisition costs cash as the sum of contract subscriber acquisition cash costs and prepaid subscriber acquisition cash costs. We define contract subscriber acquisition cash costs as total costs relating to new contract subscribers acquired (or migrated from prepaid tariff plans to contract tariff plans) in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device upon signing the contract; (ii) commission costs paid to dealers and our own sales force and (iii) other SAC costs (primarily SIM cards). Please note the underlined part of the above definition and compare it with the same in SAC definition to order to see the difference. Prepaid subscriber acquisition cash costs are equal to prepaid subscriber acquisition costs as in case of prepaid there are no upfront payments.
unit SAC cash	We define unit SAC cash as subscriber acquisition costs cash divided by the total gross additions in a given period.
unit contract SAC	We define unit contract SAC as contract subscriber acquisition costs divided by the total number of contract gross additions in a given period.
unit contract SAC cash	We define unit contract SAC cash as contract subscriber acquisition costs cash divided by the total number of contract gross additions in a given period.
unit prepaid SAC	We define unit prepaid SAC as prepaid subscriber acquisition costs divided by the total number of prepaid gross additions in a given period.
unit prepaid SAC cash	Is equal to unit prepaid SAC.
subscriber retention costs (SRC)	We define subscriber retention costs as the total costs relating to contract subscribers renewing their contracts in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the all amounts we receive from the subscriber as payments for the device; and (ii) commission costs paid to dealers and our own sales force.

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

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

2. INTRODUCTION

This is the Report of Play Communications S.A. (the "Company"), a public limited liability company (société anonyme), incorporated and existing under the laws of Luxembourg, having its registered office at 4/6, rue du Fort Bourbon, L 1249 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (R.C.S. Luxembourg) under number B183803. This Report summarizes consolidated financial and operating data of Play Communications S.A. and its subsidiaries.

Play Communications S.A. is a holding company (the Company together with all of its subsidiaries, the "Group", "Play Group"). The Company is a parent company of P4 Sp. z o.o. ("Play", "P4"). Play is a telecommunications operator located in Poland.

The shares of the Company have been traded on the Warsaw Stock Exchange since July 27, 2017.

Based on notifications received by the Company from shareholders who exceeded ownership of 5% of shares and votes, at the date of the Report, 50.09% of the outstanding shares are controlled by shareholders Tollerton Investments Limited and Kenbourne Invest II S.à r.l., 5.02% by Investec Asset Management Ltd and Investec Asset Management (Pty) Ltd. The remaining 44.89% is owned by other shareholders. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

3. FORWARD-LOOKING STATEMENTS

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

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

In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

4. PRESENTATION OF FINANCIAL INFORMATION

General

The consolidated financial information presented herein has been prepared in accordance with IFRS as adopted by EU - as presented in the Company and its subsidiaries consolidated financial statements prepared in accordance with IFRS as at and for the year ended December 31, 2019 (the "**Financial Statements**") issued by the Group, included elsewhere in this Report. Ernst & Young *société anonyme* have audited the Financial Statements.

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

IFRS differs in various significant respects from U.S. GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS, on one hand, and U.S. GAAP, on the other hand, and how those differences could affect the financial information contained in this Report. In making an investment decision, you should rely upon your own examination of the financial information contained in the Prospectus as well as in this Report.

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

The financial information in this Report is presented in zloty rounded to the nearest million. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

Non-IFRS Measures

We have included certain non-IFRS financial measures in this Report, including, among others, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) and certain financial ratios.

Under our presentation:

- “EBITDA” means operating profit for a certain period plus depreciation and amortization;
- “Adjusted EBITDA” means EBITDA plus costs of management fees, plus cost/(income) resulting from valuation of incentive and retention programs and costs of special bonuses, plus certain one-off items;
- “Adjusted EBITDA margin” means Adjusted EBITDA divided by operating revenue;
- “Free cash flow to equity (post lease payments)” means Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions), adjusted by total changes in net working capital and other, change in Contract Assets, change in Contract Liabilities and change in Contract costs, less cash interest, less cash taxes less lease payments.

While amounts included in EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) are derived from the Financial Statements, EBITDA, Adjusted EBITDA and Free cash flow to equity (post lease payments) are not financial measures calculated in accordance with IFRS.

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) have limitations as analytical tools. Some of these limitations are:

- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Free cash flow to equity (post lease payments) do not reflect our future requirements, for capital expenditures or contractual commitments;
- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect changes in, or cash requirements for, our working capital needs;
- Free cash flow to equity (post lease payments) does not reflect future cash requirements for our working capital needs;
- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect the significant interest expense, income taxes, or the cash requirements necessary to service interest or principal payments, on our debts;
- Free cash flow to equity (post lease payments) does not reflect all past expenses and cash outflows as well as does not reflect the future cash requirements necessary to pay significant interest expense, income taxes, or the future cash requirements necessary to service interest or principal payments, on our debts;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect any cash requirements for such replacements;
- EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) differently than we do, limiting its usefulness as a comparative measure.

We present EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) as we believe they will be useful to investors and analysts in reviewing our performance and comparing our results to other operators. However, none of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) are IFRS measures and you are encouraged to evaluate any adjustments to IFRS measures yourself and the reasons we consider them appropriate for supplemental analysis. Because of these limitations, as well as further limitations discussed above, the non-IFRS measures presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. We compensate for these limitations by relying primarily on our results in accordance with IFRS and using non-IFRS measures only supplementary.

PART II

BUSINESS REPORT

PLAY

5. RESULTS OF OPERATIONS, CASH FLOWS AND STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Comprehensive Income

	Year ended		Three-month period ended		Notes to the Financial Statements
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
			Unaudited	Unaudited	
	(PLN m)	(PLN m)	(PLN m)	(PLN m)	
Operating revenue	**7,040.8**	**6,839.1**	**1,799.9**	**1,807.2**	4
Service revenue	5,296.0	5,083.0	1,354.1	1,295.0	
Sales of goods and other revenue	1,744.7	1,756.2	445.8	512.2	
Operating expenses	**(5,475.0)**	**(5,426.1)**	**(1,460.1)**	**(1,440.2)**	
Interconnection, roaming and other service costs	(1,769.9)	(1,922.2)	(445.4)	(473.8)	5
Contract costs, net	(404.8)	(421.0)	(103.0)	(102.2)	6
Cost of goods sold	(1,437.3)	(1,442.1)	(387.6)	(429.8)	
General and administrative expenses	(956.7)	(851.5)	(282.3)	(229.7)	7
Depreciation and amortization	(906.3)	(789.3)	(241.8)	(204.8)	8
Other operating income	76.9	78.2	23.8	32.1	9
Other operating costs	(143.0)	(120.6)	(49.1)	(61.4)	9
Operating profit	**1,499.6**	**1,370.7**	**314.4**	**337.6**	
Finance income	1.2	1.7	5.7	0.1	10
Finance costs	(346.1)	(374.7)	(90.3)	(90.8)	10
Profit before income tax	**1,154.7**	**997.7**	**229.8**	**246.9**	
Income tax charge	(287.8)	(253.1)	(63.4)	(44.7)	11
Net profit	**866.9**	**744.6**	**166.4**	**202.2**	
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**7.8**	**(9.7)**	**2.1**	**(3.0)**	26.4
Total comprehensive income	**874.8**	**734.9**	**168.5**	**199.2**	
Earnings per share (in PLN) (basic)	3.41	2.93	0.65	0.80	12
Earnings per share (in PLN) (diluted)	3.39	2.93	0.65	0.80	12
Weighted average number of shares (in millions) (basic)	254.0	254.0	254.2	254.0	12
Weighted average number of shares (in millions) (diluted)	255.7	254.4	256.0	254.3	12

Consolidated Statement of Cash Flows

	Year ended		Three-month period ended		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	Notes to the Financial Statements
			Unaudited	Unaudited	
	(PLN m)	(PLN m)	(PLN m)	(PLN m)	
Profit before income tax	**1,154.7**	**997.7**	**229.8**	**246.9**	
Depreciation and amortization	906.3	789.3	241.8	204.8	
Change in contract costs	(1.4)	(11.7)	(12.3)	(15.1)	34
Interest expense (net)	345.9	367.1	90.3	88.9	
(Gain)/Loss on finance instruments at fair value	(0.6)	0.2	-	-	
Foreign exchange (gains)/losses	(4.7)	5.7	(5.3)	1.7	
Gain on disposal of non-current assets and termination of lease contracts	(9.3)	(10.4)	(5.9)	(4.7)	
Impairment of non-current assets	2.2	2.1	0.7	0.6	
Change in provisions and liabilities or equity related to incentive and retention programs	17.1	(6.1)	7.3	(10.3)	
Changes in working capital and other	102.5	173.8	(45.2)	130.9	34
Change in contract assets	(63.3)	(124.8)	10.7	(45.0)	34
Change in contract liabilities	8.7	6.2	12.8	8.2	34
Cash provided by operating activities	**2,458.0**	**2,189.0**	**524.7**	**606.8**	
Interest received	0.3	1.4	(0.0)	-	
Income tax paid	(228.6)	(153.0)	(35.6)	(47.5)	
Net cash provided by operating activities	**2,229.7**	**2,037.4**	**489.2**	**559.3**	
Proceeds from sale of non-current assets	4.5	7.1	0.6	1.0	
Purchase of fixed assets and intangibles and prepayments for assets under construction excluding purchase of frequency reservation acquisition	(852.6)	(758.1)	(214.1)	(242.1)	
Purchase of frequency reservation acquisition	-	(8.5)	-	-	
Acquisition of subsidiaries	(334.9)	-	-	-	2.5
Net cash used in investing activities	**(1,183.0)**	**(759.6)**	**(213.5)**	**(241.2)**	
Proceeds from finance liabilities	750.0	-	750.0	-	26.2
Dividends (paid)	(368.3)	(652.5)	-	-	
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(1,489.0)	(900.6)	(740.5)	(118.4)	26.5
Net cash used in financing activities	**(1,107.3)**	**(1,553.1)**	**9.5**	**(118.4)**	
Net change in cash and cash equivalents	**(60.5)**	**(275.3)**	**285.2**	**199.7**	
Effect of exchange rate change on cash and cash equivalents	(0.1)	0.4	(0.2)	0.1	
Cash and cash equivalents at the beginning of the period	**353.6**	**628.5**	**9.3**	**153.8**	
Cash and cash equivalents from acquired subsidiaries	**1.3**	**-**	**-**	**-**	
Cash and cash equivalents at the end of the period	**294.3**	**353.6**	**294.3**	**353.6**	

Consolidated Statement of Financial Position

	December 31, 2019	December 31, 2018	Notes to the Financial Statements
	(PLN m)	(PLN m)	
ASSETS			
Non-current assets			
Intangible assets	2,598.1	2,513.4	13
Property, plant and equipment	2,028.8	1,511.1	14
Right-of-use assets	885.3	868.1	15
Assets under construction	285.9	438.3	16
Contract costs	374.1	372.7	17
Long-term investments	0.2	-	
Long-term receivables	15.4	14.4	18
Other long-term finance assets	11.3	-	19
Total non-current assets	**6,199.2**	**5,718.0**	
Current assets			
Inventories	169.1	169.5	20
Trade and other receivables	731.6	863.9	21
Contract assets	1,455.9	1,392.6	22
Current income tax receivables	0.4	0.7	
Prepaid expenses	28.8	22.2	23
Cash and cash equivalents	294.3	353.7	24
Other short-term finance assets	6.3	-	19
Total current assets	**2,686.4**	**2,802.5**	
TOTAL ASSETS	**8,885.6**	**8,520.5**	
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	0.1	0.1	25
Share premium	3,673.4	3,673.4	
Other reserves	53.0	29.5	
Retained losses	(3,404.8)	(3,903.5)	
Total equity	**321.7**	**(200.5)**	
Non-current liabilities			
Long-term finance liabilities - debt	6,505.0	6,250.6	26
Other long-term finance liabilities	-	3.9	26
Long-term provisions	70.4	49.1	27
Deferred tax liability	168.4	130.5	11
Other non-current liabilities	10.4	9.8	
Total non-current liabilities	**6,754.2**	**6,443.7**	
Current liabilities			
Short-term finance liabilities - debt	361.7	755.8	26
Other short-term finance liabilities	4.7	8.7	26
Trade and other payables	865.4	1,027.8	29
Contract liabilities	101.8	93.1	
Current income tax payable	141.5	93.1	
Accruals	95.1	55.6	31
Short-term provisions	6.4	3.4	27
Deferred income	233.2	239.8	32
Total current liabilities	**1,809.8**	**2,277.4**	
TOTAL LIABILITIES AND EQUITY	**8,885.6**	**8,520.5**	

6. SUMMARY OF THE DEVELOPMENTS IN 2019

Nationwide network rollout

The year 2019 was a continuation of the accelerated investment process planned for four years pursuant to which by the end of 2021 Play will have its own independent network, covering the whole country. Our services are available to 99% of the Polish population through a combination of own network and national roaming agreements with two major Polish MNOs (agreement with Plus was terminated as of December 31, 2019). We are pursuing a nationwide network roll-out in order to cover close to 100% of the population by the end of 2021, in terms of data requirements. As of December 31, 2019, we provided 4G LTE and 4G LTE Ultra coverage, to 98.7% and 90.1% of the Polish population, respectively.

In 2019 we increased our network footprint by 865 sites, so the number of physical sites as of the end of December 2019 was equal to 7,868 supported by national roaming agreements with the three other MNOs. Most of these sites, i.e. 7,733, supported LTE technology.

In 2019 we have also introduced 5G Ready network, which in principle applies 5G technologies to existing systems. 5G Ready network allows to use the Internet with a speed of about 80-100 Mb/s, reaching even 300-500 Mb/s in optimal conditions. As of December 31, 2019, we provided 5G Ready coverage to 48.3% of the Polish population.

At our 2019-2022 Strategy presentation we provided guidance regarding cash capex to revenue levels which largely result from the nationwide network rollout process. In 2016 our cash capex was at the level close to 8% of operating revenue, increasing thereafter towards 11% on the backdrop of national network rollout. For FY 2019 we guided cash capex to be at ca. PLN 850 million. The guidance was met, we spent PLN 848 million of cash capex.

Second Amendment and Restatement to the Senior Facilities Agreement

On January 8, 2019, P4 Sp. z o.o. entered into a Second Amendment and Restatement Agreement to the Senior Facilities Agreement. Amendments will provide the Group with more flexibility in repayment schemes as well as with improved terms of the interest and covenants.

The Second Amendment and Restatement Agreement introduces, among others, 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 millions) 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'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 Adjusted EBITDA is less than or equal to 2.00:1 with an obligation to re-establish the released security if the 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, possesses more than 33⅓% of share capital, while any restrictions on Relevant Holders have been removed;
5. Decrease of the margin over WIBOR by ca. 0.25pp when total Leverage below 3.00:1 and introduction of new levels of total Leverage;
6. Amendment to the financial covenant changing the level when interest cover is tested instead of cashflow cover from 2.75:1 to 3.00:1;
7. Amending the 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 and other EBITDA adjustments;
10. Other technical amendments and clean-ups.

Acquisition of 3S Group

On August 19, 2019, P4 sp. z o.o., our wholly owned subsidiary, acquired 3S Group.

3S Group has been in the telecommunications industry since 2002. It has built its own optical fiber network of around 3,800 km and the Data Center Cluster. 3S Group provides a variety of bundled telecommunications and data center services for business clients. 3S Group includes the following legal entities: 3S S.A., 3S Data Center S.A., 3S Fibertech sp. z o.o. and 3S BOX S.A. 3S builds and shares optical fiber infrastructure and provides telecommunications services; 3S Data Center provides IT services based on its own data centers in Warsaw, Katowice, Kraków and Bytom, while 3S Fibertech is a fiber network operator serving several hundreds of business clients.

The acquisition supports the Group's mobile-centric strategy to develop a lean high-capacity wireless network. As Play gears up for the future 5G roll-out, evolution of urban transmission backhaul to high capacity of fiber connectivity is a necessity, while 3S fiber network has ideal footprint complementary to Play's radio network. On the one hand, it secures long-term cost control, and on the other hand high speed, low latency and adequate service quality. The Transaction also secures benefits from time-to-market and capital expenditure perspectives as compared to greenfield build scenario.

The acquisition of 3S Group offers Play further opportunities to extend its B2B offering to fiber and data center solutions, leveraging Play's nationwide salesforce and strong brand, and at the same time enables Play to streamline its own data center operations. The Transaction is built on 10 years of close partnership between the businesses, proving the natural fit of entrepreneurial teams with a challenger mindset.

In 2019 3S Group generated PLN 95.3 million of consolidated revenue and PLN 34.5 million of consolidated EBITDA. 3S Group employs ca. 250 people.

3S Group fast and cost-efficient fiber roll-out model is similar to Play's approach to nationwide radio access network roll-out. Acquisition of 3S Group will support execution of mobile-centric strategy and generate advantages for Play's operations:

- deliver immediate opportunity to connect Play's existing and future base stations to 3S Group's fiber network and build leading competencies to further efficiently rollout nationwide transmission fiber backhaul in anticipation of 5G-driven increase in data traffic and growing requirements for mobile network service quality,
- ensure long-term synergies and cost control of transmission and data center services by operating own fiber network and data centers, protecting the Group from price or availability risks resulting from progressive consolidation of transmission service providers,
- secure Play's network independence and strengthen Play's relation with other backhaul providers, opening opportunities for future partnerships,
- extend Play's B2B and wholesale offerings,
- provide incremental profitable and fast-growing revenue streams which will support further development of Play.

Implementation of Mobile-Centric Strategy

In April 2019 we have commercially launched Play Now TV Box – network agnostic OTT TV service for big screen providing a single platform of access to linear TV channels, VOD libraries and streaming platforms such as HBO GO, Netflix or recently added Amazon Prime Video.

In June 2019 the Group has initiated introducing new tariffs based on More-for-More strategy – providing mainly higher data usage packages and value added services at reasonably increased prices for all customer groups (contract and prepaid, individual and business). The flagship new individual customer's tariff is "Homebox" which combines regular mobile plan with Wireless to the Home (WTTH) service. In September 2019 we have extended this offer to "Homebox TV" with addition of TV Box to the bundle. For business customers "Biznes Box Pro" has been introduced in September 2019 offering richer data transmission packages combined with optional smartphones and routers as well as option to virtually manage the SIM cards included in the plan.

Bond Issue Program

On November 14, 2019, P4 sp. z o.o., a wholly owned subsidiary of the Company ("P4"), concluded the agreement for the establishment of the Bond Issue Program with Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. (the "Program Agreement") under which P4 will be entitled to conduct multiple issues of bonds up to the maximum total nominal amount of PLN 2,000,000,000 (two billion zloty) of bond issued and outstanding under the Program Agreement at a given time.

The first tranche of bonds under the Bond Issue Program: 1,500 series A bonds, with the nominal value of PLN 500,000 each and the aggregate nominal value of PLN 750,000,000, was registered in the depository operated by the National Securities Depository (Krajowy Depozyt Papierów Wartościowych S.A.) on December 13, 2019. In February 2020 P4 applied for the introduction of the bonds to trading in the Alternative Trading System operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

7. DIRECTORS' REPORT

Group 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.

Share capital

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.

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.

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 section 11 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 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.

Non-financial information

Non-financial information, such as environmental, social, human rights and anti-corruption are set out in the Corporate Responsibility – section 12 of the Annual Report.

Outlook for the Group

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

Subsequent events

On January 2, 2020 3S S.A. and 3S Fibertech Sp. z o.o., subsidiaries of Play Communications acquired during the year ended December 31, 2019, merged.

Luxembourg, February 26, 2020

Ioannis Karagiannis

Director

Andrzej Klesyk

Director

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF DECEMBER 31, 2019

The following discussion and analysis of our financial condition and results of operations are based on the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows as of and for the three-month period and year ended December 31, 2019, and December 31, 2018, which have been derived from the Financial Statements, which are reproduced elsewhere in this Report, as well as other consolidated financial statements for prior period which had been published before. See "Presentation of Financial Information" in this Report. This section should be read in conjunction with the above mentioned consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the consolidated financial statements is set forth in the Financial Statements – please see Note 2.4 to the Financial Statements, included elsewhere in this Report. In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

The financial statements have been prepared in accordance with IFRS, which differ in certain significant respects from U.S. GAAP. Investors should consult their own professional advisors in order to gain an understanding of the differences between U.S. GAAP and IFRS and how these differences might affect the financial statements and information herein. In making an investment decision, you should rely upon your own examination of the financial information contained in the Prospectus as well as in this Report.

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

The following discussion also contains forward-looking statements. Our actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Report, particularly under "Forward-looking statements" in this Report. See "Industry, market and subscriber terms used by the Group" for definitions of our KPIs.

Overview

We are a consumer-focused mobile network operator ("**MNO**") in Poland, providing also TV and VoD offerings, with 15.3 million subscribers as with which we reconfirmed our #1 position among mobile operators in Poland. In Q4 2019, we have added 43 thousand of reported contract subscribers which drove full year 2019 increase to 125 thousand. We have been equally effective in delivering a high level of customer service to our subscribers, managing to achieve a monthly average contract churn rate of just 0.7% for the year ended December 31, 2019. During the year ended December 31, 2019, we generated total revenues of PLN 7,040.8 million and an increase of 2.9% year on year with strong contribution from growth in usage revenue, while our Adjusted EBITDA for the year ended December 31, 2019, amounted to PLN 2,436.1 million, an increase of 12.8% year on year mainly thanks to reduced international and national roaming costs as well as lower acquisition costs, partially offset by higher network maintenance as well as advertising and promotion costs. These results include the effect of consolidating 3S and its subsidiaries ("3S Group") from August 19, 2019 when the Group completed its acquisition communicated in current reports 13/2019 and 14/2019 dated June 25, 2019, while closing of the transaction was announced with current report 22/2019 dated August 19, 2019. For more information concerning acquisition of 3S Group please refer to Note 2.5 of attached Financial Statement.

We provide mobile voice, messaging, TV and video streaming and data offerings and services to consumers and businesses (in particular to small office/home office subscribers ("**SOHO**") and small/medium enterprises ("**SME**") on a contract and prepaid basis). We provide TV offerings to our clients. The package includes wide range of channels (inter alia: sport, lifestyle, news, music, history, and some kids channels). Our principal focus is at contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of December 31, 2019, contract subscribers accounted for 65.5% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 77.9% of our usage revenues for the year ended December 31, 2019. In the year ended December 31, 2019 we successfully launched of new Play Internet family offers for contract segment, which facilitate use of our 5G-Ready network where available. Also, we continued Friendly User Tests and then launched commercially TV Box. In June, as a part of our More-for-More strategy, we have introduced new offer "Homebox" which combines regular mobile plan with Wireless to the Home (WTTH) service. In

September we have extended this offer to "Homebox TV" with addition of TV Box to the bundle and launched new business offer "Biznes Box Pro".

We also focus our efforts on progress in digitizing our operations, both front- and back- office functions. As of December 31, 2019 we had 4.9 million active accounts of our Play24 self-care service (available via web or application) which was recently enriched with native payments (BLIK, GPay, Apple Pay), support for Great Orchestra of Christmas Charity and Shake-to-Play loyalty feature. Another strong example in front-office digitalization are our Points of Sales which at the end of 2019 were processing 80% of fully digitalized transactions.

We employ one brand and communications platform across all of our offerings, "PLAY," which is well recognized in the Polish market with broad appeal. According to research performed by an external agency in year 2019, the net promoter score for "PLAY" was 17[1]. The net promoter score declined in year 2019 versus 2018 when it was 18.

We market our offerings and services primarily through our nationwide distribution network of 764 "PLAY" branded stores, a significant number of which are situated in prime locations across Poland. We exercise significant control over the network, enabling us to deliver a uniform look and feel designed to promote brand recognition and what we believe is a best-in-class retail experience in a cost-efficient manner. We optimize number of points of sale by the least profitable, at the same time focusing on the most profitable locations.

Our growth has been supported by a favorable domestic regulatory framework and industry dynamics, as well as our extensive, modern and cost-efficient 2G/3G/4G LTE, 4G LTE Ultra and 5G Ready telecommunications network in Poland, throughout which we provide our mobile voice, messaging, TV / video streaming and data services. Through our own network, we provided coverage to 99.1% of the Polish population as of December 31, 2019, supported with national roaming agreements with the other three major Polish MNOs. In November 2013, we were the second major MNO in Poland to launch its 4G LTE network, and five years later, as of December 31. 2019, we provided 4G LTE and 4G LTE Ultra coverage, to 98.7% and 90.1% of the Polish population, respectively (compared to 96.7% and 85.8% as of December 31, 2018). As of December 31, 2019, we provided 5G Ready coverage to 48.3% of the Polish population.

Key factors affecting our results of operations and significant market trends

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

General regulatory environment

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

Since Poland is a member of the EU, we have to comply with certain EU directives that are transposed into Polish legislation concerning maximum rates that may be charged for international roaming services or maximum contract lengths for tariff plans offered to subscribers. In the periods under review these rates have been subject to annual reductions. In relation to contracts, the EU has set 24 months as the maximum length of time an MNO can tie a contract subscriber to a particular contract (refers to acquisitions).

In addition to European regulations, we are subject to national regulations concerning the application of MTRs between operators in the wholesale market. In this respect, the regulatory authorities have the power to determine the MTR, subject to notification to the European Commission. MTRs have not been reduced since July 1, 2013, and remain at the level of PLN 0.0429 per minute, which is equal for all Mobile Network Operators in Poland.

Additionally, since June 15, 2017, we have to comply with the regulation introduced by EU which is Roam Like At Home ("RLAH"). RLAH regulation eliminates EU roaming charges and impacts the European telecoms industry by: 1) decreasing international roaming revenues; and 2) increasing international roaming costs (due to international carrier traffic and wholesale rates).

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[1] *Calculated as average for months January – December 2019*

Impact of foreign exchange rate movements

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

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

	Twelve-month period ended December 31, 2019	Twelve-month period ended December 31, 2018
Foreign exchange rates		
Zloty per euro (EOP)[1]	4.2585	4.3000
Zloty per euro (average in period)[2]	4.2980	4.2623

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

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

Currently our principal cash flows denominated in euro result from our:

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

For more details please refer to Note 3.3 to the Financial Statements.

Market and Competition

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with Play hold above 95% of the reported subscriber market share. As of December 31, 2019, our total number of reported mobile subscribers amounted to 15.3 million.

We believe the Polish mobile telecommunications market is balanced in terms of the relative market share of the largest four MNOs, and the relatively similar manner in which they operate, providing a supportive environment for the four major Polish MNOs (Plus, Orange and T-Mobile and us) to co-exist. Owing to the growth of the market and the successful implementation of our controlled growth strategy that did not target any specific competitor, we have been able to grow our subscriber base through market share gained from competitors roughly equally, while our three main competitors were securing their revenues by protecting ARPU levels rather than trying to maximize market share which would lead to price instability. We believe that our revenues and profitability will be supported by our strong focus on value and improvement of our quality mix of subscribers by attracting more contract subscribers, the up-selling of services, TV, VOD and music platform, increased coverage of the 4G LTE network, including 4G LTE ULTRA, 5G Ready and soon full 5G mobile coverage and the active management of our subscriber acquisition, maintenance and retention costs, including subsidies and commissions. However, we may be forced to lower our prices for certain offerings and services in response to competitors' pricing policies, which may have an adverse effect on our future revenues and profitability.

At the same time, we believe that it will be challenging for any new MNO to enter the Polish mobile telecommunications market given the substantial costs of entry in order to effectively compete, as a new entrant would require a substantial amount of radio spectrum (which is currently very limited) and network infrastructure which it would either need to build out

or negotiate access to, as well as a distribution network, which, given the exclusivity arrangements the MNOs have with most mobile dealers, is difficult to build out. The low retail margins have contributed to MVNOs not being a major feature of the Polish telecommunications market. MVNOs and other operators represent together below 5%. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players.

Investment in our network

Investment in our network has been an important component of our strategy. In 2016, the Group has taken the decision to reduce reliance on national roaming in the coming years by deploying a nationwide network. We are currently executing a strategy of a further nationwide roll-out of our own network, which aims to extend our network to rural areas currently covered by our national roaming agreements. Even though we believe that the existing network (including national roaming) currently more than sufficiently covers the traffic needs of our customers, we are currently executing a strategy of a further nationwide roll-out of our own network. It aims to extend our network to areas currently covered by our national roaming agreements.

In addition to our nationwide roll-out strategy we have in place national roaming/network sharing agreements. Through our own network, we provide coverage to 99.1% of the Polish population as of December 31, 2019, while we also provide 2G/3G/4G LTE coverage under long-term national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile (agreement with Plus expired as of December 31, 2019) which support our own network and provides our subscribers with unmatched network coverage in Poland. This also allows us to use back-up networks available while we are expanding our own network. Since December 31, 2018, we have built 865 sites, achieving in total 7,868 sites.

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

We hold nationwide reservations to provide mobile services in Poland using the following frequencies:

- 800 MHz for 2 × 5 MHz (decision issued on January 25, 2016 and amended on June 23, 2016) that expires on June 23, 2031, which cost the Group PLN 1,496 million;
- 900 MHz for 2 × 5 MHz (decision issued on December 9, 2008) that expires on December 31, 2023, which cost the Group PLN 217 million;
- 1800 MHz for 2 × 15 MHz (decision issued on June 14, 2013) that expires on December 31, 2027, which cost the Group PLN 498 million;
- 2100 MHz for 2 × 14.8 MHz and 1 × 5 MHz (decision issued originally on August 23, 2005 and re-issued on November 16, 2007 and became effective upon its delivery) that expires on December 31, 2022, which cost the Group PLN 345 million;
- 2600 MHz for 2 × 20 MHz (decisions issued on January 25, 2016) that expires on January 25, 2031, which cost the Group PLN 222 million;
- 3700 MHz for 28 MHz of TDD (time division duplex) continuous spectrum (decision issued on August 16, 2017) that expired on December 29, 2019, which cost the Group PLN 81 million;
- 3700 MHz for 2 x 14 MHz (decision issued on February 28,2018) that expires on December 31, 2020, which cost the Group PLN 8.5 million.

In May 2019 the President of UKE commenced proceedings aimed to decline the prolongation of 3700 MHz frequency reservations. The proceedings were a part of the President of UKE's plan to refarm the 3400-3800 MHz spectrum in order to introduce the 5G technology. In October 2019 the President of UKE declined prolongation of our nationwide and regional reservations of 3700 MHz frequency beyond the dates indicated above.

We have no frequency renewals until the end of 2020.

Quality of subscriber base

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

Key Performance Indicators

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

See "Industry, market and subscriber terms used by the Group" for definitions of our KPIs.

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

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

Reported and active subscriber base and TV Box services

We report our number of subscribers on the basis of the number of SIM cards which are registered on our network, and separately TV Box services at the end of a given period.

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

	Year ended		
	December 31, 2019	**December 31, 2018**	**Change**
Reported subscribers (thousands)	**15,265.0**	**15,015.6**	**1.7%**
Contract	9,991.0	9,866.2	1.3%
Prepaid	5,274.0	5,149.4	2.4%
Reported TV Box services (thousands)	**32.2**	**-**	**n.a.**
Active subscribers (thousands)	**12,928.9**	**12,653.5**	**2.1%**
Contract	9,327.3	8,985.4	3.8%
Prepaid	3,601.6	3,668.1	(1.8%)
Active TV Box services (thousands)	**32.2**	**-**	**n.a.**

As of December 31, 2019, the total number of our reported subscriber base was approximately 15.3 million, of which 65.5% were contract subscribers. Over the last years we have successfully gained subscriber market share by continuously focusing on our "value-for-money" positioning by effectively promoting our brand and by maintaining what we believe is a best-in-class distribution network. Our contract subscriber base increased from 9.9 million as of December 31, 2018, to 10.0 million as of

December 31, 2019. This resulted in the share of contract subscribers as a proportion of our total reported subscriber base sliding from 65.7% as of December 31, 2018 to 65.5% as of December 31, 2019.

As of December 31, 2019, the total number of our active subscriber base was approximately 12.9 million, of which 72.1% were contract subscribers. The number of active contract subscribers increased from 9.0 million as of December 31, 2018 to 9.3 million as of December 31, 2019. This change is partially driven by unexpectedly high levels of SIM cards activated by inbound calls in the fourth quarter of 2019. The Company is investigating this effect and may reconsider active subscriber definition in order to avoid such anomalies in future.

Our prepaid reported base increased by 2.4% YoY basis, from 5.1 million as of December 31, 2018, to 5.3 million as of December 31, 2019. The prepaid active base trend was negative, it dropped from 3.7 million as of December 31, 2018 to 3.6 million as of December 31, 2019. The change results from our strong focus on contract base and some migrations from prepaid to postpaid base.

Net additions and Churn

For the twelve months ended December 31, 2019, contract net additions were 125 thousand, representing a decrease of 71.4% relative to the comparable period in 2018.

In the twelve months ended December 31, 2019, we continued adding new subscribers. We believe that 125 thousand of contract net additions were driven by the “duo”, “family” and “generations” plans and offers whereby groups of two up to ten individuals can enjoy discounts on mobile voice and data services as well as other benefits. These offerings have been successful since their introduction. Additionally, for the first time since the Act on Anti-terrorist Operations has been implemented in early 2017, we have experienced growth in prepaid net additions. As a result, for the three months ended December 31, 2019, prepaid net additions were 114 thousand versus negative 102 thousand net additions in Q4’18, while for full year 2019 they were at 125 thousand compared to negative 640 thousand in 2018.

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

	Year ended			**Three-month period ended**		
	December 31, 2019	**December 31, 2018**	**Change**	**December 31, 2019**	**December 31, 2018**	**Change**
Net additions (thousands)	**249.4**	**(204.1)**	**na**	**157.8**	**(7.5)**	**na**
Contract	124.8	435.8	(71.4%)	43.4	94.8	(54.3%)
Prepaid	124.6	(639.9)	na	114.4	(102.4)	na
Net additions in TV Box services (thousands)	**32.2**	**0.0**	**na**	**11.9**	**0.0**	**na**
Churn (%)[1]	**1.7%**	**2.1%**	**(0.49 pp)**	**1.4%**	**1.9%**	**(0.50 pp)**
Contract	0.7%	0.8%	(0.03 pp)	0.8%	0.8%	(0.01) pp
Prepaid	3.4%	4.6%	(1.19 pp)	2.7%	4.2%	(1.42 pp)

(1) We present our churn on an average monthly basis as average of quarter

Average monthly contract churn rate has improved to 0.75% in the twelve-month period ended December 31, 2019 versus comparable period ended December 31, 2018. Due to the nature of prepaid offerings, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

Blended ARPU and Contract / Prepaid ARPU

We have adopted ARPU as one of the most important Key Performance Indicators. ARPU is more widely used as measure of performance by other Mobile Network Operators, and therefore we have decided to adopt ARPU as a Key Performance

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

In the three-month period ended December 31, 2019, our ARPU was PLN 33.0, 1.7% higher relative to the comparable period in 2018. Contract ARPU for the three-month period ended December 31, 2019, amounted to PLN 37.8, an increase of 0.7% compared to the same period in 2018, while prepaid ARPU for the three-month period ended December 31, 2019, amounted to PLN 20.5, an increase of 2.7% compared to the same period in 2018. Growth in ARPU resulted mainly from increase in voice (in prepaid) and data (in contract and prepaid) usage, but also it was partially diluted by increase in the active contract subscriber base as described above. The following table presents ARPU during the periods under review:

	Year ended			Three-month period ended		
	December 31, 2019	December 31, 2018	Change	December 31, 2019	December 31, 2018	Change
ARPU (PLN)[1]	**32.8**	**32.3**	**1.5%**	**33.0**	**32.4**	**1.7%**
Contract	37.7	37.6	0.3%	37.8	37.5	0.7%
Prepaid	20.1	19.4	3.4%	20.5	20.0	2.7%

(1) We present our ARPU per active subscriber on an average monthly basis.

The table below presents comparison of ARPU for Play for historical periods.

expressed in PLN	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ARPU	**31.0**	**32.3**	**32.3**	**32.3**	**31.8**	**32.4**	**32.4**	**32.4**	**31.8**	**32.9**	**33.4**	**33.0**
- Contract	38.2	38.5	38.6	38.1	37.5	37.7	37.9	37.5	37.1	37.8	38.3	37.8
- Prepaid	16.3	18.7	18.7	19.1	18.5	19.8	19.4	20.0	18.6	20.5	20.8	20.5

Data traffic

Overall data usage per subscriber increased from 5,900.0 MB monthly in the three-month period ended December 31, 2018, to 7,706.7 MB in the three-month period ended December 31, 2019, representing a growth of 30.6%. This growth can be observed for prepaid as well as contract subscribers, and as a result of the increased adoption of 4G LTE smartphones and other devices and enriching our TV and VoD offerings.

The following table presents a breakdown of data transmission usage:

	Year ended			Three-month period ended		
	December 31, 2019	December 31, 2018	Change	December 31, 2019	December 31, 2018	Change
Data usage per subscriber (MB)[1]	**6,898.8**	**5,363.4**	**28.6%**	**7,706.7**	**5,900.0**	**30.6%**
Contract	8,072.5	6,372.6	26.7%	9,013.9	6,941.3	29.9%
Prepaid	3,909.7	2,938.6	33.0%	4,321.6	3,347.7	29.1%

(1) We present our data usage per active subscriber on an average monthly basis for overall data usage, contract and prepaid data usage.

Unit SAC cash and unit SRC cash

We present unit SAC cash and unit SRC cash as metrics for the operating analysis of cash impact of acquisition and retention, as the most meaningful performance indicator versus unit SAC and unit SRC that have been prepared before IFRS 15 adoption (distorted by instalment sales impact) or unit SAC and unit SRC that would be prepared using data after IFRS 15 adjustment, which would not present clearly the relevant level of subsidies, sales / retention commissions or other costs related to acquisition and retention activities of the Group. In the three-month period ended December 31, 2019, our unit contract SAC cash amounted to PLN 378.8, a decrease of 17.1% compared to the three-month period ended December 31, 2018. In the three-month period ended December 31, 2019, our unit prepaid SAC cash amounted to PLN 6.1, which represents 9.8% decrease versus comparable period in 2018. The decreases are predominantly related to optimization of acquisition costs driven by lower numbers of acquired customers and refocus on retention in a relatively stabilized competitive environment. This is clearly reflected in unit SRC cash which in the three-month period ended December 31, 2019, amounted to PLN 457.9, an increase of 22.5% compared to the three-month period ended December 31, 2018.

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

	Year ended			**Three-month period ended**		
-	**December 31, 2019**	**December 31, 2018**	**Change**	**December 31, 2019**	**December 31, 2018**	**Change**
unit SAC cash (PLN)						
Contract	359.0	403.4	(11.0%)	378.8	456.8	(17.1%)
Prepaid	6.1	6.7	(9.9%)	6.1	6.7	(9.8%)
unit SRC cash (PLN)	**399.3**	**346.0**	**15.4%**	**457.9**	**373.8**	**22.5%**
unit SAC (PLN)						
Contract	344.5	386.1	(10.8%)	362.3	441.6	(18.0%)
Prepaid	6.1	6.7	(9.9%)	6.1	6.7	(9.8%)
unit SRC (PLN)	**396.1**	**343.4**	**15.4%**	**453.5**	**371.0**	**22.3%**

Results of operations

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019 Unaudited	December 31, 2018 Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Operating revenue	**7,040.8**	**6,839.1**	**201.6**	**2.9**	**1,799.9**	**1,807.2**	**(7.3)**	**(0.4)**
Service revenue	5,296.0	5,083.0	213.1	4.2	1,354.1	1,295.0	59.1	4.6
Sales of goods and other revenue	1,744.7	1,756.2	(11.4)	(0.7)	445.8	512.2	(66.4)	(13.0)
Operating expenses	**(5,475.0)**	**(5,426.1)**	**(48.9)**	**0.9**	**(1,460.1)**	**(1,440.2)**	**(19.8)**	**1.4**
Interconnection, roaming and other service costs	(1,769.9)	(1,922.2)	152.3	(7.9)	(445.4)	(473.8)	28.4	(6.0)
Contract costs, net	(404.8)	(421.0)	16.2	(3.8)	(103.0)	(102.2)	(0.8)	0.8
Cost of goods sold	(1,437.3)	(1,442.1)	4.8	(0.3)	(387.6)	(429.8)	42.2	(9.8)
General and administrative expenses	(956.7)	(851.5)	(105.2)	12.4	(282.3)	(229.7)	(52.6)	22.9
Depreciation and amortization	(906.3)	(789.3)	(117.0)	14.8	(241.8)	(204.8)	(37.0)	18.1
Other operating income	76.9	78.2	(1.4)	(1.7)	23.8	32.1	(8.3)	(25.9)
Other operating costs	(143.0)	(120.6)	(22.4)	18.5	(49.1)	(61.4)	12.3	(20.0)
Operating profit	**1,499.6**	**1,370.7**	**129.0**	**9.4**	**314.4**	**337.6**	**(23.1)**	**(6.9)**
Finance income	1.2	1.7	(0.5)	(27.3)	5.7	0.1	5.6	5,862.1
Finance costs	(346.1)	(374.7)	28.6	(7.6)	(90.3)	(90.8)	0.5	(0.5)
Profit before income tax	**1,154.7**	**997.7**	**157.1**	**15.7**	**229.8**	**246.9**	**(17.1)**	**(6.9)**
Income tax charge	(287.8)	(253.1)	(34.8)	13.7	(63.4)	(44.7)	(18.7)	41.8
Net profit	**866.9**	**744.6**	**122.3**	**16.4**	**166.4**	**202.2**	**(35.8)**	**(17.7)**
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**7.8**	**(9.7)**	**17.6**	**(180.4)**	**2.1**	**(3.0)**	**5.2**	**(169.6)**
Total comprehensive income	**874.8**	**734.9**	**139.9**	**19.0**	**168.5**	**199.2**	**(30.6)**	**(15.4)**

Operating revenue

The increase in operating revenue resulted primarily from growth in usage revenue. The following table presents a breakdown of operating revenue for the periods under review along with the percentage change over such periods.

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Service revenue	**5,296.0**	**5,083.0**	**213.1**	**4.2**	**1,354.1**	**1,295.0**	**59.1**	**4.6**
Usage revenue	3,969.4	3,767.0	202.3	5.4	1,011.6	958.3	53.3	5.6
Retail contract revenue	3,092.5	2,961.8	130.7	4.4	777.2	744.1	33.1	4.4
Retail prepaid revenue	655.3	632.9	22.4	3.5	166.8	164.7	2.0	1.2
Other usage revenue	221.6	172.4	49.2	28.6	67.6	49.4	18.2	36.9
Interconnection revenue	1,326.7	1,315.9	10.7	0.8	342.5	336.7	5.8	1.7
Sales of goods and other revenue	**1,744.7**	**1,756.2**	**(11.4)**	**(0.7)**	**445.8**	**512.2**	**(66.4)**	**(13.0)**
Operating revenue	**7,040.8**	**6,839.1**	**201.6**	**2.9**	**1,799.9**	**1,807.2**	**(7.3)**	**(0.4)**

Usage revenue

Revenues related to contract subscribers consist of subscription fees, charges for recurring voice and non-voice services (e.g. Value Added Services - "VAS", mobile TV, TV Box service) rendered by us to our contract subscribers and fees resulting from usage of the international roaming. The increase in revenue from retail contract usage was primarily due to increase in ARPU as well as growth in the reported contract subscriber base of 0.2 million, or 1.6%, from December 31, 2018, to December 31, 2019, due to the continued success of our subscriber acquisition and retention strategy and constant migration of customers from prepaid to contract offers. Consolidation of 3S Group added PLN 29.6 million to retail contract revenue in the year ended December 31, 2019.

The increase in revenue from prepaid usage was primarily due to increase in ARPU, as well as increase in the reported prepaid subscriber base of 0.1 million, or 2.4%, from December 31, 2018, to December 31, 2019.

The increase in other usage revenue in the year ended December 31, 2019 resulted mainly from the increase in revenue from international roaming, the agreements with *MVNO* and with other wholesale partners.

Interconnection revenue

The interconnection revenue remained stable in the analyzed periods.

Sales of goods and other revenue

Revenue from sales of goods decreased in the year ended December 31, 2019 mainly due to the drop of devices sold to newly acquired and retained subscribers. Lower revenue from sales of goods during the three-month period ended December 31, 2019 in comparison to the three-month period ended December 31, 2018 resulted from decrease in sales of devices without contract, incl. wholesale transactions.

Operating expenses

Interconnection, roaming and other services costs

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Interconnection costs	(1,342.0)	(1,361.3)	19.3	(1.4)	(340.4)	(344.1)	3.7	(1.1)
National roaming/network sharing	(182.9)	(272.1)	89.2	(32.8)	(44.7)	(66.9)	22.2	(33.2)
Other service costs	(245.1)	(288.9)	43.8	(15.2)	(60.3)	(62.8)	2.5	(4.0)
Interconnection, roaming and other service costs	**(1,769.9)**	**(1,922.2)**	**152.3**	**(7.9)**	**(445.4)**	**(473.8)**	**28.4**	**(6.0)**

Interconnection, roaming and other services costs decreased mainly due to decrease of national roaming/ networking sharing costs.

The interconnection costs remained stable.

The decrease of national roaming/network sharing costs was mainly due to renegotiations of contracts with our national roaming partners as well as due to higher share of our customers' traffic served by our own network thanks to the further network rollout.

Other service costs are mainly impacted by international roaming regulations (RLAH) introduced since June 15, 2017 (see Key factors affecting our results of operations and significant market trends: General regulatory environment). The decrease of international roaming costs in the year ended December 31, 2019 in comparison to the year ended December 31, 2018, was primarily caused by continuous application of sustainability measures as a response to RLAH and better pricing from roaming partners, partially offset by increasing costs of content.

Contract costs, net

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Contract costs incurred	(406.2)	(432.6)	26.4	(6.1)	(115.3)	(117.3)	2.0	(1.7)
Contract costs capitalized	383.5	403.1	(19.6)	(4.9)	109.1	111.6	(2.4)	(2.2)
Amortization and impairment of contract costs	(382.0)	(391.4)	9.4	(2.4)	(96.8)	(96.4)	(0.4)	0.4
Contract costs, net	**(404.8)**	**(421.0)**	**16.2**	**(3.8)**	**(103.0)**	**(102.2)**	**(0.8)**	**0.8**

Contract costs decreased due to lower costs of commissions incurred in the year ended December 31, 2019.

Cost of goods sold

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Cost of goods sold	(1,437.3)	(1,442.1)	4.8	(0.3)	(387.6)	(429.8)	42.2	(9.8)

In the year ended December 31, 2019 cost of goods sold remained stable. Cost of goods sold during three-month period ended December 31, 2019 decreased in comparison to the year ended December 31, 2018 following the decrease in sales of goods.

General and administrative expenses

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Salaries and social security	(282.3)	(244.6)	(37.7)	15.4	(78.0)	(66.0)	(12.0)	18.2
Special bonuses, incentive and retention programs	(15.6)	(10.6)	(5.0)	47.1	(8.1)	4.1	(12.2)	(297.2)
Employee benefits	**(297.9)**	**(255.2)**	**(42.7)**	**16.7**	**(86.1)**	**(61.9)**	**(24.2)**	**39.2**
Network maintenance, leased lines and energy	(173.0)	(146.5)	(26.6)	18.1	(48.8)	(45.1)	(3.7)	8.2
Advertising and promotion expenses	(179.6)	(165.5)	(14.1)	8.5	(60.2)	(47.7)	(12.4)	26.0
Customer relations costs	(61.2)	(59.8)	(1.4)	2.4	(16.3)	(14.1)	(2.2)	15.3
Office and points of sale maintenance	(18.6)	(15.2)	(3.4)	22.3	(4.5)	(3.9)	(0.6)	15.7
IT expenses	(37.9)	(32.1)	(5.8)	18.1	(8.8)	(8.2)	(0.6)	6.7
People related costs	(20.2)	(19.5)	(0.7)	3.5	(7.5)	(5.6)	(1.9)	33.8
Finance and legal services	(15.4)	(16.5)	1.1	(6.6)	(4.5)	(5.7)	1.3	(22.1)
Management fees	-	(0.3)	0.3	(100.0)	-	-	-	-
Other external services	(65.3)	(59.7)	(5.6)	9.4	(21.2)	(17.8)	(3.4)	19.0
External services	**(571.3)**	**(515.1)**	**(56.2)**	**10.9**	**(171.6)**	**(148.2)**	**(23.5)**	**15.8**
Taxes and fees	**(87.5)**	**(81.2)**	**(6.3)**	**7.8**	**(24.5)**	**(19.7)**	**(4.9)**	**24.7**
General and administrative expenses	**(956.7)**	**(851.5)**	**(105.2)**	**12.4**	**(282.3)**	**(229.7)**	**(52.6)**	**22.9**

Employee benefits

The cost of salaries and social security increased in the year ended December 31, 2019 compared to the same period in prior year due to increase in employee bonus accruals in connection with strong Group's performance in the current reporting period.

Network maintenance, leased lines and energy

The increase in costs of network maintenance, leased lines and energy is mainly attributable to growing energy prices and to the increased number of sites to be maintained due to intensive rollout of Play's network.

Taxes and fees
The cost of taxes and fees, comprising mainly frequency reservation charges, property tax and non-deductible VAT, remained stable.

Other Operating Income and Other Operating Costs

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Other operating income	76.9	78.2	(1.4)	(1.7)	23.8	32.1	(8.3)	(25.9)
Other operating costs	(143.0)	(120.6)	(22.4)	18.5	(49.1)	(61.4)	12.3	(20.0)

Other operating income consists of: gain on receivables management, gain on disposal of non-current assets and termination of lease contracts, reversal of impairment of other non-current assets, reversal of provisions, exchange rate gains, income from subleasing of right-of-use assets, interest income on trade receivables and cash, other miscellaneous operating income. Other operating costs include: loss on receivables management, impairment of contract assets, impairment of non-current assets, other miscellaneous operating costs. Please see Note 9 to the Financial Statements.

Other operating costs increased mainly due to the higher loss on receivables management in the year ended December 31, 2019 compared to the year ended December 31, 2018. When calculating the provision for impairment of receivables the Group takes into account the price it expects to be able to recover in future from sales of receivables. Due to unfavorable change in market conditions for receivables sales the expected recovery ratio decreased and therefore the Group incurred higher loss on receivables management in the year ended December 31, 2019 in comparison to the year ended December 31, 2018.

The movements of the provision for impairment of contract assets were stable when comparing the analyzed periods.

Finance Income and Costs

	Year Ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Interest income	0.4	1.3	(0.8)	(65.5)	0.2	0.1	0.1	72.6
Interest expense	(346.1)	(368.4)	22.2	(6.0)	(90.3)	(89.0)	(1.3)	1.5
Exchange rate gains	0.2	-	0.2	-	5.5	-	5.5	-
Exchange rate losses	(0.0)	(6.1)	6.1	(100.0)	-	(1.8)	1.8	(100.0)
Net gain on finance instruments at fair value	0.6	0.2	0.4	178.7	-	-	-	-
Finance income and costs	**(344.9)**	**(373.0)**	**28.1**	**(7.5)**	**(84.6)**	**(90.7)**	**6.0**	**(6.7)**

Interest expense

Lower interest expense in the year ended December 31, 2019, compared to the year ended December 31, 2018, resulted mainly from the lower nominal value of the indebtedness following the scheduled and voluntary repayments of SFA.

Liquidity and Capital Resources

Liquidity

In March 2017 the Group entered into the Senior Facilities Agreement with Alior Bank Spółka Akcyjna, Santander (Bank Zachodni WBK S.A.), BNP Paribas S.A., DNB Bank ASA, DNB Bank Polska S.A., PKO Bank Polski S.A., TFI PZU S.A. on behalf of PZU FIZ AN BIS 2, TFI PZU SA on behalf of PZU SFIO Universum and Raiffeisen Bank International AG as mandated lead arrangers and Santander (Bank Zachodni WBK S.A.) as an agent. PLN 6,443.0 million has been drawn under the Senior Facilities Agreement by the Group. The Senior Facilities Agreement also provides for a Revolving Credit Facility in the amount of PLN 400 million. In addition, as of the date of this Report, the Group had:

(i) PLN 50 million available for drawing under mBank Overdraft Facility until April 16, 2020
(ii) PLN 50 million available for drawing under Santander (Bank Zachodni WBK) Overdraft Facility until May 31, 2020
(iii) PLN 50 million available for drawing under DNB Overdraft Facility until September 3, 2020
(iv) PLN 50 million available for drawing under Millennium Overdraft Facility until November 12, 2020

On October 23, 2019 P4 announced its intention to establish a Bond Issue Program (the "Program"), as part of which the issuer will be able to carry out a number of bond issues up to the maximum total nominal value of bonds issued under the Program and outstanding at any time of PLN 2 billion. On December 13, 2019 P4 issued under the Program 1,500 series A unsecured bonds, with the nominal value of PLN 500 thousand each and the aggregate nominal value of PLN 750,000 thousand which on 13 December 2019 were registered in the depository operated by the National Securities Depository. The notes maturity date is December 11, 2026. Interest, based on 6M WIBOR plus margin, will be paid semi-annually. The first interest payment date will be on June 13, 2020.

During the year ended December 31, 2019, due to favorable cash position, including proceeds from issued bonds, the Group made four voluntary prepayments under SFA:

- On February 26, 2019 Facility A instalment originally maturing on March 29, 2019 in the amount of PLN 173,404 plus accrued interest,
- On August 30, 2019 Facility A installment originally maturing on September 30, 2019 in the amount of PLN 173,404 plus accrued interest,
- On December 13, 2019 part of Facility C originally maturing on March 20, 2023 in the amount of PLN 376,596 plus accrued interest,
- On December 17, 2019 the Facility A installment originally maturing on March 31, 2020 in the amount of PLN 173,404 plus accrued interest.

Furthermore, on October 17, 2019 the Group voluntary closed overdraft facility and repaid the full outstanding amount of ING Bank Śląski term loan of PLN 64 million resulting from acquisition of 3S Group. The credit agreement signed on December 19, 2018 by 3S, 3S Data Center, 3S Fibertech and 3S BOX with ING Bank Śląski S.A. included PLN 86 million term loan facilities (tranche A and B) and PLN 10 million overdraft facility (tranche C). The purpose of the facilities was to refinance old debt, pay due CIT, finance investment expenses allowed under the agreement and finance working capital needs. Tranche A and B were drawn down in the amount of PLN 68 million.

Cash expected to be generated in the future from operating activities together with the current balance of cash and mentioned above overdraft facilities can be used to perform all mandatory payments under the financing agreements, to finance further development of telecommunications infrastructure, repayment of current liabilities as well as expected dividend payments by the Company.

Cash flows

The following table summarizes net cash flows from operating, investing and financing activities for the three-month period and year ended December 31, 2019 and for the three-month period and year ended December 31, 2018.

	Year ended				Three-month period ended			
	December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018		
					Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Profit before income tax	**1,154.7**	**997.7**	**157.1**	**15.7**	**229.8**	**246.9**	**(17.1)**	**(6.9)**
Depreciation and amortization	906.3	789.3	117.0	14.8	241.8	204.8	37.0	18.1
Change in contract costs	(1.4)	(11.7)	10.2	(87.8)	(12.3)	(15.1)	2.8	(18.6)
Interest expense (net)	345.9	367.1	(21.2)	(5.8)	90.3	88.9	1.4	1.6
(Gain)/Loss on finance instruments at fair value	(0.6)	0.2	(0.8)	(433.1)	-	-	-	-
Foreign exchange (gains)/losses	(4.7)	5.7	(10.4)	(181.8)	(5.3)	1.7	(7.0)	(419.8)
Gain on disposal of non-current assets and termination of lease contracts	(9.3)	(10.4)	1.1	(10.7)	(5.9)	(4.7)	(1.2)	26.0
Impairment of non-current assets	2.2	2.1	0.2	7.9	0.7	0.6	0.0	1.1
Change in provisions and liabilities or equity related to incentive and retention programs	17.1	(6.1)	23.2	(379.6)	7.3	(10.3)	17.7	(170.8)
Changes in working capital and other	102.5	173.8	(71.4)	(41.1)	(45.2)	130.9	(176.0)	(134.5)
Change in contract assets	(63.3)	(124.8)	61.6	(49.3)	10.7	(45.0)	55.7	(123.8)
Change in contract liabilities	8.7	6.2	2.5	41.3	12.8	8.2	4.7	57.1
Cash provided by operating activities	**2,458.0**	**2,189.0**	**269.1**	**12.3**	**524.7**	**606.8**	**(82.1)**	**(13.5)**
Interest received	0.3	1.4	(1.1)	(76.1)	(0.0)	-	(0.0)	-
Income tax paid	(228.6)	(153.0)	(75.7)	49.5	(35.6)	(47.5)	12.0	(25.2)
Net cash provided by operating activities	**2,229.7**	**2,037.4**	**192.3**	**9.4**	**489.2**	**559.3**	**(70.1)**	**(12.5)**
Proceeds from sale of non-current assets	4.5	7.1	(2.6)	(36.5)	0.6	1.0	(0.4)	(42.6)
Purchase of fixed assets and intangibles and prepayments for assets under construction excluding purchase of frequency reservation acquisition	(852.6)	(758.1)	(94.5)	12.5	(214.1)	(242.1)	28.1	(11.6)
Purchase of frequency reservation acquisition	-	(8.5)	8.5	(100.0)	-	-	-	-
Acquisition of subsidiaries	(334.9)	-	(334.9)	-	-	-	-	-
Net cash used in investing activities	**(1,183.0)**	**(759.6)**	**(423.4)**	**55.7**	**(213.5)**	**(241.2)**	**27.7**	**(11.5)**
Proceeds from finance liabilities	750.0	-	750.0	-	750.0	-	750.0	-
Dividends (paid)	(368.3)	(652.5)	284.2	(43.6)	-	-	-	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(1,489.0)	(900.6)	(588.4)	65.3	(740.5)	(118.4)	(622.1)	525.4
Net cash used in financing activities	**(1,107.3)**	**(1,553.1)**	**445.9**	**(28.7)**	**9.5**	**(118.4)**	**127.9**	**(108.0)**
Net change in cash and cash equivalents	**(60.5)**	**(275.3)**	**214.8**	**(78.0)**	**285.2**	**199.7**	**85.5**	**42.8**
Effect of exchange rate change on cash and cash equivalents	(0.1)	0.4	(0.5)	(115.0)	(0.2)	0.1	(0.3)	(257.1)
Cash and cash equivalents at the beginning of the period	**353.6**	**628.5**	**(274.9)**	**(43.7)**	**9.3**	**153.8**	**(144.5)**	**(93.9)**
Cash and cash equivalents from acquired subsidiaries	**1.3**	**-**	**1.3**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at the end of the period	**294.3**	**353.6**	**(59.3)**	**(16.8)**	**294.3**	**353.6**	**(59.3)**	**(16.8)**

Net cash provided by operating activities

The Group reported strong cash flows from operating activities in the reported periods.

The working capital change was primarily driven by the decrease of trade receivables (mainly international roaming receivables due to collection of international roaming discounts as well as change in invoicing pattern with roaming partners) and increase of accruals for employee bonuses due to strong performance of the Group in the year ended December 31, 2019. The decrease of trade receivables in the year ended December 31, 2018 was higher than in the year ended December 31, 2019 due to collection of outstanding installment receivables from contracts signed in prior years, following the significant reduction in the volume of installment sales after October 2016. In the year ended December 31, 2019 the level of installment receivables was stable.

The increase of income tax paid for the year ended December 31, 2019 in comparison to the year ended December 31, 2018, resulted from higher annual taxable profit for fiscal year 2018 than for fiscal year 2017.

Net cash used in investing activities

The change in the level of cash flows used in investing activities resulted mainly from acquisition of 3S Group as well as from payments related to the intensified network rollout.

Net cash used in financing activities

Net cash used in financing activities decreased. The dividend payout was lower in the year ended December 31, 2019 in comparison to the year ended December 31, 2018. Cash outflows relating to finance liabilities were higher due to voluntary prepayments of SFA as described above. The cash inflow resulted from issuance of bonds by P4.

Other Operating and Financial Information

	Year Ended		**Three-month period ended**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
			Unaudited	**Unaudited**
	(PLN m, except %)	**(PLN m, except %)**	**(PLN m, except %)**	**(PLN m, except %)**
Adjusted EBITDA[(1)]	2,436.1	2,159.4	570.5	535.4
Adjusted EBITDA margin[(1)]	34.6%	31.6%	31.7%	29.6%
Total cash capital expenditures[(2)]	848.1	759.6	213.5	241.2
of which cash outflows in relation to frequency reservation acquisition	-	8.5	-	-
Adjusted EBITDA less total cash capital expenditures (excl. cash outflows in relation to frequency reservation acquisition)	1,588.0	1,408.4	356.9	294.2
Free cash flow to equity (post lease payments)[(1)(3)]	928.6	815.9	169.5	212.9

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

(2) "Total cash capital expenditures" means cash outflows for purchases of fixed assets and intangibles and prepayments for assets under construction, less proceeds from the sale of non-current assets in each period. The increase in cash capital expenditures for year ended December 31, 2019, as compared to the same period of 2018 is a result of payments overflow from the end of 2018 as well as higher current investment activity.

(3) For a reconciliation of Free cash flow to equity (post lease payments) to Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) see "Consolidated Financial and Other Information—Free cash flow to equity (post lease payments) scheme."

EBITDA and Adjusted EBITDA reconciliation

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

	Year Ended		Three-month period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
			Unaudited	Unaudited
	(PLN m)	(PLN m)	(PLN m)	(PLN m)
Operating profit	**1,499.6**	**1,370.7**	**314.4**	**337.6**
Add depreciation and amortization	906.3	789.3	241.8	204.8
EBITDA	**2,405.9**	**2,160.0**	**556.2**	**542.3**
Add management fees	-	0.3	-	-
Add valuation of incentive and retention programs and special bonuses[a]	15.6	10.6	8.1	(4.1)
Add other non-recurring costs/(income)[b]	14.6	(11.4)	6.1	(2.8)
Adjusted EBITDA	**2,436.1**	**2,159.4**	**570.5**	**535.4**

(a) We estimate the value of our management and employee incentive and retention programs based on the triggers affecting the programs and the value of additional shares which may be required to be awarded to beneficiaries under equity-settled programs. The respective charge/benefit is added back to our Adjusted EBITDA; for more information see Note 28 of the Financial Statements included elsewhere in this Report.

(b) Other non-recurring costs for the year ended December 31, 2019 mainly comprised non-recurring costs relating to acquisition and integration of 3S Group and cost of non-deductible VAT in connection with the SFA amendment.

Other non-recurring income for the year ended December 31, 2018 resulted mainly from the reversal of the bad debt provision for interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to favorable court ruling, partially off-set by the cost of non-deductible VAT relating to the management fee invoices received in connection with the IPO.

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

Free cash flow to equity (post lease payments) scheme

The following table presents a scheme of calculation of free cash flow to equity (post lease payments) for the periods presented.

	Year Ended		Three-month period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
			Unaudited	Unaudited
	(PLN m)	(PLN m)	(PLN m)	(PLN m)
Adjusted EBITDA	2,436.1	2,159.4	570.5	535.4
Total cash capital expenditures[1]	(848.1)	(751.1)	(213.5)	(241.2)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	46.4	43.5	(33.9)	79.0
Cash interest[2]	(257.2)	(285.6)	(62.1)	(71.3)
Cash taxes	(228.6)	(153.0)	(35.6)	(47.5)
Free cash flow to equity (pre lease payments)	**1,148.6**	**1,013.3**	**225.4**	**254.4**
Lease payments	(220.1)	(197.3)	(55.9)	(41.4)
Free cash flow to equity (post lease payments)	**928.6**	**815.9**	**169.5**	**212.9**

(1) Cash capital expenditures excluding cash outflows in relation to frequency reservation acquisitions and cash outflows for acquisition of subsidiaries (PLN 334.9 million).

(2) Comprising cash interest paid on loans, notes, and other debt.

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

Capitalization

Voluntary prepayment of Senior Facilities and increase in adjusted EBITDA drive decreasing leverage.

As of December 31, 2019	**PLN m**	**xLTM Adjusted EBITDA[1]**
Senior Facilities[2]	5,155.3	2.12x
Revolving credit facilities drawn	-	0.00x
Notes	751.4	0.31x
Other debt	26.7	0.01x
Cash and cash equivalents	(294.3)	-0.12x
Total net financial debt	**5,639.1**	**2.31x**
Leases	991.5	0.41x
Total net debt	**6,630.6**	**2.72x**

As of September 30, 2019	**PLN m**	**xLTM Adjusted EBITDA[1]**
Senior Facilities[2]	5,771.7	2.40x
Revolving credit facilities drawn	36.5	0.02x
Notes	-	0.00x
Other debt	26.3	0.01x
Cash and cash equivalents	(45.8)	-0.02x
Total net financial debt	**5,788.6**	**2.41x**
Leases	1,011.2	0.42x
Total net debt	**6,799.8**	**2.83x**

As of June 30, 2019	**PLN m**	**xLTM Adjusted EBITDA[1]**
Senior Facilities[2]	5,880.1	2.54x
Revolving credit facilities drawn	-	0.00x
Other debt	31.3	0.01x
Cash and cash equivalents	(127.0)	-0.05x
Total net financial debt	**5,784.3**	**2.50x**
Leases	992.7	0.43x
Total net debt	**6,777.0**	**2.93x**

As of December 31, 2018	**PLN m**	**xLTM Adjusted EBITDA[1]**
Senior Facilities[2]	6,052.1	2.80x
Revolving credit facilities drawn	-	0.00x
Other debt	29.6	0.01x
Cash and cash equivalents	(353.7)	-0.16x
Total net financial debt	**5,728.0**	**2.65x**
Leases	985.2	0.46x
Total net debt	**6,713.2**	**3.11x**

(1) LTM Adjusted EBITDA amounted to PLN 2,436.1 million as of December 31, 2019, PLN 2,401.1 million as of September 30, 2019, PLN 2,311.6 million as of June 30, 2019 and PLN 2,159.4 million as of December 31, 2018. For the purpose of this Report, we define LTM Adjusted EBITDA as the sum of Adjusted EBITDA for the last four quarters preceding the reporting date.

(2) The amount represents the nominal value and interest accrued only, whereas in the Financial Statements the value of finance liabilities is measured at amortized cost.

9. OUTLOOK FOR THE GROUP IN 2020

For the year 2020, the Group expects:

	FY 2020 Guidance	Comments
Revenue	Growth of 2-3%	Usage revenue growth (incl. 3S Group), partly softened by muted increase in handset sales
Adjusted EBITDA	PLN 2.5-2.6bn	Driven by growing Service margin, partly offset by higher opex (network, payroll)
Cash capex	PLN 850-900m	Network capex rebalanced from radio to backhaul and core, increase mainly from 3S and digitalisation
FCFE	> PLN 800m	Impacted YoY by increased cash capex and significantly higher cash taxes
Distribution to Shareholders	40-50% of FCFE	Intention as per 2019-2022 ambition

We also believe that Net Debt to LTM adjusted EBITDA will develop towards medium term target of 2.5x, with the scope of improvement depending on the 5G spectrum auction cash outlays.

PART III

NON-FINANCIAL REPORT

PLAY

10. BUSINESS MODEL, ORGANISATION AND CORPORATE GOVERNANCE

10.1 Business model

We operate a mobile telecommunications network and provide a wide range of mobile telecommunications services, including voice, messaging, video services (Play NOW and Play NOW TV Box) and data transmission services as well as VAS and sales of handsets and other devices, to individual and business customers (collectively our "retail" operations) under our umbrella brand, "PLAY." We also generate revenue from interconnection fees from other telecommunications operators where their voice and messaging traffic terminates on our network. Our offering and services are based around a core concept of "value for money," thus providing our subscribers with more content (minutes, SMS, data and video streaming) than our competitors offer for the same price, while keeping our ARPU comparable to that of our competitors. We believe our offerings are simple to use, flexible and easy to understand, and we deliver our offerings alongside high levels of customer service through our exclusive nationwide distribution network. We offer a wide range of offerings and service packages designed to appeal to different groups of subscribers under various tariff plans.

We provide offerings and services to individual and business subscribers in our retail operations. Our individual subscribers include both:

- contract subscribers, including individual postpaid contract subscribers, subscribers to our MIX tariff plans and subscribers to our contract mobile broadband tariff plans; and
- prepaid subscribers, including prepaid voice tariff plan subscribers and prepaid mobile broadband subscribers.

Our business subscribers are all contract (and postpaid) subscribers, and include both:

- Small Office/Home Office, or SoHo, subscribers; and
- Small and Medium Enterprises, or SME, subscribers.

We offer a range of standardized tariff plans to our individual and business subscribers. We sell to our subscribers primarily through our stores but also via our website, telesales and business advisors channel.

Our contract offerings for individuals are standardized and include a variety of flat-rate tariff plans. All of our contract tariff plans include unlimited calls to all fixed or mobile networks ("all-net calls"). From some time we increasingly focus on sales of services such as messaging, data transmission and multimedia as permanent add-ons, which have strong appeal to our subscribers and allow us stability of revenues. Our contract plans are available either with a handset or other device from our broad range, or without a handset or other device, in which case the subscriber pays for the handset or other device separately. All of our contracts have fixed terms: generally 24 months for contracts with a handset.

Our MIX offers combine the characteristics of a prepaid and contract offer. Our MIX tariffs are contract plans based on a prepaid solution with a subsidized handset, pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires. After the top-up of a minimum monthly value takes place, a monthly package is activated that covers unlimited on-net calls and SMS/MMS messages, off-net calls and a data allowance package. Once the monthly package is used, standard rates apply.

Our prepaid offerings allow subscribers to gain access to our network upon the purchase of a starter pack, which includes a SIM card with a fixed amount of credits to be used for mobile services. All starter packs need to be registered with ID before activation in Play POS or any major retailer (kiosk, gas station, convenience store etc.) There are no monthly subscription fees or obligations to top-up in a prepaid offer. All prepaid tariff plans provide that subscribers can top-up at any time with the use of a prepaid top-up. Top-ups can be done in a number of ways, including using top-up scratch cards, ATMs, other electronic terminals or online. There are no handset subsidies provided and so the subscribers must provide their own handsets which can be bought separately at any of our stores as well as at third-party stores.

We offer various business contract solutions to SoHo and SMEs. Our main focus is the SoHo market, which is the largest business segment in Poland and, therefore, provides the largest opportunity to sell our service offerings. We provide standardized rather than customized solutions for each individual business, in line with our strategy to keep our offerings and services simple and clear. Additionally, bigger SME segment clients can have tailor made solutions prepared individually by direct business advisors. All business clients can also use the "two numbers on one SIM" solution, enabling the integration of private and business uses of a company phone and the ability to work on the move as all calls to an office fixed line can be diverted to the subscribers' mobile phone.

Our offerings include continuously enhanced video services, comprising both linear TV and video-on-demand content. They are available on mobile devices (Play NOW) as well as through our network agnostic set-top-box solution introduced in 2019 (Play NOW TV BOX).

We complement our service offerings with a wide selection of mobile phones, smartphones, tablets, netbooks, laptops and data-access devices (dongles, modems, routers) through our stores, telesales and website. Our device offerings are subject to change depending on trends in supply and demand. Our employees are suitably trained to be able to direct subscribers to choose the handsets which are most suited to their needs while at the same time being the most desirable option to us from a business perspective. We buy handsets from several handset providers to ensure that we do not become over-reliant on a single supplier. While certain handsets will be more attractive to certain demographics of subscribers, it is our aim, particularly with smartphones, to make them available and accessible to all of our subscribers.

We provide our subscribers with a variety of basic and optional VAS such as caller-ID, calling line identity restriction, voice mail, call forwarding, call waiting, call barring and conference calling.

Within our retail business we provide international roaming out services to our subscribers which allow them to use telecommunications services (voice calls, messaging, data transmission) while abroad and logged onto foreign networks. The majority of international roaming services used by our subscribers are directed through European networks. In most countries we have multiple partners with respect to international roaming.

We provide national and international roaming and other telecommunications services to telecommunications operators, such as services to MVNOs. Under our MVNO cooperation agreements with various companies, we provide voice services, messaging, data transmission, Premium Rate Services, VAS, international roaming services, hosting services on our billing platform, customer service as well as other services depending on the needs of the MVNO and the scope of services they contract with us to provide. In terms of the technical model of cooperation with MVNOs, usually they are hosted on our core network elements using our billing platform, while their scope of responsibilities include customer care, marketing and sales activities.

We provide roaming in services to foreign mobile operators that allow their subscribers to use telecommunications services (voice calls, messaging and data transmission) while logged onto our network and outside their home network. We have developed our international roaming services by engaging in the sale of roaming services on our network to subscribers of foreign operators visiting Poland. We sell the roaming in service on our network based on discount agreements in exchange for obtaining favorable terms from foreign partners for handling the roaming traffic generated by our subscribers travelling abroad. This translates into a substantial reduction of our wholesale costs in relation to international roaming services, consequently enabling us to offer competitive international roaming services in terms of prices and quality to our subscribers.

Our marketing strategy is characterized by the following objectives: (i) attracting first time subscribers and subscribers of other operators who want to increase their service usage without paying more; (ii) retention of existing subscribers and the migration of these existing subscribers to higher revenue services; and (iii) protection of existing revenue sources. These objectives are achieved through several principles and include: (a) offering value for money; (b) becoming a leader in the subscriber experience; and (c) always remaining simple in our message and delivering to the subscribers exactly what we have promised.

We market our offerings through a mix of television, out of home, press and radio advertising, with the Internet playing an increasingly important role. Our campaigns are geared toward building a clear, simple and consistent brand image. In order to break through the mass of advertising material to which our potential subscribers are exposed, we strive to present our marketing messages in creative, clear and distinctive formats that distinguish us from the rest of the market. We believe the distinctiveness of our award-winning campaigns makes them highly persuasive to a wide audience and builds positive brand recognition.

The essence of our brand is to offer standard solutions for voice and data services with unlimited freedom. This has contributed to us becoming one of the fastest growing brands in Poland. In a mature market, such as the Polish mobile market, we believe the purchasing decisions of a majority of subscribers are strongly driven by image and brand loyalty. Therefore, we work to provide a consistent image and high quality subscriber experience in the vital spheres of subscribers' interests, including a range of available offerings, quality, usefulness, usability of customer care service and usability of self-information and self-service channels. We have focused our marketing efforts on customer service in order to position our brand as a provider of the best-in-class customer experience. Our brand image is additionally strengthened through the fact that each of our stores, regardless of whether it is our own store or a dealer-operated store, has the same appearance and design. This is important as brand success is correlated with consistent marketing and branding campaigns.

We believe we have an effective and efficient distribution network comprising of our own-operated and dealer-operated stores that are in desirable locations which substantially cover the entire territory of Poland. Our distribution network is also supported by our specialized business customer advisors (a dedicated team of business advisors who can meet directly with customers in order to create a more personalized service), our website and telesales.

We market our offerings and services primarily through our award-winning nationwide distribution network of 764 dedicated "PLAY" branded stores, a significant number of which are situated in prime locations across Poland, which we believe is more than all of the branded stores of our other Polish competitors. These stores provide our offerings on an exclusive basis, similar to the model adopted by the other leading Polish mobile operators, and cover substantially the same geographic area as the distribution networks of the other Polish mobile operators. We measure the performance of all of our stores continuously, with daily reporting of footfall and sales conversion to ensure that a desirable level of productivity is achieved, and we rigorously monitor our distribution network to ensure that underperforming locations are improved or discontinued or relocated.

Our stores are designed to impress, while remaining cost-efficient. We have relatively low costs of design and construction per store. We have standardized our furniture, IT solutions and interior design in such a way that ensures that our stores all have a consistent look and feel. This consistent look and feel supports the PLAY brand as customers receive the same high levels of service in familiar surroundings in each of our stores. This also allows our sales force to operate in a similar manner across all of our stores. We can also roll-out refurbishments or new product category introductions cost-efficiently across our store network as the in-store concept is modular and materials and processes required are similar in each location.

The offers and services on our website are available to all customers. While not currently a core sales channel, we believe our website will increase in importance in the future as customers switch from using traditional distribution channels to the internet. As well as being a sales channel, our website further supports our brand and customer experience by continuing our consistent look and messaging, as well as providing a first line of information for our customers. We also generate sales through our telesales department, located in our call centers, which is frequently used to renew the contracts of existing customers. We cooperate with a majority of important external call centers in Poland.

Our standardized offerings allow SoHo customers to be serviced at any of our stores, our call centers, and via our website. While SME customers and corporates can be serviced at our stores, we also have a dedicated team of personnel dedicated to business subscribers who can meet directly with them in order to provide a more personalized service.

Our customer service policy is focused on providing customers with the best experience and standardized high-quality service aimed at reducing churn. Our customer service covers the entire customer life cycle. We strive to provide our customers with our key customer service competencies: availability, competency, first contact resolution and user-friendly service. The core of our customer service is a call center system that enables us to efficiently respond to customer calls and written requests. We cooperate with several call center sites located in different regions of Poland, which allows us to split and distribute incoming calls and e-mails among those call centers seamlessly, thereby giving customers the impression that our customer service is delivered from one site using standardized and unified processes.

We provide customer service using a multichannel approach. Customers may contact us not only via our contact center or point of sale, but also may send a written request, query or claim using e-mail, letter or self-care solutions, which allow them to self-manage their accounts. These solutions are: PLAY24 (self-care web pages and mobile application), Interactive Voice Response, SMS, USSD codes (Unstructured Supplementary Service Data), or e-mails through Play's website. We also provide customer service online on our Facebook page, Twitter profile or through our corporate blog and forum.

We have a modern, fully upgraded and technology-neutral infrastructure through which we offer our mobile voice, messaging, video streaming and data services. We consider our infrastructure to be state-of-the-art with no legacy technology. In recent years, we have made substantial investments, which have resulted in the build-out of our 3G and 4G LTE mobile network and the most recent updates to 5G Ready standard. We manage our network build-out with in-house resources. The team focuses on entrepreneurial execution and maximizing efficiency. Our in-house network build-out department is responsible for radio and transmission planning, project management of contractors performing detailed design, building, as well as installing, our entire radio network with deployment being organized in four regions, namely Warszawa, Katowice, Poznań and Gdańsk.

We believe our network roll-out and upkeep systems are very advantageous. Central to our roll-out strategy is the use of modular, standardized and centrally-sourced elements to help reduce overall costs, ensure quality and safety standards, and increase scalability (as the sites can be easily enlarged or equipment from disconnected sites may be used elsewhere). The network deployment process is performed through a combination of our own and subcontracted staff and allows for full control of the process, with no reliance on an expensive turn-key service provider. The design and building of sites is outsourced to a number of small- and medium-sized local subcontractors who are able to rapidly execute at reasonable costs, while our core team manages the sourcing of materials, to keep this cost control centralized. Subcontractors install the standardized elements and as they are not responsible for sourcing the materials, we achieve savings on the cost of materials and allows the subcontractors to focus exclusively on installation. The limited working capital needs for subcontractors in this framework allows us to use a larger number of small- to medium-sized contractors, further reducing costs.

IT systems are critical to our operations. We have a simple robust architecture with state-of-the-art components and reduced numbers of legacy systems, combining best-in-class industry platforms and in-house customized solutions. Our centralized IT infrastructure combines in-house capabilities with carefully selected vendors. Our IT systems are highly integrated into every aspect of our business, providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental business areas: billing and customer relationship management ("CRM"); business support systems area; product lifecycle management; point-of sales support, commissioning, sales force automation; supply chain support and management; subscriber online services for sales and customer care; call center support; data warehousing and business analysis; controlling, finance; accounting and revenue assurance; and human resources.

The Group does not have any design department dealing with R&D, however such activities are scattered throughout the organization. We consider research and development activities an important tool for competing effectively and we commit certain resources to such activities. In order to ensure the quality of our network and to offer the latest and mobile telephony 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.

In the implementation of our business model, our operations use natural resources (spectrum and energy), human resources (employees and their know-how), financial resources (equity and debt) and manufactured resources (technology and services from our suppliers). Their combination allows us, through our sales, network, customer care and support functions, to provide mobile services that empower our customers, and to generate profits which we can apply for the benefit of all stakeholders – in a form of direct remuneration, taxes paid and re-investments in sustainable development. At the same time, we recognize environmental, social, bribery and human rights related risks stemming from our operations – our approach to mitigating those risks and to further integrating sustainability into our business model is described in section 12 "Corporate Responsibility" of this report.

10.2 Principal shareholders

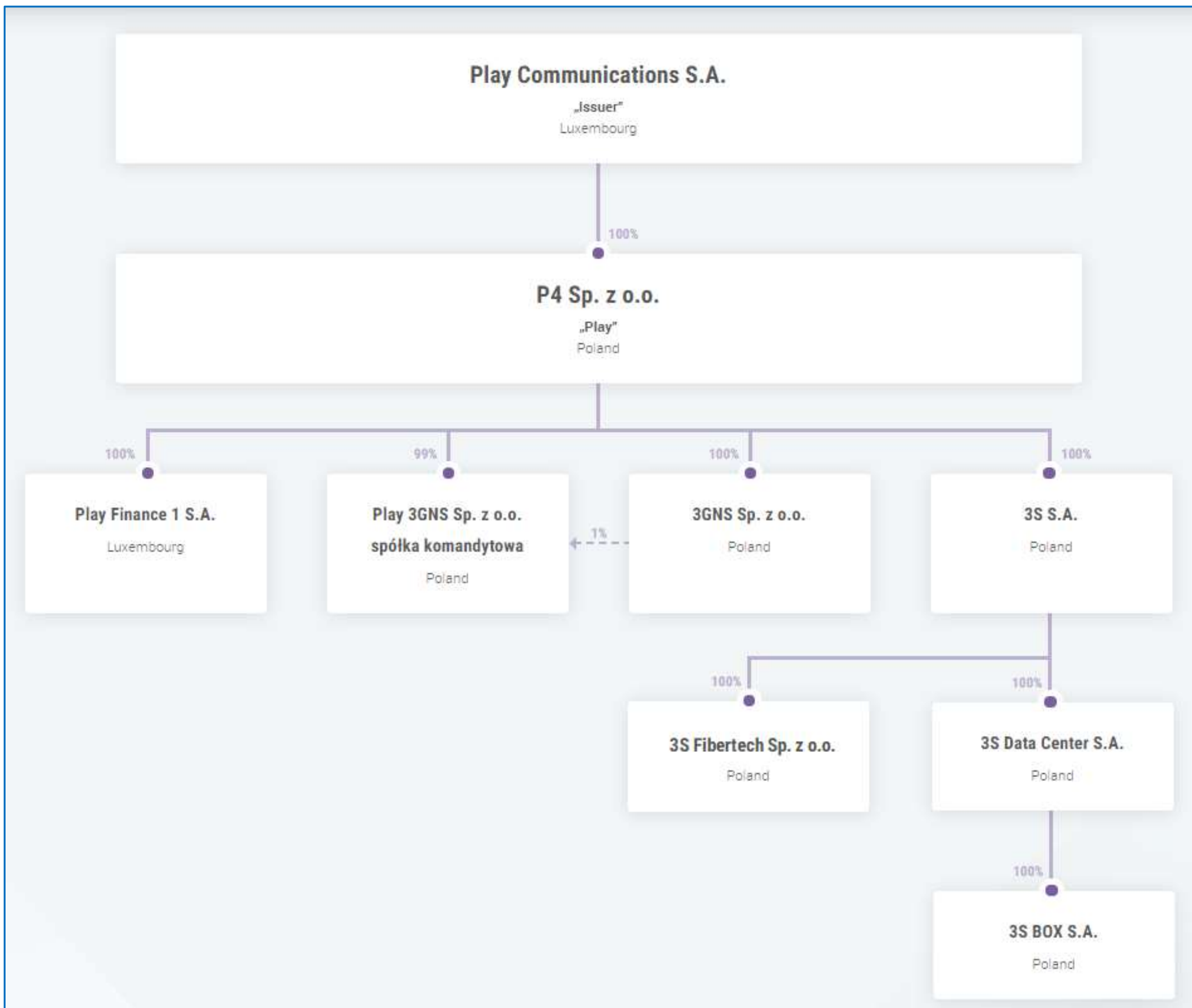
The table below presents the ownership structure of the Company as of December 31, 2019 as per notifications received by the company from shareholders who exceeded ownership of 5% of shares and votes: 50.09% of the outstanding shares were controlled by former shareholders Tollerton Investments Limited and Kenbourne Invest II S.à r.l., 25.43% and 24.66% of votes, respectively. On April 4, 2019 the Company received notification from Investec Asset Management Ltd and Investec Asset Management (Pty) Ltd which reached 5.02% of total shares issued. On October 31, 2019 the Company received notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny which reached 5.01% of total shares issued. The remaining 39.88% is free float. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

In addition, between December 31, 2019 and the date of publication of this Report, the Company received notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny which decreased its ownership to 4.9% of the Company shares.

Shareholder	Shares type	Number of shares	% of shares in share capital	Number of votes	% of votes
Kenbourne Invest II S.à r.l.	Bearer shares	64,633,592	25.43	64,633,592	25.43
Tollerton Investment Limited	Bearer shares	62,687,672	24.66	62,687,672	24.66
Investec Asset Management Ltd and Investec Asset Management (Pty) Ltd	Bearer shares	12,752,447	5.02	12,752,447	5.02
Nationale-Nederlanden OFE	Bearer shares	12,726,682	5.01	12,726,682	5.01
Free Float	Bearer shares	101,373,609	39.88	101,373,609	39.88
Total	**Bearer shares**	**254,174,002**	**100.00**	**254,174,002**	**100.00**

10.3 Group structure

The chart below presents the structure of the Group as of December 31, 2019. Play Communications S.A. is a holding company (the Company together with all of its subsidiaries, the "**Group**", "**Play Group**"). The Company is a parent company of P4 Sp. z o.o. ("**Play**", "**P4**") which is the sole owner of Play Finance 1, Play 3GNS, 3GNS and 3S S.A. (the latter merged with its subsidiary 3S Fibertech on 2 January 2020).



10.4 Corporate bodies

The registered office of the Company is 4/6, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.

The Group has a two-tier corporate governance structure across two legal entities: Play Communications S.A. and P4 Sp. z o.o.. The supervisory function sits at the Company level and no day-to-day management functions of Play as the operating company exist at the Company level. The Company's management functions is limited primarily to typical holding company functions. The management functions of Play as the operating company (i.e., the employment of all of the senior managers) is carried out entirely at the level of Play. The Articles of Association of each of the Company and of Play have been amended as needed to reflect this structure, which in effect creates a customary two-tier corporate governance structure. The Group provides directors and officers with customary insurance cover. The Articles of Associations are available on the Company's web site: http://www.playcommunications.com/corporate-governance/

Corporate governance structure of the Company is in full compliance with Luxembourg law.

Board of Directors of Play Communications S.A.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the directors of the Company.

Name	Age	Year appointed for the current term at Company's level	Year term expires	Representing
Andrzej Klesyk.........................	55	2017	2020	Independent
Andrzej Olechowski	72	2017	2020	Independent
Graham Bruce McInroy............	59	2017	2020	Novator Partners LLP
Serdar Çetin	42	2017	2020	Novator Partners LLP
Patrick Tillieux.........................	62	2017	2020	Novator Partners LLP
Ioannis Karagiannis	59	2017	2020	Tollerton
Vasileios Billis.........................	51	2017	2020	Tollerton
Rouben Bourlas……………………………	44	2018	2021	Tollerton
Dominik Libicki…………………………….	56	2019	2022	Independent

Andrzej Klesyk – Chairman of the Audit Committee

Andrzej Klesyk has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He is currently CEO of KIPF, a supervisory board member of Best S.A. and a non-executive director of Billon. He has also served as CEO of Powszechny Zakład Ubezpieczeń SA in 2007-2015. He is a former partner of Boston Consulting Group, Warsaw, CEO of Bank Inteligo, Warsaw and a partner of McKinsey & Co, London. Between 1989 and 1990 he worked in the Ministry of Economic Reform. In 1991, he left for the U.S. and worked for Kidder, Peabody, Coopers & Lybrand in New York. He received an MBA from Harvard Business School and a master's degree in Economics from Katolicki Uniwersytet Lubelski, Poland. He is a member of the Harvard Business School European Advisory Board, a member of the Geneva Association, on the Board of Trustees of the National Museum, Warsaw and on the Program Board of the Institute of Public Affairs

Andrzej Olechowski

Andrzej Olechowski has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. Dr. Olechowski is also Chairman of the supervisory board of Bank Handlowy and has been a Director of Euronet since 2002. He also sits on the International Advisory Boards of Macquarie European Infrastructure Funds. Since November 29, 2016, he has served as a Member of the Board of Trustees of the ECFR (European Council on Foreign Relations). He is a former Minister of Foreign Affairs from 1993 to 1995 and Minister of Finance in 1992 and was a candidate in the 2000 and 2010 Presidential elections in Poland. Dr. Olechowski studied at the Central School of Planning and Statistics where he received a Ph.D in economics and he has been a professor at Vistula University since 2011 and has authored of a number of publications on international trade and foreign policy.

Bruce McInroy – Deputy Chairman of the Board

Bruce McInroy has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has been with the Group since its inception in 2005, serving on the Play supervisory board as Deputy Chairman, and acting as Chairman of the Audit Committee. In the past he also served as a member of the supervisory board of 3GNS sp. z o.o.. He is a partner of Novator Partners LLP, a London based investment advisory firm, which he joined in 2004. His primary role is sourcing and deal execution, both entries and exits, as well as active involvement in portfolio companies. He has significant investment experience, including Novator Partners LLP's

investment in Tradus (formerly QXL), which owned Allegro, the leading internet auction business in Poland, acting as board member, member of the Audit Committee, and Chairman in 2006/07. He is a director of WOM Chile (formerly Nextel Chile), the fast growing mobile operator in Chile, and a supervisory board member of AASA Polska, a consumer lending business based on big data analysis, and a board member of various Aasa group companies. Previously, he has been a board director of Netia (Poland), Bulgarian Telecoms Company (now Vivacom), Forthnet (Greece), Turknet (formerly NetOne, Turkey), and Be* Unlimited (UK). Prior to joining Novator Partners LLP, he gained wide ranging telecommunications experience: in industry with BT, in equities research with ABN Hoare Govett and latterly in investment banking with Deutsche Bank and with Merrill Lynch. Bruce received an MA degree in Computer Sciences from Trinity College, Cambridge.

Serdar Çetin

Serdar Çetin has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has been with the Group since its inception initially serving on the Management Board of Play between July 2005 and October 2006 and on the Supervisory Board of Play since July 2007 and 3GNS sp. z o.o. since October 2008 till 2017. In addition, he is a member of Play's audit committee since its inception. He is a Partner at Novator Partners LLP and is responsible for sourcing, managing and exiting investments at Novator Partners LLP. He is a director of WOM Chile (formerly Nextel Chile), the fast-growing mobile operator in Chile, and a supervisory board member of AASA Polska, a consumer lending business based on big data analysis, and a board member of various Aasa group companies. He has advised on telecommunications investments in a number of countries including Greece, Turkey, Poland and the United Kingdom. He was a board member at Turk.net, a Turkish altnet from February 2007 until April 2013. Prior to joining Novator Partners LLP in 2004 Mr. Çetin worked at Merrill Lynch investment banking and BNP Paribas. Mr. Çetin holds an Msc in Management (*Grande Ecole*) from HEC School of Management in Paris and BSc in civil engineering from Middle East Technical University in Ankara. He is fluent in English, Turkish and French.

Patrick Tillieux

Patrick Tillieux has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He is the managing partner of his own asset management company Pambridge Ltd, London. He has worked in the television industry for more than 25 years. He is the former CEO and board member of broadcast technology company Red Bee Media in London. He also served as COO of ProSiebenSat.1 Media AG in Munich from 2007 to 2009 and CEO of SBS Broadcasting Europe in Amsterdam, which he joined in 2001. Before that he served as Managing Director of Canal+ in the Netherlands and CFO of RTL Netherlands. He started his career at Bouygues SA in Paris in 1981 and held senior positions in its broadcast operation TF1 and Eurosport, which he helped set up. Mr. Tillieux is also member of the supervisory boards of České Radiokomunikace in Czech Republic, Towercom in Slovakia and Brussels Airport in Belgium. He holds a MSc of Civil Engineering and a MSc of Industrial Administration both from Catholic University of Louvain, Belgium.

Ioannis Karagiannis – Chairman of the Board

Ioannis Karagiannis has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has been working for companies in the Tollerton group since 1994, and has served as a manager there since January 2010. In the past he also served as a member of the supervisory board of 3GNS Sp. z o.o. which is part of the Group. He also serves as Chairman of the Board for Retail World S.A. and Olympia Group S.A. Prior to that, he served as CEO of the Germanos Group from December 2001 to December 2010. He received a degree in Chemical Engineering from the National Technical University of Athens and an MBA from the University of Bradford.

Vasileios Billis

Vasileios Billis has been appointed a member of the Company's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. In the past he also served as a member of the supervisory board of 3GNS Sp. z o.o. which is part of the Group. Since April 2013, Mr. Billis has served as the Chief Executive Officer at Systems Sunlight S.A., a

company in the Olympia group. Prior to holding that position, he served as a director and board member for Olympia. He received an MBA from INSEAD (France) and a Master's Degree in Electrical Engineering from the University of Southampton.

Rouben Bourlas

Rouben Bourlas has been temporarily appointed a member of the Company's Board on July 25, 2018. He is a senior executive with broad international experience in retail and strategy. Mr. Bourlas started his career in strategy consulting in New York and then moved to London as Commercial Director at the easyGroup of Stelios Hajiioannou. Mr. Bourlas was CEO of Public retail stores until 2015 when he became the CEO of Westnet Distribution. Since February 2018 he is the CEO of Olympia Group. He holds a Bachelor's and Master's degrees in Mechanical Engineering from Cornell University in New York, as well as an MBA from the Massachusetts Institute of Technology (MIT) in Boston.

Dominik Libicki

Dominik Libicki has been appointed a member of the Issuer's Board on October 8, 2019. He has over 25 years of experience within the TMT sector. Most recently he was member of the Management Board and Chief Investment Officer (CIO) of Kulczyk Investments S.A. Previously he has been serving as President and CEO of Cyfrowy Polsat S.A. for 13 years. He held a position of a Vice President of the Management Board of Polkomtel and a member of the Supervisory Board of Telewizja Polsat. He was the President of Private Media Employer Union operating as a division of the Polish Confederation of Private Employers, "Lewiatan". Mr. Libicki holds Master's Degree in Environmental Protection Faculty from Wroclaw University of Science and Technology.

Management Board of Play

Set forth below are the management board members of Play (the "**Management Board**") who are responsible for the day-to-day management of the Group. Currently, there are seven members of the Management Board. The office address for all of them is: Taśmowa 7, Warsaw, Poland.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the executive directors of Play, or date of resignation when applicable. Since there were significant changes in the composition of the Management Board during 2018 and 2019, the table comprises all executive directors in this period.

Name	Age	Date appointed for the current term at Play's level	Date of resignation	Year term expires	Position
Jørgen Bang-Jensen	63	2015	June 30, 2018		Chief Executive Officer
Jean Marc Harion	58	July 1, 2018		2020	Chief Executive Officer
Holger Püchert	54	2017		2020	Chief Financial Officer
Michał Wawrzynowicz	48	2015		2020	Chief Commercial Officer
Bartosz Dobrzyński	49	2015	October 31, 2018		Chief Marketing Officer
Michał Sobolewski	47	November 1, 2018	October 7, 2019	2020	Chief Marketing Officer
Mikkel Noesgaard	43	November 1, 2019		2020	Chief Marketing Officer
Hans Cronberg	57	2015	October 31, 2018		Chief Technology Officer
Michał Ziółkowski	40	November 1, 2018		2020	Chief Technology Officer
Wojciech Danieluk	47	November 1, 2018		2020	Chief Information and Transformation Officer
Jacek Niewęgłowski	50	2015	January 31, 2019		Chief Strategy Officer
Piotr Kuriata	46	February 1, 2019		2020	Chief Business Development and Regulatory Officer

Jean Marc Harion

Jean Marc Harion has been a member of the Management Board of Play since July 2018. He also performs the function of Chief Executive Officer and the president of the Management Board. Prior to joining the Group, Jean Marc Harion had over 25 years of experience within the telecommunications sector, most recently serving as CEO of Orange Egypt and Mobistar, both listed companies. Before that he was CEO of Orange Dominicana and Orange VP Business Development Americas in New York. Prior to joining Orange Group Jean Marc Harion established his own company Computer Channel which he developed over a 10-year period before it was sold to Wanadoo (France Telecom Group). Mr. Harion holds a master's degree from the Institut d'Etudes Politiques de Paris as well as a master and post-graduate degrees from the Universite Libre de Bruxelles.

Jørgen Bang-Jensen

Jørgen Bang-Jensen was a member of the Management Board of Play since May 2009 till June 2018. He also performed the functions of Chief Executive Officer and the president of the Management Board. He was also a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. In the past, he has served as CEO and Chairman of the Management Board of ONE GmbH, Austria, as CEO of TDC Mobile A/S, Denmark, and as CEO of AD&D edb-konsulenter A/S. He has also held supervisory board positions in Telenor Mobil, Belgacom Mobile, Fullrate A/S from May 2008 to April 2009 and Butlernetworks A/S (Denmark) from March 2008 to April 2009. Mr. Bang-Jensen holds a MBA degree from Ashridge Business School (UK).

Holger Püchert

Holger Püchert has been a member of the Management Board of Play since March 2017. He is Play's Chief Financial Officer. He is also a member of the Management Board of 3GNS Sp. z o.o., which is a part of the Group. Mr. Püchert is an experienced chief financial officer in the telecommunications sector in Europe. Before joining the Group, Mr. Püchert was the Chief Financial Officer of Versatel, Berlin / Düsseldorf for nearly three years, and served as CFO of Kabel BW GmbH, CFO of Orange Austria Telecommunications GmbH (formerly ONE GmbH) and as Vice President for M&A Projects at E.ON AG. Mr. Püchert is a graduate of the University of Karlsruhe where he studied Business Engineering (Diplom-Wirtschaftsingenieur), following his apprenticeship at Deutsche Bank in Düsseldorf. He also earned a doctorate in Economics from the University of Karlsruhe (KIT), where he worked as a research assistant.

On March 9, 2017, Mr. Püchert joined Play as its new CFO and worked closely with Play's former CFO, Robert Bowker, who remained with the Group in an advisory capacity until the end of March, 2017.

Michał Wawrzynowicz

Michał Wawrzynowicz has been a member of the Management Board since June 2007. He is the Chief Commercial Officer. He is also a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. Prior to joining the management, Mr. Wawrzynowicz worked as General Manager of the Germanos Group in Poland. He was also General Manager of GTI Sp. z o.o., the biggest Orange dealer in Poland and the Commercial Director of Germanos Polska Sp. z o.o., formerly known as "Era," the largest T-Mobile dealer. Prior to becoming their Commercial Director, he had held the position of Sales Director and that of Marketing Director. Mr. Wawrzynowicz received an MBA from Koźminski University and a Master of Science degree from Warsaw Technical University.

Bartosz Dobrzyński

Bartosz Dobrzyński was a member of the Management Board of Play since 2009 till October 2018. He was Play's Chief Marketing Officer and also served as a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. Mr. Dobrzyński is an experienced marketing manager in the telecommunications sector in Poland. He started his professional career in the telecommunications industry in 1998 as a loyalty and retention manager at Plus. For the next seven years he worked as a manager of mobile offers for individual subscribers at Orange. Mr. Dobrzyński received an MA in International Relations and an MBA from Warsaw University MBA program.

Michał Sobolewski

Michał Sobolewski has been a member of the Management Board of Play since November 2018. He is Play's Chief Marketing Officer. Mr. Sobolewski has more than 20-year marketing, telecommunications and banking experience. For over 9 years he has led the offer for individual customers, digitalization and online marketing. He was responsible, among others, for introducing unlimited offers, smartphone test program, family and duo offers, and Play24 app. Mr. Sobolewski is a graduate of Advanced Management Program held by IESE / University of Navarra and Executive MBA studies at the Polish-American Management Center organized by University of Lodz and University of Maryland Robert H. Smith School of Business with Grade A.

Mikkel Noesgaard

Mikkel Noesgaard has been a member of the Management Board of P4 sp. z o.o. („Play") since November 2019. He is Play's Chief Marketing Officer. Mikkel Noesgaard has over 15 years of international experience leading sales, marketing and business development within the technology and telecommunication sectors. Prior to joining Play, he spent 8 years in Telenor Group, as CEO of CBB Mobile in Denmark, and as CMO in Telenor Serbia and Montenegro, where he was part of creating a successful entry into the financial sector with Telenor Banka, a digital consumer bank. Most recently he was co-owning a reward winning Danish fintech company, Cardlay, developing software solutions for the financial sector. Mikkel holds a Master's degree in business economics and computer science from Copenhagen Business School in Denmark.

Hans Cronberg

Hans Cronberg was a member of the Management Board of Play since September 2005 till October 2018. He was Play's Chief Technology Officer and also a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. Prior to joining the Group, Mr. Cronberg worked for the Deutsche Telekom Group where he was the Director of Procurement & Logistics at T-Mobile Croatia and the Director of 3G Technologies and Value Added Platforms at Polska Telefonia Cyfrowa sp z o.o. (now known as T-Mobile). Between 1990 and 2001, Mr. Cronberg worked at the Ericsson Group in Sweden, Poland and Israel, where he held positions in Product Management, Product Marketing and Sales & Key Account Management. Mr. Cronberg received a degree in Physics from Freie Universitaet Berlin, Germany.

Michał Ziółkowski

Michał Ziółkowski became new Chief Technology Officer and member of the Management Board of P4 Sp. z o.o. on 1 November 2018. He is also chairman of Supervisory Board of following entities: 3S S.A., 3S Data Center S.A., 3S BOX S.A. Ziółkowski has nearly 20 years' experience in the telecoms industry. He started his professional career at Play with the P4 project, which he implemented for Play's co-owner at the that time, i.e. Netia. As part of the project he was responsible for rolling out a transmission network for mobile telephony base stations. He joined Play in 2009, taking up the position of the head of the department where he was responsible for rolling out a transmission network and inter-operator cooperation. The migration of the transmission network to the ALL IP standard implemented by him three years later was the first such an undertaking on the Polish telecoms market. He gained experience in many strategic projects carried out by the company, including spectrum tender procedures or due diligence of telco companies in M&A processes. In 2017 he was appointed to the position of the head of the Investment and Network Rollout Department, where he was responsible for designing and implementing mobile network rollout, the biggest project in the company's history and one of the most dynamic and demanding processes in Poland. Michał Ziółkowski graduated from Poznań University of Technology, specializing in electronics and telecommunications. He also completed the Executive Master of Business Administration program at Warsaw University of Technology Business School.

Wojciech Danieluk

Wojciech Danieluk has been a member of the Management Board of Play since November 2018. He is Play's Chief Information and Transformation Officer. He is also a member of the Management Board of 3GNS sp. z o.o., which is part of the Play Group. Mr. Danieluk joined Play in 2008 and since then he performed the functions of Product Development Director, Project Management Office Director and People and Program Director. Between 1997 and 2008 Mr. Danieluk worked at Ericsson Poland where he held positions of Product Manager, Network Planning Manager and KAM,Sales Director for Polska Telefonia Cyfrowa sp. z o.o. (now known as T-Mobile). Mr. Danieluk received a Master of Science degree from Lodz Technical University and holds AMP (Advanced Management Program) from IESE.

Jacek Niewęgłowski

Jacek Niewęgłowski was a member of the Management Board of Play since December 2005 till January 2019. He was Play's Chief Strategy Officer and also since 2006, he served as a member of the Management Board of 3GNS Sp. z o.o.

which was part of the Group and as a member of the Management Board of Glenmore Investments, a former subsidiary of the Company. In addition, he is a member of the Board of the European Competitive Telecommunications Association. Prior to joining Play, Mr. Niewęgłowski served as a member of the supervisory board of PTC, now known as T-Mobile Polska, a member of the Management Board of Aster City Cable, a leading Polish CaTV operator, Chairman of the Supervisory Board of Comtica Sp. z o.o., a member of the Management Board of Elektrim Telekomunikacja, the Polish subsidiary of Vivendi Universal, and has previously held the position of CEO of numerous telecommunications companies. He is currently a member of the boards of Fundacja, *Dorastaj z. Nami* and Krajowa Izba Gospodarcza Elektroniki i Telekomunikacji and is a 5% shareholder of Pomerania Brokers Sp. z o.o. Additionally, Mr. Niewęgłowski has over 23 years of managerial experience and a professional track record within the mobile industry. Jacek Niewęgłowski received an Executive MBA degree from London Business School, a PhD and M. Sc degree from Tampere University of Technology in Finland.

Piotr Kuriata

Piotr Kuriata has been a member of the Management Board of Play since February 2019. He is Play's Chief Business Development and Regulatory Officer. Piotr Kuriata has 20 years of experience in our industry, working with different operators. Piotr played a key-role in developing and implementing the company strategy through many critical negotiations, concerning among others national roaming, spectrum acquisitions, changes to Mobile Number Portability and Mobile Termination Rates asymmetry. Before joining Play Group, he worked for dataCom S.A. and Exatel S.A. where he was in charge of regulations and co-operation with operators. Also, he served as Interconnection manager in Polska Telefonia Cyfrowa Sp. z o.o. (currently T-Mobile Polska S.A.). Mr. Kuriata is a graduate of Management Programs held by IESE Business School of University of Navarra and Telecommunications Executive Management Institute of Canada in Montreal. He holds master's degree from Warsaw University of Technology where he studied Telecommunications Systems and Networks, as well as Enterprise Management at Production Engineering Faculty.

Special Committees

The Group has the following committees: (i) an audit committee (the "**Audit Committee**"), (ii) an operational and investment committee (the "**Operational and Investment Committee**"), and (iii) a remuneration and nomination committee (the "**Remuneration and Nomination Committee**").

Audit Committee

The tasks of the Audit Committee have been aligned with the EU and Luxembourg regulations and include financial controls (supervision of internal and external auditing, monitoring of financial reporting) as well as supervision of persons entrusted with the management of the Group (internal control system). In particular, its duties and responsibilities include: (i) the determination of the audit plan for a period of several years as well as the scope of the internal and external audits, (ii) discussion of the audit reports with the internal and external auditors as well as with the management, and the monitoring of their implementation; (iii) the assessment of the performance of the internal and external auditors as well as their cooperation with one another and support of the Company's Board in the nomination of the external auditors to be proposed to the shareholders' meeting for election, (iv) checking the independence of the internal audit department from the Group and the units to be audited as well as the approval of the guidelines for the work of the internal audit department, (v) the assessment of the consolidated financial statements, the statutory financial statements and the management report of the Company as well as the decision whether they can be recommended to the Company's Board for submission to the shareholders' meeting, and (vi) the assessment and further development of the internal control system. In accordance with regulations, the duties of the Audit Committee also include the approval of audit and non-audit services rendered by the external auditors as well as the monitoring of their independence.

The Audit Committee consist of Andrzej Klesyk (who serves as chairman of the Audit Committee), Bruce McInroy, Serdar Çetin, Ioannis Karagiannis and Vasileios Billis . All Audit Committee Members are independent from the Company, while 4 of them are not independent from significant shareholders (Novator partners LLP and Tollerton).

Operational and Investment Committee

The tasks of the Operational and Investment Committee consist of: (i) preparation of detailed financial analysis of the operations of the Company, (ii) supervision over the preparation and performance of the budget of the Company, (iii) supervision over strategic and investment projects of the Company, including in particular capital structure changes, and (iv) review of the Company's long-term business plan.

The Operational and Investment Committee consist of Bruce McInroy, Serdar Çetin, Ioannis Karagiannis and Vasileios Billis.

Remuneration and Nomination Committee

The tasks of the Remuneration and Nomination Committee consist of (a) the preparation and periodical review of the Group's compensation policy and principles and the performance criteria related to compensation and the periodical review of their implementation as well as the submission of proposals and recommendations to the Company's Board, and (b) the preparation of all relevant decisions of the Company's Board in relation to the nomination of the members of the Company's Board and of the Management Board as well as submission of proposals and recommendations to the Company's Board. The Company's Board may delegate further powers and duties to the Remuneration and Nomination Committee. The chief executive officer and/or the chief financial officer of Play may be invited as an observer from time to time.

The Remuneration and Nomination Committee consists of Bruce McInroy, Serdar Çetin, Ioannis Karagiannis, Vasileios Billis and Andrzej Olechowski.

Activities of Board of Directors and its Committees

The success of our business is dependent on the efficiency of Board taking decisions. Our Board pays close attention to compliance having regard for all its stakeholders: employees, suppliers, customers and the wider community and environment to ensure that our sustainable business objectives are met.

For the purpose of developing the Company's objectives and strategy as well as to fully support the executive management on delivery of the business's strategy within a transparent governance framework, the Board ensures to convene as often as possible and, in any case, no less than four (4) times a year. During the reporting period the Board of Directors convened in total 7 (seven) times.

The Board also regularly discussed governance, risk and reputation management and financial performance.

For the purpose of fully supporting the executive management on delivery of the business's strategy, the Board adopts resolutions on regular basis by circular means expressing its approval in written. During the reporting period there have been more than (one hundred and seventeen) 117 written resolutions of the board on reserved matters to ensure a smooth execution and implementation of the business strategy by its subsidiary P4 Sp. z o.o. Key areas of focus for the Board's activities discussed during the year and adopted into written resolutions have been on operational activity of its subsidiary P4 Sp. z o.o., related to acquisition of 3S Group, partnership with Vectra, intercompany financing programs, budget CAPEX and OPEX, sale of bad debt, endorsement of settlement agreements, purchase of network equipment and services, media services, overdraft facility agreements, support and maintenance services etc.

During 2019, the Audit Committee of the Company held 4 (four) meetings where it continued to oversee the Company's financial reporting, financial results and control, effectiveness of internal control procedures, risk management and compliance processes. The Audit Committee reviewed the quarterly, half-year and annual financial statements of the Company, discussed them accordingly with the independent auditor and submitted them for the approval of the Board of

Directors. In addition, the Audit Committee reviewed the internal audit plan as well as the risk management system and recommended to the Board of Directors to exercise the relevant powers related to the approval of these activities.

The Operational and Investment Committee held 9 meetings in 2019. Key business areas reviewed and decided upon at these meetings covered operating and financial performance cf. budget, new product offerings and sales initiatives, network roll-out and other investments, 2020 budget and financing strategy.

The Remuneration and Nomination Committee held a meeting and approved several circular resolutions during the reporting period related to the appointment of new members of Management Board of the Company's Subsidiary (P4 sp. z o.o.) as well as appointment of new members of 3S Group statutory organs. The Committee reviewed the balance of skills, knowledge and experience of Mr. Mikkel Noesgaard as well as reviewed the policy for selection and appointment of the candidate and submitted the relevant recommendations to the Board of Directors for decision making. In addition, the Committee reviewed the stock option and other share-based incentives granted to the Company's members of the Board or to executive directors or senior employees of the Company and of the subsidiary of the Company.

10.5 Information on compliance with the Corporate Governance Code

Application of the Warsaw Stock Exchange Best Practices

Our shares are only admitted to trading on the WSE, therefore, in addition to Luxembourg Law, we observe the principles of corporate governance set out in the WSE Best Practices. The WSE Best Practices is a set of recommendations and rules of procedure for governing bodies of publicly-listed companies and their shareholders. The WSE Rules and resolutions of the WSE management board and its council set forth the manner in which publicly-listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly-listed company on a permanent basis or has been breached incidentally, such publicly-listed company is required to disclose this fact in the form of a current report.

As our shares are only admitted to trading on the WSE, we have not opted to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

Corporate governance rules for companies listed on the Warsaw Stock Exchange

The purpose of the said WSE Best Practices is to improve transparency of WSE-listed companies, to improve communication between companies and investors, and to protect the rights of shareholders, including the rights not regulated by law, without imposing unnecessary burden on the WSE-listed companies to an extent when such burden would exceed the benefits resulting from market requirements.

The WSE Best Practices are available in English and Polish language version at the Warsaw Stock Exchange website at https://www.gpw.pl/best-practice.

A statement on the Company's compliance with the corporate governance recommendations and principles contained in WSE Best Practices.

The Company's compliance with WSE Best Practices is mainly limited by the differences between the Luxembourg and Polish legal systems, procedures and accepted practices.

According to the current status of compliance with the Best Practice, the Company does not apply 2 recommendations: I.R.2. and IV.R.2.

According to the current status of compliance with the Best Practice, the Company does not apply 5 detailed principles: I.Z.1.3., I.Z.1.20., II.Z.7., II.Z.10.4., IV.Z.2.

I. Disclosure Policy, Investor Communications

Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

Recommendations

I.R.1. Where a company becomes aware that untrue information is disseminated in the media, which significantly affects its evaluation, it should immediately publish on its website a communiqué containing its position on such information, unless in the opinion of the company the nature of such information and the circumstances of its publication give reasons to follow a more adequate solution.

The principle is applied.

I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

The principle is not applied.

Comments of the Company : *We do not intend to introduce the sponsorship policy at present as the sponsorship activity is negligible for the Group's operations. However, it is not excluded that if the sponsorship activity will become material for our group, we will introduce and publish such policy in the future.*

I.R.3. Companies should allow investors and analysts to ask questions and receive explanations – subject to prohibitions defined in the applicable legislation – on topics of their interest. This recommendation may be implemented through open meetings with investors and analysts or in other formats allowed by a company.

The principle is applied.

I.R.4. Companies should use best efforts, including taking all steps well in advance as necessary to prepare a periodic report, to allow investors to review their financial results as soon as possible after the end of a reporting period.

The principle is applied.

Detailed principles

I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

I.Z.1.1. Basic corporate documents, in particular the company's articles of association;

The principle is applied.

I.Z.1.2. The full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board;

The principle is applied.

I.Z.1.3. A chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

The principle is not applied.

Comments of the Company : *Our organizational structure does not provide for the division of tasks and responsibilities of the Board. According to the P4's organizational structure, the operational company of the Issuer where he has got 100% of shares ("P4"), each member of P4's management board is responsible for the activities in his division. It will be difficult to provide a chart with the specified scope of duties of the individual members of P4's management board, as according to the Polish regulations, management board members are jointly and severally liable. Nevertheless, introducing such division in the future is not excluded.*

I.Z.1.4. The current structure of shareholders indicating those shareholders that hold at least 5% of the total vote in the company according to information provided to the company by shareholders under the applicable legislation;

The principle is applied.

I.Z.1.5. Current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 5 years;

The principle is applied.

I.Z.1.6. Information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors, within a timeframe enabling investors to make investment decisions;

The principle is applied.

I.Z.1.7. Information materials published by the company concerning the company's strategy and its financial results;

The principle is applied.

I.Z.1.8. Selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data;

The principle is applied.

I.Z.1.9. Information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

The principle is applied.

I.Z.1.10. Financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle not applicable.

Comments of the Company : *Issuer does not publish financial projections.*

I.Z.1.11. Information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule;

The principle is applied.

I.Z.1.12. A statement on compliance with the corporate governance principles contained in the last published annual report;

The principle is applied.

I.Z.1.13. A statement on the company's compliance with the corporate governance recommendations and principles contained herein, consistent with the information that the company should report under the applicable legislation;

The principle is applied.

I.Z.1.14. Materials provided to the general meeting, including assessments, reports and positions referred to in principle II.Z.10, tabled to the general meeting by the supervisory board;

The principle is applied.

I.Z.1.15. Information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

The principle is applied.

Comments of the Company : *The Group has a gender-neutral hiring policy and acts in line with gender best practices.*

I.Z.1.16. Information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The principle is applied.

I.Z.1.17. Justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

The principle is applied.

I.Z.1.18. Information about the reasons for cancellation of a general meeting, change of its date or agenda, and information about breaks in a general meeting and the grounds of those breaks;

The principle is applied.

I.Z.1.19. Shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;

The principle is applied.

I.Z.1.20. An audio or video recording of a general meeting;

The principle is not applied.

Comments of the Company : *We do not plan to publish audio or video recordings of the General Meeting since the Company does not comply with detailed principle IV.Z.2. If the shareholders (i) indicate an interest in audio or video recordings of the General Meeting; and (ii) notify the Company of such interest, we will take into account the expectations of the shareholders in this respect.*

I.Z.1.21. Contact details of the company's investor relations officers including the full name and e-mail address or telephone number.

The principle is applied.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity

The principle is applied.

II. Management Board, Supervisory Board

A listed company is managed by its management board, whose members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

A company is supervised by an effective and competent supervisory board. Supervisory Board members act in the interest of the company and follow their independent opinions and judgement. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

Recommendations

II.R.1. To ensure the highest standards of the management board and the supervisory board of a company in efficient fulfilment of their obligations, the management board and the supervisory board should have members who represent high qualifications and experience.

The principle is applied.

Comments of the Company : *This rule is satisfied assuming that the management board requirements will apply to the P4's Management Board and supervisory board requirements will apply to the Issuer's Board of Directors*

II.R.2. Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

The principle is applied.

Comments of the Company : *We support the above recommendation and exercise a gender-neutral policy of employing within the Company persons who are competent, creative and have the professional experience and education necessary to perform their duties. This is our focus for Board participation, however, so far this approach has not resulted in a more balanced participation of women and men in the Board.*

II.R.3. Functions on the management board of a company should be the main area of the professional activity of management board members. Additional professional activities of management board members must not require so much time and effort that they could adversely affect proper performance of functions in the company. In particular, management board members should not be members of governing bodies of other entities if the time devoted to functions in such other entities prevents their proper performance in the company.

The principle is applied.

Comments of the Company : *This rule is applied in relation to the P4's Management Board.*

II.R.4. Supervisory board members must be able to devote the time necessary to perform their duties.

The principle is applied.

II.R.5. If a supervisory board member resigns or is unable to perform his or her functions, the company should immediately take steps necessary to ensure substitution or replacement on the supervisory board.

The principle is applied.

II.R.6. Being aware of the pending expiration of the term of office of management board members and their plans of further performance of functions on the management board, the supervisory board should take steps in advance to ensure efficient operation of the company's management board.

The principle is applied.

II.R.7. A company should allow its supervisory board to use professional and independent advisory services necessary for the supervisory board to exercise effective supervision in the company. In its selection of the advisory service provider, the supervisory board should take into account the financial standing of the company.

The principle is applied.

Detailed principles

II.Z.1. The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

The principle is applied.

Comments of the Company : *According to the P4's organizational structure, each member of the Board is responsible for the activities in his division (CEO, CFO, CMO, CCO, CTO, CIO and CBRD). It will be difficult to provide a chart with the specified scope of duties of the individual members of P4's Management Board, as according to the Polish regulations, management board members are jointly and severally liable. Nevertheless, introducing such division in the future is not excluded*

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is applied.

II.Z.3. At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.

The principle is applied.

II.Z.4. Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members. Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

II.Z.5. Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.

The principle is applied.

II.Z.6. The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.

The principle is applied.

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

The principle is not applied.

Comments of the Company : *We cannot guarantee that this principle will be introduced but in each case will analyze the composition of the committee and verify whether such requirement can be satisfied.*

II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The principle is applied.

II.Z.9. To enable the supervisory board to perform its duties, the company's management board should give the supervisory board access to information on matters concerning the company.

The principle is applied.

II.Z.10. In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following:

II.Z.10.1

An assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

The principle is applied.

II.Z.10.2

A report on the activity of the supervisory board containing at least the following information:

- full names of the members of the supervisory board and its committees;

- supervisory board members' fulfilment of the independence criteria;

- number of meetings of the supervisory board and its committees in the reporting period;

- self-assessment of the supervisory board;

The principle is applied.

II.Z.10.3

An assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

The principle is applied.

II.Z.10.4

An assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such policy.

The principle is not applied.

Comments of the Company : *We do not intend to introduce the sponsorship policy at present as the sponsorship activity is negligible for the Group's operations. However, it is not excluded that if the sponsorship activity will become material for the Company's group, we will introduce and publish such policy in the future.*

II.Z.11. The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.

The principle is applied.

III. Internal Systems and Functions

Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity.

Recommendations

III.R.1. The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

The principle is applied.

Detailed principles

III.Z.1. The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

The principle is applied.

III.Z.2. Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

The principle is applied.

III.Z.3. The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is applied.

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The principle is applied.

III.Z.5. The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is applied.

III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

The principle is applied.

IV. General Meeting, Shareholder Relations

The management board and the supervisory board of a listed company should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting. The general meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on reasonable interests of different groups of shareholders. Shareholders who participate in a general meeting should exercise their rights in accordance with the rules of good conduct.

Recommendations

IV.R.1. Companies should strive to hold an ordinary general meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.

The principle is applied.

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1) real-life broadcast of the general meeting;

2) real-time bilateral communication where shareholders may take the floor during a general meeting from

a location other than the general meeting;

3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The principle is not applied.

Comments of the Company : *We note that providing the necessary technical infrastructure would involve costs and other resources of the Company disproportionate to the potential interest of shareholder in pursuing such an option. Therefore, we do not plan to conduct General Meetings using means of electronic communication.*

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle not applicable.

Comments of the Company : *Shares issued by the Issuer are listed only on the market operated by the Warsaw Stock Exchange*

Detailed principles

IV.Z.1. Companies should set the place and date of a general meeting so as to enable the participation of the highest possible number of shareholders.

The principle is applied.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not applied.

Comments of the Company : *We do not plan to conduct real-time broadcasts of General Meetings because of the additional costs and organizational resources that would need to be incurred in relation thereto. Nevertheless, the Company will consider real-time broadcasts of the General Meetings if the shareholders require such broadcasts in the future.*

IV.Z.3. Presence of representatives of the media should be allowed at general meetings.

The principle is applied.

IV.Z.4. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is applied.

IV.Z.5. The rules of general meetings and the method of conducting the meeting and adopting resolutions must not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules of the general meeting should take effect at the earliest as of the next general meeting.

The principle is applied.

IV.Z.6. Companies should strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

IV.Z.7. A break in the proceedings of the general meeting may only take place in special cases, defined at each time in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.

The principle is applied.

IV.Z.8. A resolution of the general meeting announcing a break should clearly set the date and time when the proceedings recommence, and such date and time must not be a barrier for most shareholders, including minority shareholders, to participate in the continuation of the proceedings.

The principle is applied.

IV.Z.9. Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any

doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

The principle is applied.

IV.Z.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

The principle is applied.

IV.Z.11. Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.

The principle is applied.

IV.Z.12. The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting.

The principle is applied.

IV.Z.13. If a shareholder request information about the company, the management board of the company should provide an answer to the shareholder’s request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code

The principle is applied.

IV.Z.14. Resolutions of the general meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of determination of the rights of shareholders pursuant to such events.

The principle is applied.

IV.Z.15.A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.

The principle is applied.

IV.Z.16. The dividend record date and the dividend payment date should be set so as to ensure that the period between them is not longer than 15 business days. A longer period between these dates requires a justification.

The principle is applied.

IV.Z.17.A resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment takes place before the dividend record date.

The principle is applied.

IV.Z.18.A resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.

The principle is applied.

V. Conflict of Interest, Related Party Transactions

For the purpose of this Section, ‘related party’ is defined under the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.

Recommendations

V.R.1. Members of the management board and the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the company, and where a conflict of interest arises, immediately disclose it.

The principle is applied.

Detailed principles

V.Z.1. No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties.

The principle is applied.

V.Z.2. Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.

The principle is applied.

V.Z.3. Members of the management board or the supervisory board must not accept any benefits which might affect their impartiality and objectivism in making decisions or reflect unfavourably on the assessment of the independence of their opinions or judgements.

The principle is applied.

V.Z.4. Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she may request that the minutes of the management board or the supervisory board meeting show his or her position.

The principle is applied.

V.Z.5. Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

The principle is applied.

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is applied.

VI. Remuneration

A company should have a remuneration policy applicable at least to members of the company's governing bodies and key managers. The remuneration policy should in particular determine the form, structure, and method of determining the remuneration of members of the company's governing bodies and key managers.

Recommendations

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The principle is applied.

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

The principle is applied.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

The principle is applied.

VI.R.4. The remuneration levels of members of the management board and the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. Remuneration should be adequate to the scope of tasks delegated to individuals, taking into account additional functions, for instance on supervisory board committees.

The principle is applied.

Detailed principles

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

The principle is applied.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is applied.

Comments of the Company : *Issuer will partially apply this principle since according to the New Performance Incentive Plans, 50% of Award Shares granted to a manager will be subject to a 365 day lock up pursuant to the terms of the scheme, with the remaining 50% being subject to a 730 day lock up following the date they are granted.*

VI.Z.3. The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

The principle is applied.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

1) general information about the company's remuneration system;

2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;

3) information about non-financial remuneration components due to each management board member and key manager;

4) significant amendments of the remuneration policy in the last financial year or information about their absence;

5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The principle is applied.

Comments of the Company : *Issuer will not comply with points 2) and 3) as so far according to Luxembourg law, which is the home jurisdiction of the Issuer, it was not a requirement to provide the information on remuneration of the management board members on an individual basis. Moreover, such information has not been previously publicly disclosed by the Issuer. However, based on introduction to Luxembourg law of the Shareholders' Rights Directive II, the Issuer prepares its remuneration policy based on the Directive, which will be voted by shareholders during next Annual General Meeting, and remuneration report as per Directive's requirements will be published starting from year 2020.*

Additionally, please find below disclosures pursuant to article 11 of the Law on Takeovers of May 19, 2006

- For information regarding the structure of capital, reference is made to section 10.1 Principal Shareholders.
- The shares are freely transferable in accordance with the legal requirements for dematerialised shares which transfer shall occur by book entry transfer. The only limitation refer to the lock-up period regarding award shares granted as PIP, PIP bis, PIP3, VDP4 and VDP4 bis programs.
- With regard to the shareholding structure, please refer to section 10.1 Principal Shareholders.
- The Company has not issued any securities granting special control rights to their holders and has currently no employee share schemes in place.
- All employees programs are managed by Play Group.
- The Articles of Association of the Company do not contain any restrictions on voting rights (the relevant link to the Article is provided in the Report, in this section).
- As of December 31, 2019, there are no agreements among the shareholders which are known to the Company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).
- Rules governing the appointment and replacement of Management Board members and the amendment of the Articles of Association (the relevant link to the Article is provided in the Report, in this section).
- The powers of board members – please refer to the corporate governance on our website (the relevant link to the Article is provided in the Report, in this section).
- There are two significant agreements to which the Company is a party which take effect, alter or terminate upon change of Control in the Company – these are national roaming agreement with T-Mobile and Senior Facilities Agreement.
- We are not aware of any agreements between the Company and Play's Group board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid, except for arrangements which are part of PIP, PIP3, VDP4 and VDP3 Programs. Programs are described in Prospectus.

10.7 Capital market and Investor Relations role

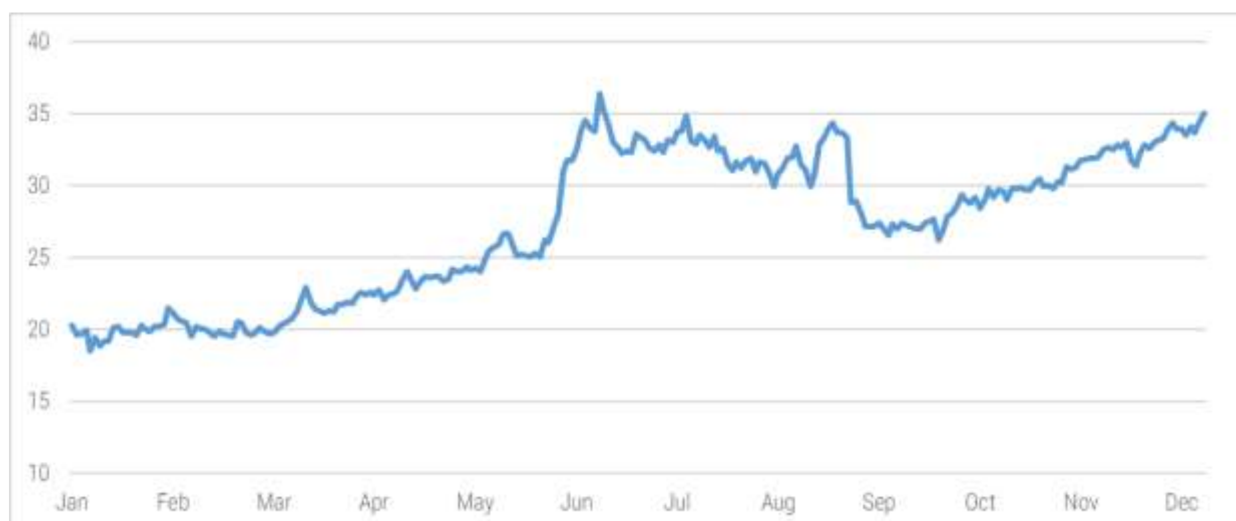
Play-Shares Information

Since July 27, 2017, Play Communications S.A. is a listed company on the primary market of the Warsaw Stock Exchange (WSE) within the continuous listing system. The Company's share capital currently amounts to EUR 30,500.88 and is comprised of 254,174,002 bearer shares with a nominal value of EUR 0.00012 each. All shares are publicly traded and included in the following indices:

- WIG20 and WIG20 Total Return
- WIG30 and WIG30 Total Return,
- mWIG40 and mWIG40 Total Return,
- WIG broad-market index and WIG-Poland,
- WIG-telecommunication industry index and WIGtech,
- CEEplus,
- WIG-ESG.

PLAY – Shares	Unit	2019
Closing Price on 30/12/2019	*PLN*	35.00
Year high	*PLN*	36.36
Year low	*PLN*	18.52
Number of shares outstanding as of 31/12/2019	*#*	254,174,002
Average daily volume of shares traded in 2019	*#*	601,867
Market capitalization on the last trading day	*billions of PLN*	8.9
Earnings per share – basic	*PLN*	3.45
Earnings per share – diluted	*PLN*	3.43

Evolution of PLAY share price in 2019 (in PLN)



Play Investor Relations – Dialogue With Capital Markets

July 27, 2017 was first day of PLAY's shares trading. In the past Play's Group notes were traded on Luxembourg Stock Exchange. Following the IPO, PLAY continued its intensive dialog with institutional investors, retail investors, and coverage analysts.

The objectives of PLAY's Investor Relations activities are to develop a long-term relationship of trust with stakeholders by fulfilling its responsibilities not only to shareholders, who have financially invested in the company, but also to all other stakeholders including potential investors and coverage analysts, through the faithful and fair disclosure of information, and bilateral communication. In order to pursue these objectives at all times, PLAY continuously discloses necessary information about its market positioning, business model, strategy, financial performance, etc.

Investor Relations' activities are focused on individual as well as group discussions with institutional investors during roadshows and participation in conferences in the international financial venues. The key aspect of Investor Relations is to regularly meet/follow up with investors and analysts. PLAY holds financial and other briefings, providing P4's Management the opportunity to engage in direct dialog with capital market participants. PLAY's Investor Relations strategy largely focuses its activity on ensuring transparent and proactive communication with capital markets. The key principles of Investor Relations include being, inter alia:

- Accurate – all information should be accurate, to keep the credibility and trust of stakeholders
- Simple – strive for clear and quick understanding
- Consistent – present key metrics in the same manner. Fully explain rationale for any potential change
- Seamless – give stakeholders the same messages and keep the consistency across all channels
- Concise – to provide information in consistent way which is transparent and clear
- Full and Fair – information provided should be full and fair

In order to keep the best practice, PLAY established Investor Relations website designed for all stakeholder http://playcommunications.com/. We believe that by creating this space, investors can understand the qualitative and quantitative aspects of PLAY's equity story. Additionally, Investor Relation website is a practical source of information about the Group. Furthermore, by sharing newsletter with our stakeholders which includes information on current events in the Group and reminders of the most important events, we keep them up to date.

Following the Bond Issue Program dated November 14, 2019 under which P4 became entitled to conduct multiple issue of bonds, PLAY also established dedicated website for bondholders and all other parties interested in Bond Issue Program https://obligacje.playcommunications.com/

Additionally, we highlight the importance of discussing the annual and quarterly figures with stakeholders during the conference calls which are accessible by the public. Moreover, we keep a recording of these calls available for the public on our Investor Relations website.

With regard to the implementation of Directive 2014/57/UE of 16 April 2014 - the Market Abuse Directive (MAD), as well as European Parliament's and Council's Regulation (EU) no. 596/2014 of 16 April 2014 - the Market Abuse Regulation ("MAR"), we ensure proper fulfillment of the information obligations imposed by the relevant regulations and directives. PLAY Group have implemented detailed internal procedure which includes inter alia the principles of analysis and identification of events occurring within our Group, the procedures to be followed upon obtaining any information which is subject to reporting as well as the deadlines for fulfillment of information obligations.

In 2019, PLAY Group was covered by the following financial institutions:

Based in Poland	Based outside Poland
Dom Maklerski BOŚ S.A.	Bank of America Securities
Santander Brokerage (previously: Dom Maklerski BZ WBK S.A.)	ERSTE Group Research
Dom Maklerski PKO BP S.A.	J.P. Morgan
Trigon Dom Maklerski S.A.	UBS Investment Bank
IPOPEMA Securities S.A.	VTB Capital / Xtellus Capital Partners
Pekao Investment Banking S.A.	Raiffeisen Centrobank
Haitong Bank S.A.	
Dom Maklerski mBanku S.A.	
Wood&Company.	

11. RISK MANAGEMENT SYSTEM AND RISK FACTORS

11.1 Risk management system

Play Communications S.A. and its subsidiaries ("Play Group" or "Group") has introduced a risk management system where all employees participate in performing risk management and internal control activities. Play Group's risk management system is designed in a way allowing us to identify, measure, manage and monitor the risks which might affect the achievement of our strategic, operational, financial, reporting and compliance objectives across all corporate functions and development projects. One of the most important and integral part of our group risks management system is the system of internal controls effected at all managerial and operational levels to mitigate identified risks and keep them within Play Group's risk appetite. The following four key elements characterise our Group Risk Management System:

- Risk Management Policy,
- Roles and Responsibilities,
- Risk Management Processes,
- Risk & Control Assessment Approach.

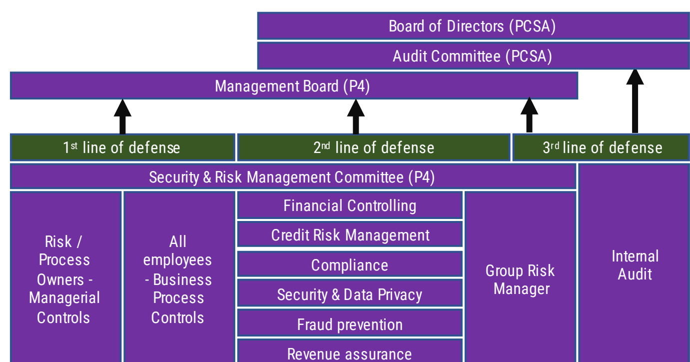
11.2 Risk Management Policy

Play Group has defined its risk management policy and communicated across the organisation in order to facilitate a common understanding and ensure consistent approach in measuring and mitigating various types of risks. As effective risk management is for us a key success factor for the achievement of business growth our Group Risk Management Policy defines the risk as any future and probable event which, if occur, might affect the achievement of the Group's business objectives. Our motivation of risk management is not only to safeguard the Group's assets and financial strength but also to protect Play Group's reputation and ensure achievement of our strategy. This is why for risk management purposes we have grouped our business objectives into the following five categories:

- Strategic,
- Operational,
- Financial,
- Reporting (including financial reporting),
- Compliance.

11.3 Roles & Responsibilities

The major characteristic of the participatory model of risk management introduced at Play Group is that risk management processes and internal control activities are effected by the Group's Board of Directors, the Management Board, operational managers and other personnel. It means that everyone in our the Group has assigned some risk management and internal control responsibilities. Play Group's has adapted the three lines of defence model ("the 3LOD Model") to clearly define roles and responsibilities for risk management and internal control activities at various organisational levels. We believe that our adaptation of the 3LOD Model allowed us to cover major (principal) risk categories, avoid duplication of effort and provide adequate segregation of duties. The chart below displays the interdependencies between the key risk management players in our Group. In the following table we also present a summary of their key risk management related responsibilities.



Role / Organisational Unit	Summary of key risk management related responsibilities
Supervision, oversight and direction	
Board of Directors / Audit Committee (PCSA)	▪ Oversight of Play Group's system of internal controls, including the risk management framework and the work of the Internal Audit function. ▪ Evaluation of the effectiveness of internal control and risk management systems; ▪ Preliminary evaluation of documents concerning internal control and risk management systems; ▪ Evaluation of the results of internal controls, therein internal audits, and schedules of elimination of detected errors in selected areas ▪ Performing regular reviews of risk reports.
Management Board (P4)	▪ Approval of internal control and risks management systems and supervision of their implementations; ▪ Definition of risk management policy and nominations of risk owners; ▪ Performing risk reviews with a significant focus on the risk which may affect the achievement of strategic and operational goals; ▪ Definition of risk tolerance levels and risk acceptance criteria; ▪ Taking decisions regarding investments in risk mitigation programs and strategies.
Security & Risk Management Committee (P4)	▪ Defining risk management strategies and submitting them to the Management Board for approval. ▪ Expressing opinions and recommendations with regard to the implementation of security management solutions. ▪ Undertaking relevant activities to protect health and lives, reduce material losses, recover business processes and sustain reputation in case of security incidents or crisis.
1st Line of Defence	
Risk Owners / Operational Managers	▪ Identification and evaluation of risks within his/her function or operational process; ▪ Evaluation of mitigation and internal control activities being in place within his/her scope of responsibility (risk and control self-assessment); ▪ Defining and implementation of risk mitigation plans; ▪ Day-to-day risk monitoring and supervision of internal control activities; ▪ Providing updates to be recorded in the risk register.
Employees	▪ Performing regular internal control activities being an integral part of business processes; ▪ Providing required information for risk evaluation and risk monitoring purposes; ▪ Taking active part in the process of risk identification and evaluation.
2nd Line of Defence	
Financial Controlling	▪ Prepares variance analysis, forecasts and management reporting packages to monitor performance and risks of not achieving operational targets. ▪ Reviews risks assessments performed by Risk Owners and verifies reasonableness of risk values. ▪ Actively involved in setting up business objectives.
Credit Risk Management	▪ Defining credit risk policy and control procedures; ▪ Granting credit limits and setting up collateral level; ▪ Financial standing monitoring of business partners; ▪ Monitoring of account receivables; ▪ Providing credit risk management trainings to sales personnel; ▪ Credit risk assessment for new products; ▪ Reviews changes and provides opinion regarding collection processes.
Compliance function	▪ Developing and implementing legal compliance programs; ▪ Communicating compliance-related issues to employees across all divisions of Play Group; ▪ Monitoring compliance with laws and regulations; ▪ Educating employees on regulatory matters and explain the impact of non-compliance.
Security & Data Privacy	▪ Monitoring of compliance with GDPR; ▪ Maintaining a record of personal data processing activities; ▪ Providing advice regarding the data protection impact assessment; ▪ Cooperating with supervisory authorities on issues relating to personal data processing; ▪ Reviewing technical solution and products offered by the Group in order to ensure secure processing of personal data, ▪ Supervising the processes of granting access rights to data files and IT systems where personal data is processed. ▪ Evaluating security measures applied by the Group to protect personal data.
Fraud prevention	▪ Monitoring the process of securing cash and goods including process of escorting cash from POS-es to the bank ▪ Development and maintenance of controls over cash and goods at sales outlets. ▪ Providing training to sales personnel with regard to fraud prevention controls; ▪ Verifies if sales personnel possessed appropriate knowledge about anti-fraud controls they are obliged to perform on daily basis; ▪ Participates in interrogations of suspicious transactions; ▪ Designs procedures for cash management and trade goods turnover in sales outlets; ▪ Authorization of contracts with high risk tariffs.

Role / Organisational Unit	Summary of key risk management related responsibilities
Revenue assurance	▪ Verification of the completeness and accuracy of documents issued by billing processes; ▪ Verification of completeness and accuracy of data used by IFRS 15 revenue recognition model; ▪ Assessing risks and designing controls for business processes having impact on revenues; ▪ Monitors implementation of mitigation plans define to close internal control gaps in revenue related processes; ▪ Development of tools for big data analysis and preparation of revenue assurance reports.
Group Risk Manager	▪ Designing and implementing group risk management system; ▪ Implement and maintain risk management policies and procedures; ▪ Preparing risk reports on regular basis; ▪ Supporting and educating Play Group personnel to build risk awareness across the Group and adherence to the risk management policy and procedures. ▪ Maintaining Group Risk Register in order to provide risk analyses to the Board of Directors and Management Board.
3rd Line of Defence	
Group Risk Manager	▪ Performing regular reviews of selected risk management and internal control procedure and, if necessary, redesigning them to make mitigation activities stronger. ▪ Occasionally taking active part in performing internal audit assignment under supervision of Internal Audit Director.
Internal Audit	▪ Preparation of Internal Audit Annual Plan based on the risk assessment results recorded in the Group Risk Register; ▪ Providing independent assurance that risk management practices and internal control activities are performed in accordance with Play Group policies and procedures. ▪ Reporting on identified risk management and internal control weaknesses.

11.4 Risk Management Processes

An important part of Play Group's risk management and internal control systems are the following key sets of risk management processes:

- Risk identification and measurement processes – risks are identified in every functional area of Play Group's operations, recorded in the Group Risk Register and evaluated in accordance with standardised risk scoring methodology on quarterly basis.
- Risk mitigation and control – for every risk recorded in the risk register Risk Owners defines their internal control activities designed and implemented in order to mitigate the existing risks.
- Risk reporting and oversight – risk evaluations performed by Risk Owners are collected by Group Risk Manager in order to update risk register and prepare regular risk reports. Both Management Board and Audit Committee performs reviews of risk reports on quarterly basis.
- Risk monitoring and independent assurance – risk evaluations and quality of internal controls are also independently monitored and assured by Internal Audit. Risk register is also used for the purpose of internal audit annual planning.

11.5 Risk & Control Assessment Approach

Play Group uses the Group Risk Register ("the GRR") as a major tool for risk assessment, quantification and reporting purposes. The GRR contains a list of risk events grouped into appropriate risk event sub-categories. Every risk event sub-category is then assigned to one of 13 principal risks (main risk categories). Principal risks are aggregated risk categories evaluated based on an individual assessment of risk events. The following risk measures are used by us to assess individual risk events:

- Risk Probability – measures the likelihood of the risk event occurrence;
- Risk Impact – measures potential consequences of risk event and their impact on the achievement of Play Group's strategic, operational, financial, reporting or compliance objectives.
- Risk Mitigation – measures the strength of internal control activities being in place and their ability to protect the achievement of our objectives even if risk event would happen.

In our view, the risk assessment approach applied by us allows for the parallel assessment of both the level of risk and the effectiveness of mitigation activities. Depending on the assessment of risk impact and risk mitigation measures we determine risk score for each risk event recorded in the GRR according to the risk scoring approach presented in the risk scoring table on the right.

Impact Score	RISK SCORING			
Very High 1	A1	B1	C1	D1
High 2	A2	B2	C2	D2
Medium 3	A3	B3	C3	D3
Low 4	A4	B4	C4	D4
	A Weak	B Medium	C Strong	D Very strong
	Mitigation Score / Strength of Controls			

According to our Group Risk Policy we consider that the major aim of our risk management activities is to maximise the value of the Group through properly aligned costs of mitigating controls with the level of risk exposures. In other words, our risk management an internal control systems are designed to identify any possible misalignments between risk and controls and implement cost effective enhancements in our risk mitigation practices. Such approach of managing, instead of eliminating risks provides reasonable and not absolute assurance that Play Group has an ability to achieve its ambitious business objectives.

In the following table we shortly describe how we address risk management responses in conjunction with various risk scoring results.

Risk score group	Typical risk management responses
C1, C2, D1 or D2	Risk assigned to this group may have very high or high impact on the achievement of the Group's business objectives. For those risks existing control activities and risk mitigation tactics have been assessed as very strong or strong. It means that mitigation and internal controls are properly aligned with the corresponding risks. Risks assigned to this group are considered for internal audit annual planning purposes in order to obtain independent assurance that the risk was accurately assessed by Risk Owners and internal controls are performed as expected.
C3, C4, D3 or D4	This group includes risks having moderate or low impact on the achievement of the Group's objectives. For those risks existing control activities have been assessed as very strong or strong. It might indicate that internal control activities engage more resources that required. Risks assigned to this group are analysed by Risk Owners and challenged by Group Risk Manager to seek cost savings opportunities.
A3, A4, B3 or B4	This group includes risks having moderate or low impact on the achievement of the Group's objectives. For those risks existing control activities have been assessed as moderate or weak. Risk assigned to this group may however have a negative cumulative impact of the achievement of the Group's objectives. Risks assigned to this group should be monitored by Risk Owners on regular basis.
A1, A2, B1 or B2	This group includes risks having very high or high impact on the achievement of the Group's objectives. For those risks existing control activities have been assessed as moderate or weak. It means that internal controls are not effectively aligned with the corresponding risks. Risks assigned to this group should be reported to the management board and board of directors. Usually require additional in-depth analysis to define optimal risk response and mitigation plan.

11.6 Characteristics of our principal risks

This section includes summarised characteristics of our principal risk categories which are subject to regular assessment and monitoring.

Principal risks	Summary of risk characteristics
Commercial risks	The Polish mobile industry is highly competitive, and changes in the business model of other operators and/or increased use of alternative technology could have a material negative impact on our business. The success of our mobile operations depends on our ability to attract market share away from our competitors and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or we otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs, reduced revenues and/or lower cash flows.
Technology risks	Play Group could experience cyber-attacks, subscriber database piracy, database security breaches, which may materially adversely affect our reputation, lead to subscriber lawsuits, loss of subscribers or hinder our ability to gain new subscribers and thereby materially adversely affect our business. Our network infrastructure, including our information and telecommunications technology systems, may be vulnerable to circumstances beyond our control that may disrupt our services and could affect our operations. Our entire network is also considered as one of key environmental risk drivers having impact on electricity usage, electromagnetic radiation and waste management process. More information regarding our approach in managing environmental risks is presented in section 12.1. further in this report.

Principal risks	Summary of risk characteristics
Legal, regulatory & compliance risks	The mobile telecommunications industry is subject to significant European and national regulation and supervision and current regulations as well as any future changes in regulations may have an adverse impact on our revenues, require us to make additional expenditures and otherwise have a material adverse effect on our business, financial condition and results of operations. In additional Play Group operations are also exposed to a number of other regulatory & compliance risks, such as: tax risks and risk of non-compliance with any-monopoly and consumer protection regulations. In addition, our operations have an impact on the environment and Play Group is required to comply with a number of environmental regulations. In section 12.1. we provide more information regarding our approach in managing environmental risks.
Data processing risks	We collect and process subscriber data as part of our routine business operations and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and have a material adverse effect on our business, financial condition or results of operations.
Risk of unethical behaviours	Various fraud and corruption cases could occur due to a number of partners engaged and complex processes performed. This could have an adverse impact, particularly on Play Group's reputation. We conduct regular risk assessments to identify, evaluate and mitigate the risks of any misconduct. We continuously adapt, and stay-up-to-date by using behavioural ethics research to enhance the effectiveness of our policies. Please refer to section 12.3 of the Report for more detailed information.
People risks	We rely on the experience and talent of our managers and skilled employees, and the loss of any of these individuals could harm our business. Labour disruptions or increased labour costs could have a material adverse effect on our business, financial condition and results of operations. Please refer to section 12.2 of the Report for more detailed information on our approach to social matters, including health and safety.
Reputational risks	Failure to maintain the reputation of our brand or impairment of our key intellectual property rights would have a material adverse effect on our business, financial condition and results of operations.
Change management risks	The mobile telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies, offerings and services.
Risk of loss or damage of assets	Play Group may experience attacks of terrorism or vandalism which may cause the loss or damage of our telecommunication equipment and other assets needed to continuously provide our services. Our telecommunication assets are also exposed to natural disaster.
Financial risks	The operations of mobile network operators are capital intensive and we cannot assure you that we will have sufficient liquidity to fund our capital expenditure programs or ongoing operations in the future. In addition we are also exposed to market risk such as currency exchange rate fluctuations, changes to interest rates, restrictive debt covenants. All those risk that might cause limitation in our ability to finance future operations and capital needs and to pursue business opportunities and activities. More detailed information about our financial risk management policies is presented in Note 3 to the Financial Statement.
Roaming and interconnect risks	We rely on national roaming to offer mobile telecommunications services to a certain part of our subscribers. We depend on third-party telecommunications providers over which we have no direct control for the provision of our international roaming services.
Accounting and reporting processes	Our accounting policies may differ from other telecommunications operators, which may affect the comparability of our results. In addition, our operational and accounting systems process high volumes of transaction and are inherently exposed to risk of errors and omissions. The system of internal controls over financial reporting is an integral part of our entire Group Risk Management System. The key characteristics of it are presented in section 11.7 below.
Procurement risks	We depend on third-party providers to provide services to our subscribers. If any of these third party providers fail to deliver or to maintain their products, solutions, services or offerings properly or fail to respond and adapt quickly to our requirements, our subscribers may experience service interruptions, which could adversely affect the perceived reliability of our services and, therefore, adversely impact our brand, reputation and growth.

11.7 Internal Controls over Financial Reporting

There are certain risks specific to the area of financial reporting. These include risk of inappropriate accounting treatment of new types of transactions, risk connected with application of new accounting standards and the risks related to the process of preparation of the financial statements.

The Group's internal control over financial reporting includes policies and procedures that ensure that the accounting records accurately, fairly and completely reflect the Group's transactions and are recorded in accordance with applicable accounting and tax regulations and that the financial statements are free from material misstatements and faithfully represent the financial performance and position of the Group for a given period.

The finance team is involved in the process of project management and therefore can easily identify at an early stage any upcoming new types of transactions, for example a new product or a new financial instrument. For such cases the finance team performs a detailed analysis, how the transaction should be accounted for. In case of transactions which require IT system development for appropriate recognition, the development requirements are timely defined and their implementation is monitored.

The finance team constantly monitors the evolution of the International Financial Reporting Standards as well as applicable local accounting and tax regulations. Changes are identified and the impact on the Group's financial statements is proactively analyzed. If necessary, development of IT systems is planned in order to accurately reflect the new standards in the Group reporting. The development of internal controls is an important aspect of such projects.

The timely preparation of accurate financial statements requires clear segregation of duties and performing controls on different stages of the closing process. The Group has designed certain internal control procedures for the financial information being processed and posted. Additionally, special attention is given to comparison of the already prepared financial information to the budget as well as analysis of trends and coherence with underlying operational drivers. The internal control procedures apply also to disclosures in the financial statements. The Group's Audit Committee through the ongoing review of the Group's financial information and procedures assists and advices the Board in the area of assessment of the validity of the Group's financial reporting and effectiveness of internal control procedures over financial reporting.

11.8 Risk Factors

This section includes the most important risks that we have identified and that we are mitigating and monitoring on an ongoing basis. The risks described below are not exhaustive. We urge you to read the section of this Report entitled "Business" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Report may not occur. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. We cannot assure you that any of these statements are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources, and we cannot guarantee their accuracy.

Risks Related to Our Business

The macroeconomic conditions of Poland and the European Union could have a material adverse effect on our business, financial condition, results of operations and prospects.

We offer mobile voice, messaging, data, video services (including TV distribution) and data transmission, as well as VAS and sales of handsets and other devices, to individual and business customers exclusively in Poland, where substantially all of our reported subscribers are located. The Polish economy may be adversely affected in a number of ways by weakening economic conditions and turmoil in the global financial markets and more locally, in Poland or in the European Union, including the effects of regulatory change. Such adverse economic developments have affected and may in the future adversely affect the financial condition of our subscribers, which, in turn, could cause our subscribers to reduce their spending on our offerings and services. In particular, subscribers may decide that they can no longer afford mobile services or data services that are instrumental in maintaining or increasing our ARPU, and, in turn, maintaining or increasing our revenues. The current macroeconomic environment is volatile, and continuing instability in global markets, including the ongoing turmoil in Europe related to sovereign debt issues and the stability of the euro, as well as volatility surrounding the United Kingdom decision to leave the European Union (and the consequences of that decision) may

contribute to a global economic downturn. In addition, recent differences in opinion between the European Union and the Polish government may lead to further instability, particularly if relations between the European Union and the Polish government deteriorate or potentially threaten Poland's membership in the European Union. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the EC to address debt burdens of certain countries in Europe and the overall stability of the Eurozone. If conditions such as those experienced during the last economic downturn repeat, we may not be able to raise sufficient funding in the debt capital markets and/or access secured lending markets on financial terms acceptable to us or at all and may have a material impact on our business, financial condition and results of operations.

The Polish mobile industry is highly competitive, and changes in the business model of other operators and/or increased use of alternative technology could have a material negative impact on our business.

We face strong competition for subscribers from established competitors, including, in particular, the other mobile operators, Plus, Orange and T-Mobile, which along with the Group together held over 95% of reported subscriber market share in the Polish market in 2019. We estimate that we had a market share of approximately 28%. Our competitors may improve their ability to attract new subscribers, or provide their offerings or services at lower prices to increase their respective market shares, which would make it more difficult for us to retain our current subscribers or expand our subscriber base without us lowering our prices. In order to compete, we may have to lower prices, which may cause our revenues to decline and/or increase our marketing and promotional expenses, each of which may cause our margins and/or operating profit to decline significantly.

Moreover, a change in the business model of mobile network operators in Poland or consolidation or mergers of media operators resulting in joint ventures, new corporate groups or strategic alliances between competing telecommunications providers or the introduction of new types of services, offerings and technologies as a result of such cooperation or strategic alliances could have a material adverse effect on us.

In addition, competition may increase as a result of the provision of mobile Internet services by entities other than mobile network operators. For example, certain mobile virtual network operators offer mobile broadband services based on LTE/HSPA+ technologies as part of their offerings and certain Polish cable or fixed line operators, have launched their own Mobile Virtual Network Operators ("**MVNOs**") and offer mobile broadband services which compete with us. These cable operators are also able to offer bundled packages which as mentioned above, may prove attractive to consumers and which we do not currently offer. If we were to lose subscribers due to consumers taking up the bundled offers of MVNO's with whom we are not partners, our revenues would decline and consequently our churn would increase.

Further, if non-traditional voice services utilizing Voice over Internet Protocol, or alternative technologies to mobile voice and messaging (SMS/MMS) become increasingly popular, this may have a material adverse effect on our business. These services, are capable of providing data users with voice and messaging services, typically at a substantially lower cost than traditional voice and messaging services and without a mobile phone contract. Should such services continue to increase in popularity, they could cause a decrease in our ARPU and a reduction of our subscriber base across all of our services and/or prevent us from realizing expected benefits associated with our voice and mobile broadband growth strategy described elsewhere in this Report, among other material adverse effects. In addition, we expect to face competition in the future from providers of services supported by communications technologies that are currently under development or that will be developed in the future. Our existing competitors or new market entrants may introduce these and/or other new or technologically superior telecommunications services before we do or at more competitive prices.

Finally, our ability to compete effectively in our existing or new markets could be adversely affected if Polish regulators increase our regulatory obligations or enact further legislation aimed at promoting access to network or other forms of support to other operators on the market, as well as to local authorities and communities. The entry of new mobile operators may have a material adverse effect on our results of operations and prospects, if they were to be granted asymmetrical MTRs, as the Group was when it first entered the market.

If any of the conditions described above were to materialize, we could suffer a decrease in revenues, increased churn, reduced ARPU, reduced margins and/or loss of market share, all of which could negatively impact our business, financial condition and results of operations.

The success of our mobile operations depends on our ability to attract market share away from our competitors and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or we otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs, reduced revenues and/or lower cash flows.

According to UKE's report, there were approximately 52 million reported SIM cards in Poland, which resulted in a total penetration rate just above 134% as at December 31, 2018. We believe this situation to have continued in 2019. The high rate of mobile voice penetration in the Polish mobile market may result in pricing pressure and/or hinder our ability to compete effectively to retain our market share and capture market share from our competitors.

We believe that further growth of our business in this maturing market will be primarily driven by our ability to increase existing subscriber usage and/or new services, continue to convince subscribers to switch from competing operators to our services and to limit rates of subscriber churn. Although we have recently experienced growth at a lower rate than in previous years, one of the components of our strategy going forward is to maintain or decrease our current level of subscriber churn. This can be achieved by retaining existing subscribers; however, this may depend upon the introduction of new or enhanced offerings and services, flexible pricing models, high quality customer service, and improved network capabilities in response to evolving subscriber expectations, or the offerings of our competitors. If we are unable to successfully manage our churn, we may need to rapidly reduce our costs in order to preserve our profit margins or take alternative measures that would increase our subscriber acquisition costs and subscriber retention costs which could, in turn, result in a decrease in our cash flows. We cannot assure you that the various measures we are undertaking to increase subscriber loyalty will reduce the rate of churn or allow us to maintain our current churn rate.

In addition, the mobile telecommunications industry is characterized by frequent developments in offerings, as well as advances in network and handset technology. Further, smartphones have increased in popularity and decreased in price. At the same time, we are observing more customers switching to high-end handsets. If we fail to maintain and upgrade our network and provide our subscribers with an attractive portfolio of offerings and services that adequately address their needs and expectations, we may not be able to retain subscribers or the subscribers' retention and acquisition costs may increase, which could decrease our profitability and decrease future cash flows. We may also face increased churn if the competitive landscape is affected by the increased availability of bundled offers from our competitors which we are not able to provide as discussed above.

Likewise, if we fail to effectively communicate the quality, reliability or other benefits of our network through marketing and advertising efforts, or to successfully market our brand as having a reputation for network quality and reliability, we may not be able to attract new subscribers or reduce churn, and our marketing and advertising efforts may cost more than the incremental revenue attributable to such efforts, which in turn, may decrease our profit margins. This would have an adverse effect on our operations, particularly as tariffs are already relatively low in comparison with the rest of Europe. If we were forced to lower our prices or the cost of retaining and acquiring new subscribers were to increase, this could have a material adverse effect on our business, financial condition and results of operations.

We rely on national roaming to offer mobile telecommunications services to a certain part of our subscribers.

We have entered into national roaming agreements with Plus, Orange and T-Mobile (agreement with Plus expired at the end of 2019). Under these agreements we are provided with network services, allowing us to offer mobile telecommunications services to our subscribers in areas where we do not have our own radio network coverage, which is of great importance from a costs and infrastructure perspective given the geographical spread of Poland.

It is possible that the relevant operators may become insolvent or go into liquidation which could adversely affect their national roaming services, and as a result – negatively impact our coverage and service quality. In addition, an increase in the number and volume of calls by our subscribers served on the networks of the other MNOs could result in increase of the cost of national roaming. In the event that this disrupts our network access or coverage in a manner which we cannot resolve through other agreements, we may have to substantially increase our capital expenditures in order to extend our radio network or enter into agreements with other network access providers on terms that may not be as favorable as the terms of the terminated agreement. In addition, we may have disagreements with our national roaming contract counterparties either over the terms or the quality of the services provided, which may affect the use of network services, or affect our decisions with respect to how we direct our network traffic. If any of these events were to occur, or

if we face an increase in costs incurred under one of our national roaming agreements, it would have an adverse impact on our financial condition and results of operations, or, if we are not able to fund capital expenditure to extend our radio network, such failure would affect the level of services which we can offer which could mean that we would lose subscribers or fail to attract new subscribers, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.
In addition, while we have these national roaming agreements in place, we do not have direct control over the quality of the networks of other operators and the national roaming services they provide. Any difficulties, delays or the failure of any operator to provide reliable services to us on a consistent basis could result in a reduction of subscribers or a decrease in traffic, which would reduce our revenues and could have a material adverse effect on our business, financial condition and results of operations.

We depend on third-party telecommunications providers over which we have no direct control for the provision of our international roaming services.

Our ability to provide high-quality telecommunications services depends on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, particularly those of our competitors. Any price increase on services provided to us could negatively impact our financial position. We also rely on third-party operators for the provision of international roaming services for our mobile subscriptions. While we have interconnection and roaming agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnections and roaming services they provide. Additionally, our competitors may decide to charge additional fees for our use of their networks, such as termination fees for SMS or data services. Even if we attempt to offset such fees by implementing similar fees ourselves, we may not be able to offset all of the additional costs. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to us on a consistent basis, could result in our loss of customers or a decrease in traffic, which would reduce our revenues and adversely affect our business, financial condition and results of operations.

The mobile telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies, offerings and services.

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 we cannot assure you that we will be able to sufficiently and efficiently adapt the services we provide to keep up with rapid developments in the industry.
In particular, we expect certain communications technologies that have recently been developed or are currently under development to become increasingly important in our market. This includes 4G LTE (for which we commenced a roll-out in 13 major Polish cities in November 2013 and which has grown substantially to now cover 98.7% of the population as of December 31, 2019) and 4G LTE Ultra (which we launched in March 2016 and covers 90.1% of the population as of December 31, 2019).

If we fail to receive an allocation of mobile spectrum in any other subsequently announced auctions and our competitors receive such mobile spectrum, we could lose subscribers or fail to attract new subscribers, which would impact subscriber churn, or incur costs and investments in order to maintain our subscriber base or service the growing traffic, all of which could have a material adverse effect on our business, financial condition and results of operations.
Further, technological changes and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our existing services less profitable, less viable or obsolete. Technological developments may also shorten product life cycles and facilitate the convergence of various areas of the telecommunications industry. In addition, we cannot currently predict how emerging and future technological changes will affect our operations, nor can we predict that new technologies required to support our planned services will be available when expected, if at all. We may be required to deploy new technologies rapidly if, for example, subscribers begin demanding features of a new technology such as increased bandwidth, or if one of our competitors decides to emphasize a newer technology in its marketing campaigns.

Due to the rapid evolution of technology, we cannot guarantee that we will correctly predict and therefore devote appropriate amounts of capital and resources to develop the necessary technologies that satisfy existing subscribers and attract new subscribers. As a result, new or enhanced technologies, services or offerings we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. In addition, we may not recover the investments we have made or may make to deploy these technologies, offerings and services and we may not assure you that we will be able to do so in a cost efficient manner, which would also reduce our profitability. Further, we may not be able to obtain funding on reasonable terms or at all in order to finance the necessary capital expenditures to keep pace with technological developments. We also may not be able to obtain access to capital or other resources necessary to develop new or enhanced technologies, offerings and services when needed or at all.
Connected to the above, even if we have sufficient resources to provide new technologies which emerge, we may not receive sufficient frequency reservations necessary to provide services based on these new technologies in the markets in which we operate or we may be negatively impacted by unfavorable regulation regarding the usage of these technologies.

The operations of mobile network operators are capital intensive and we cannot assure you that we will have sufficient liquidity to fund our capital expenditure programs or ongoing operations in the future.

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 we expect will always require significant amounts of capital investment.
Due to winning the LTE auction in October 2015, in January 2016 we were granted 2600 MHz and the 800 MHz frequency reservations (in June 2016, the blocks were reallocated). As a result of these awards, we are required to comply with certain frequency reservation obligations such as, inter alia, making investments in so-called “white spot” areas (meaning areas where there is currently no or very limited mobile network coverage, or where it is not otherwise economically practicable to deploy, such as areas of low population density) and the telecommunications networks of certain designated communities in Poland.
In addition, we are currently in the expansion phase of our 4G LTE Ultra network in relation to which we still have material investment needs that are required in order for us to realize our growth strategy. If our network expansion is not completed quickly enough or subscribers use more data in the future than we currently anticipate or if network usage were to develop faster than we currently anticipate, we may require greater capital investments in shorter time frames than we anticipate and we may not have the resources to make such investments.
While we believe we have met the coverage obligations imposed in the frequency reservation decisions and while we are not aware of any potential claims for further coverage with respect to these reservations, any potential claims by the regulator or our competitors, if they were to materialize, could be costly. Under our 800 MHz frequency we have certain obligations to build base stations. However, certain factors beyond our control, such as zoning restrictions and planning laws (and similar building restrictions) or any protests against the proposed sites for our base station by any parties concerned about alleged health risks relating thereto, may mean we are not able to fulfill our obligations. Although we will seek to address any such failure in advance with the regulator, there can be no assurances that we will reach a compromise with them and we may face a claim from the regulator. Any claims from the regulator with respect to the above may result in fines, which could be substantial, and/or revocation of our reservation. Any such claims may have a material adverse effect on our business, financial condition, results of operations and prospects.
The amount and timing of our future capital requirements to purchase additional frequencies, e.g. in the upcoming auction for 5G 3.4-3.8Ghz, or to meet such regulatory requirements as detailed above and to keep up with subscriber demand may differ materially from our current estimates due to various factors, many of which are beyond our control. If we were to be awarded an additional frequency reservation in the future, we would expect to finance the costs associated with such frequency reservation and investment requirements from operating cash flows or through debt and equity financing, which could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. It cannot be assured that we will generate sufficient cash

flows in the future to meet our capital expenditure needs, sustain our operations or meet our other capital requirements, which may have a material adverse effect on our business, financial condition and results of operations.
In addition to investing in our network, we must also continuously maintain and upgrade our existing networks and IT systems in order to allow our ongoing operations to function properly and to expand such subscriber function as our subscriber base grows. We cannot assure you that the implementation and migration of data to the appropriate systems or any expansions in our IT systems will be made as planned or as budgeted or will meet all our business, functional and regulatory requirements. In addition, the needs of our business as well as regulatory obligations, among other things, could require us to upgrade the functionality of our networks, increase our customer service efforts, update our network management and administrative system and upgrade older systems and networks to adapt them to new technologies. Many of these tasks are not entirely under our control and may be affected by, among other things, applicable regulations. If we fail to successfully maintain, expand or upgrade our networks and IT systems, our offerings and services may become less attractive to new subscribers and we may lose existing subscribers to our competitors, or we may become subject to additional financial strain due to unbudgeted investments. In addition, our future and ongoing network and IT systems upgrades may fail to generate a positive return on investment, which may have an adverse effect on our business, financial condition and results of operations. Finally, if our capital expenditure exceeds our projections or our operating cash flow is lower than expected, we may be required to seek additional financing for future maintenance and upgrades, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We could experience cyber-attacks, subscriber database piracy, other attacks of terrorism or vandalism or database security breaches, which may materially adversely affect our reputation, lead to subscriber lawsuits, loss of subscribers or hinder our ability to gain new subscribers and thereby materially adversely affect our business.

We may be exposed to database piracy, unauthorized access or other database security breaches which could result in the leakage and unauthorized dissemination of information about our subscribers, including their names, addresses, home phone numbers, passport details and individual tax numbers. In addition, the breach of security of our database and illegal sale or other unauthorized release of its subscribers' personal information could materially adversely impact our reputation, prompt lawsuits against us by individual and corporate subscribers, lead to violations of data protection laws and adverse actions by the telecommunications regulators and other authorities, lead to a loss in subscribers and hinder our ability to attract new subscribers. In addition, our network and IT infrastructure may be exposed to cyber-attacks (which our current insurance policy does not cover), computer virus attacks or acts of terrorism. Any inability to operate our network as a result of such events may result in significant expense or loss of market shares. These factors, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

Our network infrastructure may be vulnerable to circumstances beyond our control that may disrupt our services and could affect our operations.

The mobile telecommunications business depends on providing our subscribers with reliable service, network capacity and security. The services we provide may encounter disruptions from many sources, including power outages, acts of terrorism, vandalism and human error, as well as fire, flood, or other natural disasters. In addition, we could experience interruptions of our services due to, among other things, hardware failure, software bugs, computer virus attacks, unauthorized access or corruption of data. Any interruptions in our ability to provide our services could seriously harm our reputation and reduce subscriber confidence, which could materially impair our ability to acquire and retain subscribers. In addition, such interruptions could result in an obligation to pay contractual penalties or cause our subscribers to terminate their agreements with us, the imposition of regulatory penalties due to violations of the terms of certain of our frequency reservations or a need to incur significant capital expenditures to restore the functionality of our networks and provide our subscribers with reliable service, network capacity and security.
In particular, our base station sites, where our radio equipment is located, are particularly important to our business. The risks above are particularly applicable to our base stations because they are spread across a wide variety of locations. This leads to risks of theft or vandalism at these sites, including by protestors who are concerned about alleged health

risks relating to base stations. With respect to base stations installed on certain structures, we also require building permits when we construct and install our base stations, which typically take approximately 18 months to obtain. If we were not able to obtain these, our building or construction of base stations in locations we deem desirable could be delayed or halted. In addition, our permits may be revoked, even after commissioning of our base stations. In addition, in certain areas, local authorities or courts may decide to limit the amount of base stations which can be located in an area, which would exacerbate these issues. Further, there is also a potential risk of slowdown of the Group's network development in the near future as a result of judgments of administrative courts, including the Supreme Administrative Court ("NSA") and construction supervisors. These judgments include statements unfavorable for telecommunications operators, suggesting that obtaining building permits is necessary in the case of building the base stations also on structures where currently no building permit is required. These verdicts could be used by the lower administrative courts and administration offices in similar cases relating to our network development. While these verdicts do not set judicial precedent, they could be used as a guideline in lower-level administrative courts and architectural or construction administrative bodies. If such decisions were used as a guideline, it cannot be excluded that such courts and offices will not apply such decisions with retrospective effect.

Further, part of our network infrastructure is located on the premises of third parties. This would mean that if this infrastructure were to encounter any disruptions, it may take longer to resolve the problem, which would impair our ability to obtain and retain subscribers. In addition, disputes between these third parties and us or legal proceedings involving third parties or our property may cause part of our network infrastructure to be inaccessible, which could have a material adverse effect on our ability to efficiently operate, maintain and upgrade our network. Finally, we are dependent on securing leases in locations we seek to deploy base stations and are at risk of not being able to renew leases when they expire.

Any of these effects could have a material adverse effect on our business, financial condition and results of operations.

Our operations depend on the effectiveness of our distribution network.

We rely to an extent on independent third parties such as our dealers to offer, sell and distribute our offerings and services. As of December 31, 2019, we had 764 dedicated "PLAY" branded stores, majority of which were operated by independent third-party dealers.

Although we have a diverse dealer distribution network for which we aim to secure distribution agreements that include provisions relating to exclusivity, non-competition, rights of first refusal, and the pre-emptive right to buy a dealer's shares if the dealer decides to sell its enterprise or the organized part of its enterprise (if dealer operates as a limited liability or joint stock company), our business may be adversely affected if we were to lose a number of major dealers due to resulting financial difficulties or if they decide not to continue their co-operation with us. This would increase our costs of operations, and if we cannot secure a similar agreement with a different dealer in the same location to replace expected future revenues, our revenues may decrease.

Further, due to increased competition with other mobile providers, we may be forced to increase the commissions we pay to our dealers, to expand our distribution network and to alter the distribution channels that we currently rely on to distribute our services. Any increase in the commissions that we pay to dealers in our distribution network would increase our operating costs and likely decrease our profitability. Any failure to maintain our distribution network could significantly hinder our ability to retain and attract subscribers for our services, which would have a material adverse effect on our business, financial condition and results of operations. In addition, if we determine that we need to significantly reorganize or rebuild our existing distribution network, we may be forced to make significant incremental investments in our distribution network, resulting in increased operational costs.

We lease a significant number of our retail outlets. Such leases typically have a limited duration. We cannot guarantee that these lease agreements will be extended or renegotiated on reasonable terms upon expiration of their respective terms, or that they will be extended at all. An inability to cost-effectively renew such leases after they expire, or to cost effectively obtain sufficient alternative facilities, would have an adverse effect on our business, financial condition and results of operations.

We depend on third-party providers to provide services to our subscribers.

Our success and ability to grow our subscriber base depends on our ability to provide high-quality, reliable services, for which we rely, in part, on third-party providers of network, licenses, services, equipment and content over whom we have no direct operational or financial control. If any of these third party providers fail to deliver or to maintain their products, solutions, services or offerings properly or fail to respond and adapt quickly to our requirements, our subscribers may experience service interruptions, which could adversely affect the perceived reliability of our services and, therefore, adversely impact our brand, reputation and growth.
In particular, we rely on continued maintenance and supply services rendered by manufacturers of telecommunications equipment, cooperate with suppliers of handsets and devices as well as with local distributors of electronic goods and providers of IT services, with relatively high exposure to network equipment and services from Huawei as well as to handsets provided by non-EU producers. We do not have any direct operational or financial control over our key suppliers and have limited influence with respect to the manner in which these key suppliers conduct their businesses. Our reliance on these suppliers exposes us to risks related to delays in the delivery of their products and services. If any of the third parties that we rely on become unable to or refuse to provide to us the licenses, services, facilities and equipment that we depend on in a timely and commercially reasonable manner or at all, we may experience temporary service interruptions or service quality problems. We cannot guarantee that these or other risks to the reputation of, and value associated with, our brands will not materialize. Any such damage or erosion in the reputation of, or value associated with, our brands could have a material adverse effect on our business, financial condition, results of operations and prospects. We cannot assure that our suppliers will continue to provide us with products, licenses and services at attractive prices or that we will be able to obtain such products, licenses and services in the future from these or other providers on the scale and within the time frames we require, if at all. If our key suppliers are unable to provide us with adequate supplies of products, licenses and services, or provide them in a timely manner, our ability to attract subscribers or provide attractive offerings could be negatively affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The mobile telecommunications industry is characterized by a limited radio frequency spectrum available for allocation, with certain prior allocation processes subject to dispute.

Our future success partially depends upon our ability to secure new radio frequency spectrum, which might be necessary for the launch of new or enhanced technologies or, as our business grows, to carry the traffic of our own subscribers. The amount of radio frequency spectrum available in Poland for allocation is limited and the process for obtaining it is highly competitive. Play is continuously reviewing various market opportunities for further spectrum acquisitions. Our inability to obtain a frequency spectrum necessary to launch any new or enhanced technologies or the success of any of our competitors in obtaining such spectrum, could materially affect our growth strategy and, accordingly, may have a material adverse effect on our business, financial condition, results of operations and prospects. We also cannot assure you that we will be able to obtain any necessary or desirable frequency spectrum at acceptable costs, which could have a material adverse effect on our revenue, margins and cash flows. Finally, we cannot guarantee that we will have sufficient funds available or be able to secure sufficient financing in order to acquire such frequency reservations.

We are continuously involved in disputes and legal proceedings that, if determined unfavorably to us, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are continually involved in disputes and legal proceedings, including disputes and legal proceedings initiated by regulatory and tax authorities as well as proceedings with competitors and other parties. For a description of the proceedings that we believe are material for our business, including proceedings before the UKE President, and the respective courts, with respect to the annulment of the tender process and the reservation decision with respect to the 1800 MHz frequency and the annulment of the auction and the reservation decisions with respect to 800 MHz and 2600 MHz frequencies, see Financial Statement, chapter "*Legal and regulatory proceedings*".
Any such disputes or legal proceedings, whether with or without merit, could be expensive and time consuming, could divert the attention of our management and, if resolved adversely to us, could harm our reputation and increase our costs,

all of which could result in a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to maintain the reputation of our brand or impairment of our key intellectual property rights would have a material adverse effect on our business, financial condition and results of operations.

Our intellectual property rights, including our key trademarks and domain names, which are well known in the telecommunications markets in which we operate, are important to our business. The brand name "PLAY" and currently used figurative trademarks for "PLAY" are highly important assets.

If we are unable to maintain the reputation of and value associated with our "PLAY" brand name, we may not be able to successfully retain and attract subscribers. Our reputation may be harmed if any of the risks set forth in this "Risk Factors" section materializes. Any damage to our reputation or to the value associated with our "PLAY" brand name could have a material adverse effect on our business, financial condition, results of operations and prospects.

Further, a significant part of our revenue is derived from offerings and services marketed under our "PLAY" brand name. We rely upon a combination of trademark and copyright laws, database protections and contractual arrangements, where appropriate, to establish and protect our intellectual property rights. We may be required to bring claims against third parties in order to protect our intellectual property rights, and we may not succeed in protecting such rights. As a result, we may not be able to use intellectual property that is material to the operation of our business.

In addition, as the number of offerings and overlapping offering functions increase, the possibility of intellectual property infringement claims against us may correspondingly increase. We cannot guarantee that we have not unwittingly breached or that we will not in the future unintentionally breach the intellectual property rights of third parties. Any alleged breach could expose us to liability claims from third parties. In addition, we might be required to obtain a frequency reservation or acquire new solutions that allow us to conduct our business in a manner that does not breach such third party rights and we may be forced to expend significant time, resources and money in order to defend ourselves against such allegations. The diversion of our management's time and resources, along with potentially significant expenses that could be involved, could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, any lawsuits concerning intellectual property, regardless of their outcome, could have a material adverse effect on our business, financial condition and results of operations.

Currency exchange rate fluctuations could have a material adverse effect on our financial condition and the results of our operations.

Our business is exposed to fluctuations in currency exchange rates. Nearly all of our revenues are denominated in zloty, while certain of our significant expenditures, such as the purchase of handsets, purchases of network equipment, IT system costs, international roaming costs and payments in relation to certain leases of office space and sites are denominated in foreign currencies, particularly the euro, and to a lesser extent, XDR, U.S. dollars and pounds sterling. A depreciation of the zloty against the euro, XDR, the U.S. dollar or the pound sterling, which have been subject to fluctuations in the past, would increase these costs.

We rely on the experience and talent of our managers and skilled employees, and the loss of any of these individuals could harm our business.

The successful operation of our businesses as well as the successful implementation of our strategy is dependent on the experience of our managers and key personnel. Our future success depends in part on our ability to retain managers who have had a significant impact on our development, as well as on our ability to attract and retain skilled employees able to effectively operate our business. There is intense competition for skilled personnel in the Polish and the global telecommunications industry. We cannot guarantee that we will be able to attract and retain such managers or skilled employees in the future. The loss of some or all of our key managers, or the inability to attract and appropriately train, motivate and retain qualified professionals, or any delay in doing so, could have a material adverse effect on our business, financial results, results of operations and prospects.

Labor disruptions or increased labor costs could have a material adverse effect on our business, financial condition and results of operations.

If we experience a material labor disruption, strike or material dispute with our employees, or significantly increased labor costs in our business operations due to work stoppages or other such events that may affect our ability to conduct business, we may not be able to timely or cost effectively meet subscriber demands and provide our standard level of customer care, which could reduce our profitability. We have been in the past and we are currently a party to labor disputes with some of our employees on an individual basis. We cannot assure you that these claims or future claims by employees will not have an adverse effect on our business, financial conditions or results of operations. Additionally, labor issues that affect third parties that we rely on for services and technology could also have a material adverse effect on us if those issues interfere with our ability to obtain necessary services and technology on a timely basis.

Alleged health risks of wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations.

We are aware of various reports alleging that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from handsets and other mobile telecommunications devices. We cannot assure you that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile telecommunications devices, press reports about risks or consumer litigation relating to such risks could adversely affect the size or growth rate of our subscriber base and result in decreased mobile usage, reduction in the number of subscribers, increased difficulty in obtaining sites for transmitters and exposure to potential litigation or other liabilities or increased costs resulting from potential new regulations in this respect. If any of the above risks were to materialize, it may have a material adverse effect on our business, financial condition, results of operations or prospects. In addition, these health concerns may cause the European Union and Polish authorities to impose stricter regulations on the construction of the components of our network, such as Base Transceiver Stations or other telecommunications network infrastructure, which may hinder the completion or increase the cost of network deployment and the commercial availability of new services.

We need to maintain our efficient and effective operational policies to avoid increases in our operating costs.

Our success will depend on, among other things, our ability to realize our strategy to maximize our operational and cost efficiencies. As part of our focus on operational efficiency, we plan to improve our earnings and cash flows by maintaining and potentially lowering operating costs from current levels through a number of measures, such as ensuring the continuation of our national roaming agreements on the same terms or on terms more favorable to us. Even if we are successful in these and other initiatives, such as handset subsidy and sales commission control or maintaining tight controls over stocking levels, we may face other risks associated with our plans, including declines in employee morale, the level of customer service we provide, the efficiency of our operations and the effectiveness of our internal controls. Failure to continue to successfully implement such policies, unforeseen additional expenses or the inability to fully realize their anticipated benefits could impair the successful execution of our growth strategy or otherwise have a material adverse effect on our business, financial condition and results of operations.

We collect and process subscriber data as part of our routine business operations and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and have a material adverse effect on our business, financial condition or results of operations.

We collect, store and use data in the ordinary course of our operations that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the privacy requirements provided for under applicable laws, we may fail to do so and certain subscriber data may be leaked as a result of human error, willful misconduct or technological failure or otherwise be used inappropriately. We work with independent and third-party suppliers, partners,

dealers, service providers and call centers, and we cannot eliminate the risk that such third parties could also experience system failures involving the storing or the transmission of proprietary information. Violation of data protection laws or regulations by us or one of our partners or suppliers may result in fines, reputational harm and subscriber churn and could have a material adverse effect on our business, results of operations or financial condition.

We may make acquisitions or enter into transactions that could result in operating difficulties, dilution and other adverse consequences.

We have evaluated, and may continue to evaluate, potential strategic or other acquisitions and transactions which may enhance our business operations. Any of these transactions could be material to our financial condition or results of operations. The process of integrating an acquired company, network, business or technology or IT system could create unforeseen operating difficulties and expenditures, and we may not realize any or all of the benefits we anticipated at the time of the acquisition. Further, our management could be required to invest significant time into such acquisitions and the resulting integration activities, and our management may change as a result of future corporate transactions. Future acquisitions or divestitures could result in potentially dilutive issuances of equity securities, debt incurrence, contingent liabilities or amortization expenses, write-offs of goodwill or integration expenses, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our accounting policies may differ from other telecommunications operators, which may affect the comparability of our results.

Our accounting policies may differ from the accounting policies of other operators in the mobile telecommunications industry with respect to, e.g., valuation methods, presentation, critical assumptions, estimates and judgments. In addition, we have early adopted IFRS 15 “Revenue from Contracts with Customers” which are obligatory for all entities reporting under IFRS for annual periods beginning on or after January 1, 2018, and IFRS 16 “Leases” which will be obligatory for all entities reporting under IFRS for annual periods beginning on or after January 1, 2019.

For further information, please see “Presentation of Financial Information—Early Adopted Accounting Standards.” Our results may therefore not be directly comparable to those of other companies in our industry.

Frequent changes in Polish tax regulations may have an adverse effect on our results of operations and financial condition.

The Polish tax system is characterized by frequent changes.
Recently, a number of new tax regulations have come into force which were prepared in a relatively short time and implemented with short grace periods. Other tax reporting or compliance obligations or new tax regulations may be introduced, which could also affect Play’s operations. Please note that some of these regulations have had and may have an impact on Play’s business and financial condition, including cash flows. We cannot exclude the possibility that further legal amendments will be introduced in Poland, e.g., with respect to real estate tax, or that new tax burdens will be imposed on telecommunication activities. Tax laws in Poland may also need to be amended in order to implement new EU legislation.
In the Polish tax system taxpayers rely on laws, which are frequently amended but also on individual rulings, which are also subject to potential changes and reversals. This leads to uncertainties in application of new laws and rulings in the Group’s procedures. As a result, the Group faces the risk that its activity in selected areas could be unsuited to the changing regulations and the changing practice in their application. There is also a risk that the tax interpretations already obtained and applied by the Group in Poland will be changed or deprived of their protective power, which could lead to tax exposure for the Group.
Due to the foregoing, potential disputes with the Polish tax authorities cannot be ruled out, and, consequently, the tax authorities could challenge the tax settlements of companies in the Group regarding non-time-barred tax liabilities (including the due performance of the tax remitter’s obligations by companies in the Group) and the determination of tax

arrears for these entities, which may have a material adverse effect on the business, financial standing, growth prospects or results of the Group.
Please note that tax settlements, together with other areas of legal compliance (e.g., customs or foreign exchange law) may be subject to review and investigation at any time by the tax authorities and additional tax assessments with penalty interest and penalties may be imposed within five years from the end of the year in which a tax is due.
In view of these frequent changes, which may have a retroactive effect, and the existing uncertainty, the lack of a uniform interpretation of tax law and the relatively long statute of limitations for tax liabilities, the risk of challenging the application of tax regulations in Poland may be higher than in the legal systems of more developed markets. Additionally, these changes in tax regulations have had and may in the future have negative effects on our business, financial condition, results of operations and prospects. Further, the lack of stability in the Polish tax regulations may hinder the Group's ability to effectively plan for the future and to implement our business plan.
Moreover, in relation to the cross-border nature of the Group's business, the international agreements, including double tax treaties, to which Poland is a party also have an effect on the Group's business. Different interpretations of the double tax treaties by the tax authorities, as well as any changes to these treaties, may have a material adverse effect on the Group's business, financial standing or results.

The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the General Anti-Avoidance Rule (GAAR).

The GAAR regulations apply to tax benefits gained following the date the GAAR entered into force as a general anti-tax abuse law, in addition to existing anti-abuse regulations related to mergers, spinoffs, qualified exchanges of shares and exempt dividend distributions. Under certain conditions the tax authorities may also review past transactions under the GAAR. The GAAR allows the tax authorities to disregard a legally valid transaction (relationship) for tax purposes if the primary aim of the transaction was tax avoidance, where "tax avoidance" is interpreted as "an act (or series of acts) applied primarily in order to receive a tax benefit, which in certain circumstances defeats the object and purpose of the tax act, provided the manner of conduct in a particular case was artificial."
A transaction will be considered to have been carried out primarily to obtain a tax benefit if the other economic or commercial objectives of the transaction as stated by the taxpayer should be considered negligible.
At this stage, while it is not expected that the rule will apply to genuine commercial transactions, the application and approach of the Polish tax authorities regarding these rules is untested.
The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the GAAR, including regarding transactions performed before the GAAR regulations entered into force. Any possible decisions regarding GAAR unfavorable to the Group may have a material adverse effect on the Group's business, financial condition and operational results.

Polish tax rulings may be subject to review.

Poland applies a tax ruling system that generally protects taxpayers or tax remitters against negative tax consequences of their actions if: (i) a tax ruling is obtained prior to the tax effect of an action or prior to an action which is subject to a tax ruling, (ii) the taxpayer or tax remitter complies with the tax treatment of the action confirmed in a tax ruling, and (iii) the matter subject to a tax ruling is not subject to tax proceedings initiated, conducted or ended by the tax authorities.
Tax rulings can protect a taxpayer or tax remitter against negative tax consequences only if facts presented for the purpose of a tax ruling truly and accurately describe a real action subject to such tax ruling and its circumstances.
The tax authorities may review the facts presented by the taxpayer or tax remitter and compare them with what subsequently occurs. If they find that the facts are different or not adequate, then a tax ruling will not protect the taxpayer or tax remitter against negative tax consequences. Even if Play believes that the facts are properly presented for the purpose of the tax rulings it obtained, the tax authorities could still attempt to challenge what subsequently occurs (or has occurred) as not being in compliance with the facts described by Play for the purpose of its tax rulings and, therefore, challenge the tax protection which might result from such rulings. Tax rulings which relate to any matters subject to or

challenged under the GAAR are not binding and will not protect a taxpayer or tax remitter against negative tax consequences.

The interpretation of Polish tax laws related to the taxation of investors may be inconsistent, and subject to change, and it is possible that a non-Polish investor may be subject to Polish tax as a result of investment in the shares under the current Polish tax laws.

The Polish legal system, and specifically Polish tax law, is characterized by frequent changes, ambiguity and inconsistent tax law practice on the part of the tax authorities; thus, judicial decisions relating to the application of Polish tax law regulations are frequently inconsistent. This applies in particular to issues relating to the taxation of income generated by investors in relation to their acquisition, holding and disposal of shares in a non-Polish company admitted to organized trading on the Warsaw Stock Exchange. In particular, new Polish regulations on the source of income may treat income from the Shares as earned in Poland and subject to Polish income tax. Furthermore, no assurance may be given that amendments to tax laws that are unfavorable to investors will not be introduced or that the tax authorities will not establish a different interpretation of tax provisions that is unfavorable to investors, which could have an adverse effect on effective tax burdens and the actual profit of investors from their investment in the Shares.

Tax authorities may increase the frequency with which they perform tax audits.

Based on publicly available information, an unprecedented number of tax audits have been initiated by the Polish tax authorities recently, in particular with respect to corporate income tax and transfer pricing settlements. During these audits, special emphasis is placed on any group restructuring actions, trademark-related transactions and schemes, intra-group settlements, new innovative offerings and their terms and conditions, as well as debt financing.
In the last few years, the Group has actively worked on tailoring its structure and offerings to respond to competitive market challenges and consumer needs, and performed similar transactions which currently are or potentially might be subject to the above mentioned intensified tax audits.
Please note that the Group performed in-depth, detailed legal and tax analysis before carrying out the above mentioned restructurings and transactions, and making innovative offerings. Moreover, whenever possible, Play has obtained individual tax rulings confirming the correctness of the tax treatment to be adopted or actually adopted. Therefore, in the Company's view, all transactions have been correctly categorized for tax purposes, in particular in line with binding legal and tax provisions.
Nevertheless, in the current tax environment, the Group cannot exclude the risk that the tax authorities (e.g., during a tax audit) may take a different approach from the one adopted by Play.

Certain tax audits are ongoing with respect to Play.

Currently, there is one ongoing tax audit in Play being conducted with respect to corporate income tax settlements for the financial year ended December 31, 2014 (initiated in 2018). Play has been informed that the 2014 audit should finish by May 14, 2020, please note that this deadline is likely to be further extended (this is a common practice of the Polish tax authorities).
Tax authorities investigate in particular: (i) intra-group transitions and settlements, with special emphasis on the settlements between Play and Play Brand Management Limited and (ii) trademarks-related settlements. Moreover, the tax authorities have requested documents concerning different types of related party transactions (e.g., transfer pricing documentation, fee calculations, and other similar documentation).
In October 2019 customs and tax audits in respect of P4's settlements of the withholding tax have been commenced. The control covers compliance with the remitter's obligations regarding the withholding tax on interest paid by P4 in 2015, 2016 and 2017 tax years. The Company was informed that the audits should end by 20 April 2020. This deadline may be, however, extended.
We cannot exclude the risk that the tax authorities will apply a different approach from the one adopted by Play, which may adversely affect our business.

VAT risk related to TV services rendered by Play.

In 2016, Play launched online TV offers, in addition to its ongoing provision of its core telecommunications services. In line with a positive tax ruling it obtained, Play applied a lower VAT rate for TV services. One cannot exclude the risk that the Polish tax authorities will adopt a different view of the revenues from these services and their VAT treatment (including payment already made), and thus VAT exposure might arise and affect our business, financial condition and results of operations.

An increased focus by the tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions

When concluding and performing related-party transactions, the Group takes special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the applied prices, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific companies in the Group will not be subject to inspections or other investigative activities undertaken by the tax authorities. The tax authorities may have a different view of the Group's compliance with transfer pricing and may attempt to challenge the arm's-length nature of some of our related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in, e.g., the assessment of additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.
Moreover, an increased focus by the Polish tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions.

The recent reforms to Open Pension Funds may have an impact on the capital markets in Poland and the price, trading volume, and liquidity of the Shares.

Historically, Open Pension Funds ("**OFEs**") were the largest private investors on the WSE and important participants in public offerings of shares on the WSE. On February 1, 2014, the Act of December 6, 2013, amending Certain Legal Acts in Connection with the Determination of Rules of Payment of Pensions from Funds accumulated in Open-end Pension Funds (the "**OFE Act**") entered into force, reforming the pension system in Poland by changing the rules of operation for OFEs.
The OFE Act introduced a number of changes concerning the operations of OFEs, including the transfer to the Social Insurance Office (Zakład Ubezpieczeń Społecznych, "**ZUS**") certain assets managed by OFEs in a total amount representing 51.5 percent of the assets of OFEs (which were later redeemed), a mechanism of remittance of pension insurance premiums to ZUS (unless an individual member of an OFE makes a declaration that part of his or her pension insurance premium should be remitted to OFEs), a mechanism of gradually transferring funds accumulated in an OFE member's account to ZUS ten years before such OFE member reaches retirement age, and a requirement for OFEs to adapt their articles of association to the new requirements, including restrictions on investing funds.
In February 2016, the Polish government confirmed its intention to transfer 75 percent of the assets currently held by OFEs to individual pension accounts (IKEs) which will be maintained for each citizen and to transfer the remaining 25 percent of the assets to the Demographic Reserve Fund (Fundusz Rezerwy Demograficznej) which will be managed by the Polish Development Fund (Polski Fundusz Rozwoju). On December 30, 2016, the proposed amendments were presented to the Parliament by the Polish Government. After further analysis by the Polish Social Insurance Institution and the Ministry of Labor and Social Policy the government presented verified approach which was approved by the Parliament in November 2019. According to the new law funds from OFEs will be automatically transferred to IKEs with 15% transformation charge applied or, by a decision of future pensioner, funds from OFEs will be transferred to ZUS accounts. OFEs will be transformed into open-ended investment funds managing IKEs. Open pension funds are important investors in debt securities issued in the Polish market. Any changes to the operations of the pension funds which may limit the number of pension funds, the value of assets managed by the pension funds or their investment policies may affect the investors'

demand for covered bonds issued by the bank and therefore may adversely affect the Bank's financial standing and ability to meet its obligations under the covered bonds.
The changes to OFEs, may result in limiting the number of OFEs, the value of the assets managed, or have an impact on the investment policies of OFEs (including an increase in investments in foreign instruments instead of in capitalization on the WSE) and may impact the demand for shares and the price of shares on the WSE. In addition, the reform and changes in the operations of OFEs may also have an adverse effect on the perception of the capital markets in Poland and the stability of its institutional framework and, consequently, discourage investors from investing in shares of companies listed on the WSE. There is a risk that the OFE reform may adversely affect the prices of the Shares, or the trading volume of the Shares, their liquidity and the Company's shareholding structure, as well as the success of the potential future offering.

The substantial leverage and debt service obligations of the Group could adversely affect our business.

We are and will continue to be leveraged. As of December 31, 2019, we had total financial liabilities (principal increased by accrued interest) of PLN 6,923 million (including PLN 991 million of leases).
The degree to which we will be leveraged following the repayment of indebtedness, could have important consequences, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to our indebtedness
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations. In addition, the terms of the Senior Facilities Agreement and the agreements governing the Local Overdraft Facilities permit, and any other credit facility agreement or similar agreement that we may enter into in the future may permit, the Group members to incur substantial additional indebtedness, which would further increase our leverage, and exacerbate the risks mentioned above.

We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities.

The Company and certain of its subsidiaries are subject to the affirmative and negative covenants contained in the Senior Facilities Agreement and that may be contained in any other future finance documents. A breach of any of those covenants or restrictions could result in an event of default under the Senior Facilities Agreement. Upon the occurrence of any event of default under the Senior Facilities Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the Revolving Credit Facility and elect to declare all amounts outstanding under the Senior Facilities Agreement, together with accrued interest, immediately due and payable. The same risks may apply to future finance documents we enter into. If our creditors, including the creditors under the Senior Facilities or other credit facilities, accelerate the payment of those amounts, we cannot assure you that the assets of our subsidiaries would be sufficient to repay in full those amounts or to satisfy all other liabilities of our subsidiaries which would be due and payable. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts. If any of the above were to occur, it could have a material negative impact on the results of our operations and our financial performance.

We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control.

Our ability to make principal or interest payments when due on our indebtedness, including our obligations under the Senior Facilities Agreement and issued bonds, to the extent required to be paid in cash, and to fund our ongoing operations or planned capital expenditures, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors," many of which are beyond our control. The Revolving Credit Facility matures in March 2023, Term Loan Facility A matures in March 2022, Term Loan Facility B matures in September 2022, and Term Loan Facility C matures in March 2023. Term Loan A also has an amortization feature, which requires principal repayments over time. In addition, our ability to make interest payments on our indebtedness and to otherwise fund our ongoing operations will also depend on any significant capital expenditures we may make, including in respect of potential spectrum frequency reservation acquisitions, which may require additional financing, and which may further increase the amount of interest payments we make on our indebtedness. If at the maturity of our credit facilities (or at the time of any amortization payments) or any other debt which we may incur, we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness. Furthermore, we may need to refinance all or a portion of our indebtedness on or prior to their stated maturity. If we are unable to refinance or restructure all or a portion of our indebtedness or obtain such refinancing or restructuring on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt. In addition, the terms of the Senior Facilities Agreement may limit our ability to pursue any of these measures.

We conduct regular assessments to identify, evaluate and mitigate risks related to bribery, human rights, social matters and environmental impact.

Assessing human rights risks and impacts provides the basis for defining and fine-tuning appropriate measures to prevent, mitigate and remedy adverse impacts. We widely show that we respect and act in line with human rights. The Group assesses on an ongoing basis where there is a risk of potential negative impacts and what actual negative impacts it is having on people through its business activities and relationships. In case of not respecting human rights, the Group exposing itself on reputation damage and legal proceedings. For more details related to human-rights area, please refer to point 12.3 within "*Corporate Responsibility"* section.

Despite the Group's drive to strengthen its anti-corruption policy, corruption cases could occur due to a number of partners engaged and complex processes performed. This could have an adverse impact, particularly on Group's reputation. For details related to anti-corruption area, please refer to point 12.3 within "*Corporate Responsibility"* section.

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Safety of the work environment is one of principle our code, operationalized by measurable standards covering the key areas of risk related with construction works, including handling of heavy equipment and prevention of any accidents. The Group has always been engaged in prevention measures aimed at ensuring maximum levels of protection in all company areas, since safety and health in workplaces are considered an important indicator of quality. Identifying and assessing risks at the Group, the main prevention measure taken, is ensured by ongoing supervision of company processes and our development in close connection with line structures. We have implemented numerous initiatives to help employees meet the requirements set, including the distribution of personal protective equipment and specialized training to improve the understanding of safety and promote the adoption of risk avoidance behaviors. If the Group fails to successfully perform

mentioned above actions, its operating margins, financial position and results could be adversely impacted. For details related to this area, please refer to point 12.2 within "*Corporate Responsibility*" section.
Environmental impact of our operations is predominantly linked with energy intensity of our mobile network. Our failure to ensure increasing efficiency in the network roll-out, technology updates and day-to-day maintenance may drive increase in incremental energy consumption per unit of data transmitted in our network, which could have adverse impact not only on the environment but also on our financial results and reputation. For details related to this area, please refer to point 12.1 within "*Corporate Responsibility*" section.

Risks Related to Regulatory Matters

The mobile telecommunications industry is subject to significant governmental regulation and supervision and current regulations as well as any future changes in regulations may have an adverse impact on our revenues, require us to make additional expenditures and otherwise have a material adverse effect on our business, financial condition and results of operations.

We are subject to Polish and EU laws and regulations that restrict the manner in which we operate. As an MNO in Poland we are subject to extensive legal and administrative requirements regulating, among other things, the setting of maximum rates for certain telecommunications services. We cannot assure you that we will be able to satisfy the extensive requirements imposed on us by Polish and EU laws and regulations, in particular those regulating our telecommunications business, the reservations we use and those related to ensuring effective competition, non-discrimination, transparency, price control, reporting, data protection and national security. We also cannot predict the impact of any proposed or future changes in the regulatory environment in which we operate. Any future changes in regulation may have adverse impact on our revenues, require us to make additional expenditures and otherwise have a material adverse effect on our business, financial condition and results of operations.
As part of our continued provision of telecommunications services in Poland, we are regularly reviewed by the UKE President to ensure that we have complied with the terms of the frequency reservations granted to us by the UKE. If the UKE President were to determine that we breached a provision of The Polish Act on the telecommunications law of July 16, 2004 (unified text Dz. U. of 2017, item 1907, as amended) (the "**Telecommunications Law**"), we could be forced to pay a fine of up to 3% of the revenue we generated in the year prior to the imposition of the fine and we could be prohibited from providing further telecommunications services in Poland.
The Minister of Digital Affairs, responsible for telecommunications, also exercises broad regulatory authority over us. The powers of the Minister of Digital Affairs (or other designated competent minister) under the Telecommunications Law include the power to specify by means of an ordinance general rules of tenders, auctions and contests for the reservation of frequencies, specific requirements for the provision of telecommunications access, the scope of a framework for and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the related complaint process.
Our operations are also supervised by the President of the Competition and Consumer Protection Office (the "**UOKiK**"), General Inspector for the Protection of Personal Data and other agencies reviewing our compliance with a variety of laws and regulations relating to various aspects of our business.
We cannot assure you that we will be able to satisfy all relevant regulatory requirements or that we will not incur substantial costs, fines, sanctions or claims as a result of violation of, or liabilities under, such laws and regulations, or that regulatory decisions may affect our ability to generate revenues, which, if it were to materialize, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We cannot guarantee that in the future the UOKiK President will not deem the operations we conduct to limit competition or violate the Polish competition and consumer protection laws.

The UOKiK President is empowered under the Polish Act on the Protection of Competition and Consumers of February 16, 2007 (unified text: Dz. U. of 2017, Item 229, as amended) (the "**Competition Act**") to conduct proceedings regarding anticompetitive practices, the declaration of a given clause utilized in a standard contract template to be abusive, an

infringement of collective interests of consumers, intended concentrations of entrepreneurs (e.g. intended mergers, takeovers, creation of a joint entrepreneur or acquisition of another entrepreneur's assets or a part thereof), including proceedings regarding failure to notify an intention to concentrate, as well as proceedings concerning fines for infringement of the Competition Act. As the telecommunications industry is characterized by agreements both between operators and between operators and subscribers, mobile network operators may be subject to proceedings concerning, the restriction of competition, the declaration of a given clause utilized in the standard contract template to be abusive and the infringement of the collective interests of consumers.
Similarly, the telecommunications industry is characterized by agreements between operators and device suppliers or value added services providers. Such agreements may be negotiated with little bargaining power and on standard model templates of such suppliers or providers, and may therefore contain some onerous clauses. Such clauses may be viewed as anti-competitive, should regulatory authorities consider a number of conditions to be met (such as the market share of Play and the relevant supplier/provider). Given the susceptibility of such agreements to changing market circumstances, we cannot exclude the possibility that anticompetitive risk may arise in the future.
The expansion of consumer protection legislation including, passing an act that allows for "collective claims," which is a type of a class action where a group of people may sue in a single proceeding, has increased the existing or potential liability to which we are exposed, and which could have a material adverse effect on our business, financial condition and results of operations. For example, there has been an extension of the range of situations in which subscribers are entitled to terminate their agreements without obligation to pay any contractual penalty. This may happen in the event, for example, of changes in the terms and conditions of agreements even if such amendment is in our subscribers' favor. Such early terminations of agreements with our subscribers may result in a significant increase in our subscriber retention costs and churn, and our subscriber acquisition costs in the event we try to attract new subscribers with attractive offers, and may consequently have a material adverse effect on our business, financial condition, results of operations and prospects.

Our frequency reservations to provide mobile services have definitive terms and may be revoked or may not be renewed upon expiration on acceptable terms, if at all.

We depend on our telecommunications frequency reservations issued by the UKE President and all our frequency reservations have fixed terms. We cannot guarantee that any of our frequency reservations will be renewed prior to or upon their expiration. In particular, according to the Telecommunications Law, the UKE President has the discretion not to renew or to revoke our frequency reservations if he concludes, among other things, that we have violated the applicable terms of use of our allocated frequencies, for example, if we are determined to have failed to meet the minimum investment requirements. If we are unable to renew any of our frequency reservations, it could have a material adverse effect on our business, results of operations and financial condition could be materially adversely affected.

In order to maintain our telecommunications frequency reservations, we must comply with the terms of the reservation decision as well as relevant laws and other regulations established by the UKE President and the minister responsible for telecommunications. Failure to comply with the terms of such reservation decision and other regulations could result in the revocation of reservations as well as the imposition of fines. In relation to any new reservations which we acquire, in order to maintain the frequency reservations, we are required to pay the frequency reservation fees at the appointed time. If we fail to reserve sufficient cash or raise new financings to pay such fees, a frequency reservation may also be revoked. As a result of the complexity of and frequent changes to the regulations governing the telecommunications industry, we may fail to comply with all applicable regulations or frequency reservation. Moreover, we may not be successful in obtaining new frequency reservations for the provision of mobile services using new technologies that we may seek to deploy in the future and will likely face competition for any such frequency reservations.
We may also face certain challenges from third parties in relation to our frequency reservations. If such challenges are successful, we may have to re-tender for our frequency reservations which will cause us to expend time and costs, and we cannot assure you we will be successful in securing the tender a second time.
In the event that we are unable to renew any frequency reservation, any frequency reservation is revoked, suspended or canceled, or we are unable obtain a new frequency reservation for a technology that is important for the provision of our services, we could be forced temporarily or permanently to discontinue some or all of our services or we may be unable

to use such technology or an important new technology. If we are unable to make use of the frequency reservations described above, it could have a material adverse effect on our business, financial condition and results of operations.

Polish and EU regulation of the levels of MTRs and roaming charges may in the future have a material adverse effect on our business, financial condition and results of operations.

The UKE President is responsible for determining MTRs applied to telecommunications operators. In determining these rates, the UKE President can attempt to support emerging businesses by allowing them to charge higher fees for calls terminating on their own networks. The entry of new operators in the market could have a material adverse effect on our competitive advantage, our business, financial condition, results of operations and prospects, if they were to be granted asymmetrical MTRs, as the Group was when it first entered the market.
EU regulators have also imposed price restrictions applicable to all operators in the European Union (both at the retail and wholesale level). In particular, on June 15, 2017, "roam-like-at-home" regulation came into force, lowering retail pricing to the home country level. At the same time wholesale rates are regulated on a level which in some cases may cause service margin losses. Finally, there are two security measures which may eliminate such losses — the Fair Use Policy, which limits regulated roaming services consumption (on the home price level prices) and Sustainability, which allows service providers to request their local national regulatory authority to allow them to implement additional surcharges if margins on international roaming services reach 3% of losses of Play's mobile service margin (understood as EBITDA from the sale of mobile services, other than retail roaming services provided within the EU, thereby excluding costs and revenues from retail roaming services).
Play implemented all Fair Use Policy measures. Additionally, we have requested the national regulatory authority to add surcharges for roaming services, following the sustainability procedure defined in the International Roaming Regulation, on the September 15, 2017. We received the positive decision on January 15, 2018. However, extension of sustainability surcharges to 2020 was denied on January 15, 2020.
"Decoupling regime" has been introduced to increase competition in the international roaming market, and the expected result is a reduction in international roaming retail prices to below the regulatory caps. This "decoupling regime" came into effect on July 1, 2014 and foresees Local Break-Out (LBO) services, i.e., the ability for foreign MNOs to target our outbound roaming customers to directly offer them data-only services on their networks. Such services would be paid directly by such roaming customer to the visited roaming network. On June 15, 2016, the EC issued a proposal for a regulation amending Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets. The Regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017, amended Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets, which was a necessary condition for the introduction and existence of "roam-like-at-home" legislation—tripartite negotiations between the EC, Parliament and Council have resulted in regulated wholesale roaming data charges at EUR 7.7 per 1000 megabytes from June 15, 2017, decreasing to EUR 6 as of January 1, 2018 and to EUR 4.50 per gigabyte in 2019, EUR 3.50 in 2020, EUR 3 in 2021 and then to EUR 2.50 in 2022. Voice (originated) calls wholesale rates are agreed at EUR 0.032 per minute and SMS (originated) at EUR 0.01 per message. The regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017, amending Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets was published on June 9, 2017, in the Official Journal of the European Union. Pursuant to the regulation, new wholesale charges entered into force on June 15, 2017. However, this regulation may be challenged on the grounds of its detrimental effects on telecommunications operators.
A reduction in the prices we can charge for mobile roaming services, as well as operation of the LBO (if any) may have a material adverse effect on our business, financial condition and results of operations.

We face potential increased fraud risks following the implementation of the "roam-like-at-home" regulation.

On June 15, 2017, EU Regulation 2015/2120 ("roam-like-at-home") came in to effect and adjusted all retail roaming charges within the European Union to home-like conditions.
We already have international roaming agreements in place with operators in the European Union which provide for network coverage for our customers. Typically, we pay the host operator directly on a monthly basis and then bill the

amount to our customers under their normal tariff. Under the new "roam-like-at-home" legislation, we potentially face an increased risk of fraud in the event that a customer purchases a Play tariff, uses it outside of Poland, and then defaults on their payments to Play. As such activity would occur outside Poland and given that we would therefore be reliant on third party operators to track mobile use and data consumption, it may be more difficult to stop this fraud and recover amounts from such customers.
Additionally, due to discrepancies in domestic tariffs between Poland and other EU countries, there is a risk of misuse of Play's services through extensive use abroad thus creating a negative margin for Play, regardless of whether or not they result in bad debt.
To the extent that we are not able to recover the amounts we pay to international operators from our customers, or if any increased costs result from service misuse or fraud generally, it could have a material adverse effect on our business, financial condition and results of operations.
As of the date of this Report, we are monitoring the situation but have not detected any unusual or mass-scale fraudulent activities.

Risks Related to Our Structure

Drawings under the Senior Facilities bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Drawings under the Senior Facilities bear interest at floating rates tied to WIBOR plus a spread. WIBOR could rise significantly in the future. Although we have entered into certain hedging arrangements covering a third of this interest rate risk designed to fix a portion of these rates in the future, there can be no assurance that we will hedge the remaining two thirds of the exposure, or that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

There are risks related to the 2014 Refinancing and Recapitalization.

In the 2014 Refinancing and Recapitalization, the Group refinanced all of its outstanding indebtedness with the issue of notes. As part of the structuring of these transactions, the Group undertook several internal restructuring actions, including the purchase of shares and the merger of Play with Glenmore Investments Sp. z o.o., another Group entity. In March 2017, Play refinanced its debt resulting from the 2014 Refinancing and Recapitalization.
The tax treatment of the above transactions, including the tax treatment of expenses as tax-deductible costs, withholding tax treatment, VAT treatment and/or their compliance with Polish tax regulations, is subjective; in particular, taxpayers and tax authorities may have different opinions on the tax deductibility of particular expenses incurred or refinanced and/or other tax characteristics of the transactions in question. Consequently, as an example, it cannot be excluded that Play may not be able to treat some of the interest, foreign exchange differences or other costs related to financing as tax-deductible costs. Challenges by the tax authorities of the tax deductibility of particular expenses financed or refinanced under the 2014 Refinancing and Recapitalization may have an impact on the tax classification of costs related to such financing and also on the tax treatment of interest, foreign exchange differences and other costs and/or other characteristics related to the 2017 Refinancing. If the tax authorities challenge the tax classification and settlements of the above transactions, that may have a material adverse effect on our business, financial condition and operational results.

Tax authorities may take a different view of the tax treatment of business reorganization of trademarks within the Group.

Between 2012 and 2014, Play trademarks were subject to certain intra-group reorganization transactions between Play Brand Management Limited, Play 3GNS and Play, resulting in, among other things, the transfer of such trademarks. If Polish tax authorities take a different view of the tax treatment of this reorganization, the steps taken as part of these

transactions and the manner in which they were presented for tax purposes, and successfully challenge the tax approach taken by the entities involved, tax exposure might arise and affect our business, financial condition and results of operations.

An increased focus by the Polish tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions.

Over the last few years there has been a significant increase in the number of transfer pricing audits conducted by the Polish tax authorities, in particular in relation to Polish taxpayers being part of international capital groups.
During the tax audit initiated in 2016 and in 2017 with respect to our 2013 and 2012 financial year, the tax authorities requested documents concerning different types of related party transactions (e.g. transfer pricing documentation, fee calculations, and other similar documentation) but as of the date of this Report they have not formally challenged any transaction or settlements resulting therefrom.
When concluding and performing related-party transactions, we exercise efforts to take special care to ensure that such transactions comply with the applicable transfer pricing. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific Group Companies will not be subject to inspections or other investigative activities undertaken by tax authorities or fiscal control authorities. The tax authorities may have a different view of the Groups' compliance with transfer pricing and may attempt to challenge the arm's length nature of some of our related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in e.g. assessing additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Qualitative and Quantitative Information on Market Risks

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

Exposure to credit risk stems from the Group's receivables, of which a substantial part consists of billing receivables of low individual amounts. Apart from billing receivables, the Group also has receivables from interconnect and international roaming partners, MVNOs, handsets dealers and other.

In the year ended December 31, 2017, the exposure on interest rate risk related primarily to bonds and finance leases with floating interest rates. In March 2017, the fixed-rate borrowings have been replaced with floating rate borrowings. Also coupons for bonds issued in December 2019 are floating rate based. This increases the interest risk going forward. The risk is partially mitigated by interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount for a three-year period.

Our exposure to currency risk reflects the fact that while most of the Group's revenue is earned in PLN, some operating costs are born in foreign currencies, mainly EUR. Also international roaming costs and revenue are recorded in foreign currencies, including XDR. Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (in respect of PLN) arising from fluctuations in the exchange rate of the PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (in respect of PLN).

Liquidity risk is predominantly related to cash and marketable securities as well as availability of funding through an adequate amount of committed debt facilities.

Please see Note 3.4 to the Financial Statements for detailed qualitative descriptions and quantitative information.

12. CORPORATE RESPONSIBILITY

For the risks description related to environment, social matters, bribery and human rights, please refer to pages 99-100 in section 11.8 of this Report.

12.1 Environmental Responsibility

Identification of key areas

Polish mobile operators, acting as entities who have an impact on the environment, are required to comply with environmental regulations in respect of certain operations, in particular concerning:

- Packaging waste
- Obligations concerning batteries
- Obligations concerning WEEE waste electrical and electronic equipment ("**WEEE**") and
- Protecting against electromagnetic fields ("**EMFs**").

On top of the regulatory requirements PLAY pays close attention to the use of energy and fuels, both in network operations and headquarter of the operating subsidiary in Poland. The efficiency objectives for network are set at the level of unitary indicators (per site and per GB of data transmission) due to the transition period of accelerated own network roll-out.

An important part of increasing energy efficiency at headquarter is going to be relocation to new office in Q4 2020. New location has BREEAM rating at Excellent level which includes high thermal isolation, waste recycling equipment, minimized water usage and sewage generation, powered by renewable energy sources only and equipped with energy-saving lighting and elevators.

In terms of fuels consumption it is important to underline that 99.5% of PLAY's car fleet is Euro 6, of which 48% is Euro 6.2. It is planned that by the end of 2020 close to 80% of the fleet will be Euro 6.2 and 6.3.

Implementation of rules

The Group has a designed procedure concerning waste management issues which reflects the obligations arising from the law. The procedure covers registration, collection, utilization and reporting processes concerning waste management of packaging, batteries, electrical and electronic equipment in particular divisions of Play (Administration, Sales, Network), as well as obligations concerning information to the clients on customer equipment waste management facilities provided by the Group.

The Group has been running many informative campaigns via intranet concerning the environmental protection. As far as it is possible, the Group tries to inform employees and suppliers about activities undertaken by the Group in order to protect the environment. Employees received leaflets informing about the company's activities aimed at environmental protection. Public posters informing about the activities of the company aiming at environmental protection were placed on generally accessible surfaces for all employees (kitchens, open spaces, toilets). The company also organizes for all employees free annual inspections and repairs of private employees' bicycles to encourage them to use this means of communication when transportation to work. Moreover we are informing Play's customers in our point of sales and via our website of actions concerning environmental protection which involve inter alia using recycled paper or waste segregation.

Due to accelerated network roll-out initiated in 2017, the Group could not optimize overall usage of energy and fuels, however thanks to careful application of the latest and most advanced technologies, incremental growth in number of sites and the data traffic generated in the network lower average energy usage per each of these metrics.

Additionally, in order to protect the environment the Group has introduced the following actions:

- Installation of photocells in toilets to reduce water consumption
- Switching on the air conditioning and lighting in the office after working hours in eco mode
- Launching a bicycle fleet and scooters in order to encourage employees not to use cars
- Stop providing plastic tableware in kitchens
- Replacing TV monitors in conference rooms for models that use less energy
- Increasing the amount of plants in the office to improve humidity and air quality

Requirements for proceeding with waste electrical and electronic equipment

EU legislation promoting the collection and recycling of WEEE, Directive 2012/19/EU of the European Parliament and of the Council of July 4, 2012 on waste electrical and electronic equipment (the "**WEEE Directive**"), has been in force since February 2014. In Poland, the WEEE Directive was implemented by the Waste Electrical and Electronic Equipment Act dated September 11, 2015 (the "**WEEE Act**"), which sets forth certain obligations of companies introducing electrical or electronic equipment to the Polish market. These requirements include a requirement to organize and finance (i) collections from WEEE collection points, and (ii) the processing of electronic waste. This obligation may be fulfilled by entering into an agreement with WEEE recovery organization which performs the aforementioned duties for that company. However, the company continues to be liable for the performance of such duties.

The Act on Packaging Management and Packaging Waste dated June 13, 2013 sets forth packaging waste recovery and recycling rates. This includes 61% packaging waste recovery rate and 56% recycling rate to be attained by companies annually. Failure to achieve the minimum recovery or recycling rate for packaging waste in a given year triggers an obligation to pay a product fee. Since handsets and accessories are sold in cardboard packaging, the packaging waste recovery and recycling obligations described above are directly applicable to our operations.

The Batteries and Accumulators Act (dated April 24, 2009) also sets out certain obligations on the marketing and recycling of batteries and accumulators. Companies in Poland are obliged to organize and finance the collection, treatment, recycling and disposal of waste batteries and accumulators. These obligations may be achieved by the execution of agreements relating to the collection and processing of waste portable batteries or accumulators and a minimum 45% collection rate applies. Moreover, the company must be included in the relevant government registration. Furthermore, a retail seller whose sales area exceeds $25m^2$ is obliged to take from its clients the waste portable batteries and accumulators without any charge and is required to transfer the collected batteries and accumulators to an entity responsible for collecting such waste.

Since we sell handsets, batteries and accessories, the provisions of the WEEE Act as well as the other acts mentioned above, apply to our operations and we met the statutory levels of recovery and recycling rate for handsets (published every year in the Act on Waste Electrical and Electronic Equipment of September 11, 2015). Any failure to attain these rates triggers an obligation to pay a product fee. In order to comply with the obligations imposed on us by these acts, we have entered into agreements with waste collection organizations (Biosystem Elektrorecykling Organizacja Odzysku Sprzętu Elektrycznego i Elektronicznego S.A. and Biosystem Organizacja Odzysku Opakowań S.A.).Every year we met the statutory levels of recovery and recycling rate for handsets.

Protection against electromagnetic fields "EMFs"

Environmental protection rules concerning EMFs are mainly governed by the Environmental Law dated April 27, 2001. The protection rules require the protection of environmental conditions by keeping the actual levels of EMFs below the maximum permissible levels or at least at the reference levels. The Regulation of the Minister of the Environment dated October 30, 2003 sets out maximum permissible electromagnetic field exposure levels and the methods to be used to determine compliance with these levels. The regulation specifies different levels for land intended for housing

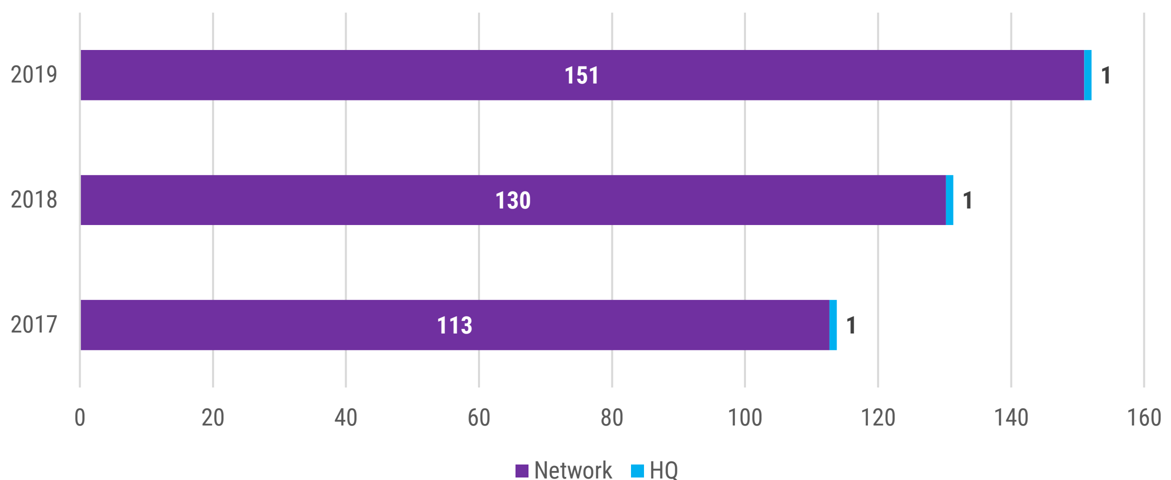
development and areas accessible for people, as well as the range of EMF frequencies for which physical parameters are determined to assess the EMFs impact on the environment.

Compliance with the maximum permissible EMF exposure levels in the environment is assessed in the vicinity of the installations emitting such fields both directly after such installation becomes operational and following each significant change in the operations of the installation, as required by law, if such change may affect the EMFs permissible levels and if the administrative authorities receive complaints regarding the operation of certain installations.

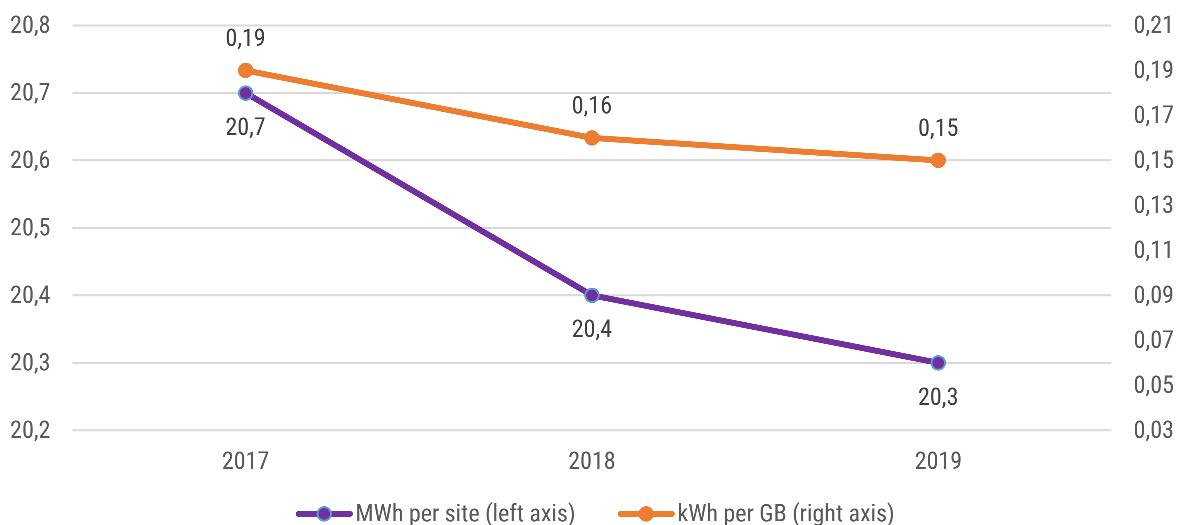
The Group participates in meetings organized by the Minister of Digitalization relating to the law provisions on protection against electromagnetic radiation ("**Law**"). The main changes arising from the Law are: (i) inspections of electromagnetic emissions from telecommunications devices, and (ii) extension of a list of entities that may request the Voivodship Environmental Protection Inspectorate to carry out emission inspections. From 1 January 2020 EMF limits in Poland have been harmonized with EU, WHO and UCNIRP recommendations.

KPIs** (3S Group not included)**:

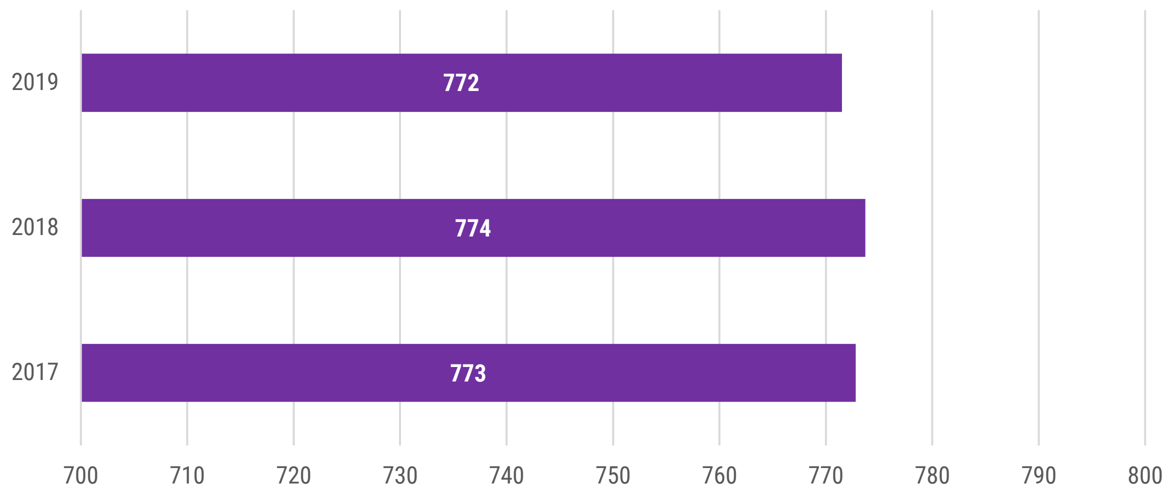
- Electricity usage (GWh):



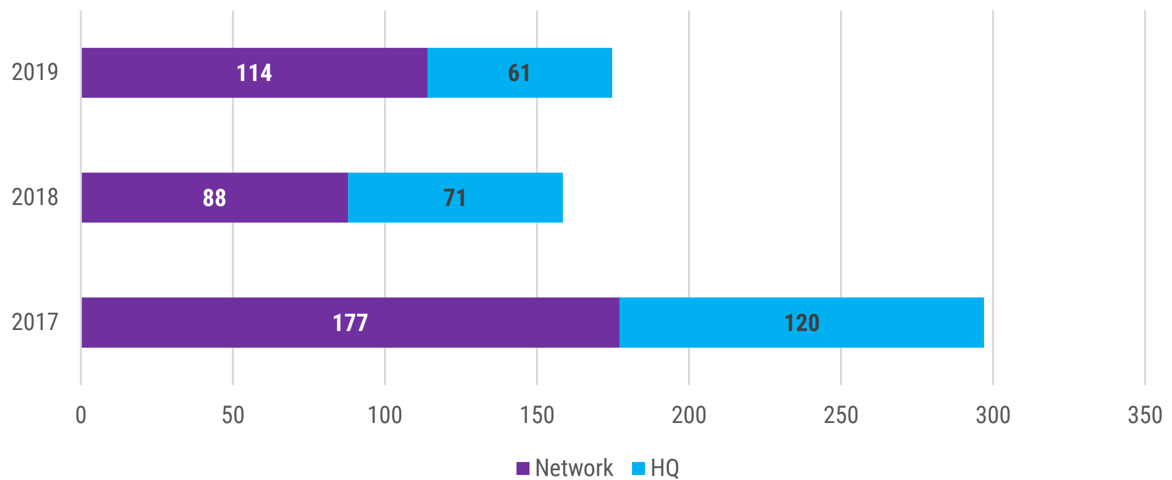
- Electricity usage in network per site and per GB of data traffic:



- Fuels usage (hl):



- Electric waste recycling (t):



12.2 Social Responsibility

<u>Introduction - Organizational and culture of the Company - "Work hard, Play harder"</u>

Play is a young and dynamic organization driven by our core values: "PASSION with CLEAR, CLOSE, CAN DO". With us every touch-point is easy, we communicate in a CLEAR way and seek simple solutions. We perceive the world as complicated enough therefore we follow the approach "less is more". We remain CLOSE to our clients, employees and business partners. We tackle every challenge with CAN DO attitude, demonstrating courage, energy and motivation to work hard and play harder. Operationally PLAY is focused on speed of execution supported by a quick decision-making process. We are a project driven organization with centralized co-ordination of projects to assure strategy alignment and quality assurance. Each project has a dedicated leader whose prime responsibility is to interact horizontally in the organization and "get things done".

Management successfully leads the organization in alignment with the Company strategy and clear assignment of goals, cascaded in a yearly planning process. This is further supported by effective, direct and regular communication on all employee levels.

Recruitment and remuneration

Company pursues the following rules in recruitment process:

- Each vacant position in the organization is recruited
- The organization promotes internal recruitment, so every vacant position is offered to employees first. If no internal candidate is found, the position is open to external candidates.
- All positions in the company are graded according to a leading 3rd party methodology
- The principle of remuneration policy is to be in line with market median
- Once a year, company procures an independent market report on payroll remuneration. This is to assure alignment of our remuneration policies with market trends and decide about possible adjustments.

Employee development

Company puts high focus on continuous training and development to deliver best customer experience. This is achieved by:

- Personalized training paths on all career levels and premium programs for managers and specialists;
- Combining competence development with career development offering vertical and horizontal promotions;
- Specialized training and competence (e.g. language courses, subsidizing individual educations);
- Assuring diversity and openness of the competence development by making possible for employees to voluntarily and directly apply for a substantial part of training portfolio based on her/his individual needs;
- Dedicated HR business partner and Training Partner per region/channel;
- 40% of trainings conducted by internal experts;

Benefits and work life balance

Company provides the following benefits:

- medical care,
- life insurance,
- multisport card with an access to sports activities in many facilities across the country,
- cinema tickets,
- Christmas vouchers for employees and their children,
- socializing events for employees and their children e.g. Santa Party,
- social benefits such as co-financing of summer and winter vacation camps for children,
- possibility to participate in 11 sports sections dynamically run in the organization.

Additionally to above, a number of other activities was organized during the year to assure employee friendly atmosphere, e.g. PLAY branded bicycle rental service, fresh apples in autumn, “PLAY for kids” – Christmas charity auction dedicated to children of employees.

We support work family balance and in particular we take special care of mothers after 3rd months of pregnancy or 6 months after coming back from maternity leave. This includes, if feasible for the relevant employee and their relevant role, to offer certain flexible working arrangements, including up to 5 days of working from home per month.

Social Fund

The Company has Social Fund and distributes its funds for some employee related benefits (such as, i.e.: Multisport Cards, employee related events, sport sections, winter vacation camps), as well as non-refundable social grants for employees in difficult personal/family situations and subsidizing employees' recreation. In 2019 – 53 Play employees got a non-refundable grant and 453 received a vacation/recreation subsidy.

Social Fund rules as well as funds distribution principles are included in ZFŚS Regulation. Decisions on funds distribution are taken by Social Fund commission including 7 company representatives from different divisions.

Employee voice

As a part of PLAY culture in 2019 a regular (one/two times a year) eNPS (Employee Net Promoter Survey) survey was conducted to track the level of loyalty as well as spot key areas requiring attention and action at the team as well as the company levels. Participation rate is kept at the levels above 70%.

Social involvement

As a part of social responsibility involvement the company as well as employees are contributing to:
- The Company is a key partner/sponsor of Wielka Orkiestra Świątecznej Pomocy (Great Orchestra of Christmas Charity) – the biggest charity action in Poland.
- Blood and bone marrow donations - organized four times in 2019
- Support action of collecting Christmas gifts for orphanage
- Play employees engage into this event as volunteers.

Health and Safety

Given the nature of the business Company applied rigorous approach and monitoring procedures to mitigate the following Health and Safety ("**H&S**") risks related to construction works:

- Falling of the structure during erecting and operating of site
  - qualified and trained subcontractors
  - physical protection against unauthorized access / theft of structural elements
  - annual basic surveys and five-year full reviews.
- Worker's fall from height
  - specialized medical examinations for workers at height
  - specialized height trainings
  - fall protection systems on masts and towers
  - PPE (Personal Protective Equipment).
- Exposure to electromagnetic fields
  - electromagnetic field tests conducted by accredited laboratories
  - marking of electromagnetic field zones on sites
  - specialized medical examinations for workers
  - training of the safety work in the electromagnetic field.

- Car accidents
  - specialized medical examinations for drivers
  - additional training to improve driving techniques for users of company cars
  - organization of the accident zone simulation: roofing simulator, collision simulator, overload weight
  - vehicle speed monitoring system via GPS with SMS reporting to car fleet specialists and superiors of workers when speed is exceeded.

Additionally Company performs the following activities that aim at mitigating H&S risks:

- All contracts with subcontractors for work at heights contain provisions on minimum health and safety requirements such as medicine exams, H&S trainings and adequate PPE (personal protective equipment)
- In order for subcontractors to access base station areas we issue for them temporarily (yearly) passes, to be renewed on regular basis. Additionally, we randomly verify whether employees of subcontractors carry appropriate medical tests and safety training
- We conduct random site inspections to ensure that all engineers follow the regulations
- Employees performing particularly hazardous work, at heights, are provided with additional annual specialist training
- We initiated Play Heroes program – certified first aid trainings for selected employees.

KPIs:

Key employee data:

	Headcount	**Average age**	**Average seniority**	**Female share**	**Male share**	**Disabled persons**	**Absence ratio**
2019	2,800	34	6	45%	55%	20	5.5%
2018	2,662	33	5	48%	52%	20	6.2%
2017	2,631	33	5	49%	51%	14	6.0%

** Play Group employees: Company's employees, Play's and its affiliates' employees, Play's Management Board members (excluding Board of Directors members), 3S Group.*

Social participation summary (in persons, 3S Group not included):

	Life insurance*	**Medical Care***	**Christmas vouchers - employees**	**Christmas vouchers - children**	**Multisport Card**	**Sport sections**	**Cinema**	**Santa Party**	**Summer vacation camp**	**Winter vacation camp**
2019	2,195	1,679	2,701	1,850	1,862	349	408	338	75	50
2018	2,291	1,735	2,692	1,776	1,783	379	392	346	68	28
2017	2,237	2,237	2,620	1,765	1,606	n/a	432	348	81	32

** Fully covered by Play.*
Data does not include employees of 3S Group (ca. 235 people) acquired in August 2019..

PLAY and Great Orchestra of Christmas Charity in 2019:

- ~100 employees involved,
- Media coverage generated with reach exceeding 24 million and Advertising Value Equivalent above PLN 5.5 million,
- Funds collected through PLAY actions exceeded PLN 1.1 million.

Health and safety:

We encountered two accidents during construction works and maintenance of the network in 2019, one unfortunately being fatal. We also recorded 4 minor accidents at work and 16 accidents on the way to and from work.

12.3 Business ethics – focus on anti-corruption and human rights

Identification of key areas

The Group's major rule is to respect and follow requirements of law. Therefore, acting in line with law as well as the protection of human rights and fundamental freedom constitute priorities for the Company in conducting its business activity. The most important principles followed by the Company have been set out in the adopted Code of Conduct (available here: Code of Conduct).

The Group is particularly attached to the spirit and the letter of laws governing:

- Human rights and fundamental freedom, in particular: prohibition of child labor and forced labor, discrimination, working time and remuneration, employees' collective representations, freedom of speech, freedom of expression
- Corruption and bribery
- Quality, health and safety standards
- The environment protection
- Taxation and the accurate communication of financial information
- Fair competition.

According to the Code of Conduct, which is published on intranet and on PLAY's website, and Group's policies such as Regulation of Work, the Group does not accept in particular child labor and any kind of forced labor.

We are focused on preventing discrimination, guarantying the freedom of speech and expression, and protecting of personal data.

The Code of Conduct is committed to equal opportunities and to respect the human rights. In points 14, 15 and 16 of the Code of Conduct we are trying to treat every candidate of employee equally when it comes to recruitment method, remuneration, employment terms, training possibilities, gaining professional experience and promoting possibilities, as well as in terms of advancement, regardless of gender, age, disability, race, religious beliefs, nationality, political convictions, trade union membership, ethnic background, faith, sexual orientation, as well as permanent, temporary, full time or part time employment.

All employees are recruited, promoted or treated exclusively based on their competences and involvement in performing the work and results achieved. These principles apply to the recruitment process, advancement process, trainings, transferring to other positions, as well as to determining remuneration rules.

According to the regulations of Corporate Governance Code of the Warsaw Stock Exchange (Principle No. II.R.2) the decisions to elect members of the governing bodies of the company should ensure that the composition of these bodies is comprehensive and diversified among others in terms of gender, education background, age and professional experience. The Group has a gender-neutral hiring policy and acts in line with gender best practices. Also the Group's intention is to expand this policy into full diversity policy in 2020.

Code of Conduct sets the rules concerning inter alia: receiving gifts and other type of benefits and register of the occurrence of potential conflict of interest. The policy relating to receiving gifts and other type of benefits and policy regarding the conflict of interest is described in the Code of Conduct and it is available to all employees via intranet.

The Group accepts if employees receive reasonable and symbolic gifts which are signs of hospitality and are completely noncommittal. These benefits cannot be binding in any business way.

The Company requires that employees announce a declaration to gifts and benefits registers once a year in the event of obtaining benefits or occurring a conflict of interest. Over the last few years, we have been observing not only an increase in the number of statements made about the benefits obtained and about the potential conflict of interests among employees (not only in the scope of senior management, who has such an obligation), but above all, these declarations are submitted at the appropriate time indicated by the Company. In the Company's opinion, the awareness of the importance of keeping both registers is increasing among employees, and the level of discipline in the scope of informing about obtained benefits or the emergence of a conflict of interests increases. Employees very often declare to allocate the received benefits to charity auctions or charitable causes, or to pay charitable benefits or charity purposes as the equivalent of the obtained benefits. The Ethics Committee and Compliance Officer publish on the intranet several times a year information on how to make entries about received gifts and benefits. These activities are intensified especially during the Christmas season.

In order to assure the best service for our customer, we actively establish durable relations with providers, requiring from them the adherence to the ethical business standards. We do not involve ourselves in any unlawful actions, especially of a corruptive nature. When negotiating agreements with providers, we take every action to assure the reliability of statements and provided information. In the Code of Conduct there are also rules describing how to act in a situation in which there is an actual or potential contradiction between the interest of a client, a third party or an employee's personal interest and the best interest of employer (conflict of interest).

The Code of Conduct is available to all employees via intranet. Every Employee received the paper version of the Code of Conduct. Moreover, during Welcome Days organized in our Company once a month we inform employees about the rules and priorities indicated in the Code of Conduct.

Implementation of rules

The Company refers to the above-mentioned rules in Conditions of Employment and the Staff Rules.

The Company's Management Board appointed the Chairman and the members of the Ethics Committee who represent each department of the organization, for a period of 2 years. Once a year the Committee presents a report about its operations to the Management Board of the Company. The Ethics Committee is responsible for:

- settling issues related to abiding by ethical standards
- analyzing cases of breaching the provisions of the Code of Conduct
- monitoring and communicating ethical standards
- providing advice regarding the implementation of guidelines included in the Code of Conduct
- maintaining and initiating amendments to the Code of Conduct

In case of an investigation of the reported abuse or unethical behavior the Committee is responsible for conducting investigations in order to assure the most impartial and substantive assessment of the case.
Managers and employees working in the Group are educated how to use the Code of Conduct, why this document is important for the Group and how to communicate any case of breach of ethics, fraud, abuse or other actions. They are also educated how to evaluate critically their approach to other persons and to eliminate any discrimination practices in their assessments and evaluations.

The Management Board of the Company appointed the Compliance Officer who is responsible for coordinating the workflow related to the code of conduct. The responsibilities are indicated in Umbrella Agreement. Compliance Officer is responsible in particular for:

- coordination and implementation of all activities and efforts that prevent the Company from being not compliant with any applicable laws or regulation;
- managing the risk of being non-compliant;
- conducting obligatory trainings for new employees and relevant trainings for all employees (if necessary);
- monitoring legal and regulatory changes;
- ensuring implementation of legal or regulatory changes in the internal procedures;
- informing about identified risks;
- informing about fraud and illegality;
- conflict management;
- external communication;
- conducting the third parties due diligence, monitoring of proper performance of compliance rules in relation to third parties.

Compliance Officer, according to the provisions of the Umbrella Agreement, is obliged to report to the Head of the Legal Department, to the Management Board and to the President of the Audit Committee (in cases related to the members of the Management Board). Head of the Legal Department reports directly to the Management Board and Board of Directors.

The employees of the Company are obliged to treat suppliers in compliance with the principles of integrity and in a manner that does not restrict or limit free competition. They are strictly banned from offering or accepting financial gains of corruptive nature to or from suppliers. Play does not tolerate any corrupt practices. From the outset of the PLAY Group, procurement processes and rules of suppliers' selection have been regulated by and described in procurement procedure which applies to majority of goods and services which the Group acquires. The procedure is being update from time to time.

The execution of procurement procedure is supported by relevant IT systems and tools, which enables conducting, monitoring and controlling the process of suppliers' selection, obtaining required corporate approvals and allows electronic exchange of purchase orders with selected suppliers.

The procurement processes are consistent with principles of business ethics as set in the Code of Conduct.

PLAY, as a company obliged to have effective compliance system, decided to implement on 29 October 2019, Anti-Mobbing Procedure. The Procedure applies to counteracting harassment, including sexual harassment:

a) Any Employee who considers that mobbing has been committed towards him or another Employee is required to inform the Company,

b) The notification may be submitted in any form (also anonymous) to the immediate superior, Management Board, Compliance Officer or to Play Ethics,

c) The investigation is conducted by a Compliance Officer, who may appoint a special commission consisting of persons ensuring impartiality of proceedings,

d) After receiving the Notification, the Company may, if it deems it justified, take actions aimed at limiting business or factual relations within the Company's workplace between the Employee who may be subject to mobbing and the person (s) indicated as mobbing,

e) Towards perpetrators of mobbing, the Company will apply sanctions in particular: admonition, reprimand, deprivation of any right to benefits, termination of employment contract with or without notice.

The Company has organized series of trainings for management staff (Management Board, Directors and Managers) in the scope of Anti-Mobbing Procedure. Moreover, the Company organized e-learning trainings for all employees, which has been completed by 52,5% of all employees. The Company monitors the status of the completion of the trainings by employees. We also run communication campaign across the Company regarding counteracting mobbing.

Implementation of the effective compliance system required the Company to adopt on 29 October 2019 Anti-Corruption Code (available here: Anti-Corruption Code). According to PLAY's values which are clearly expressed in our Code of Conduct, PLAY has zero tolerance for corruption. The Anti-Corruption Code is an expression of this principle and a more detailed description of it.

In accordance with our Anti-Corruption Code, the Company:

a) undertakes several activities aimed at preventing corruption,
b) informs our business partners (vendors) about the application of the Code
c) obliges vendors to confirm that they are familiar with our Anti-Corruption Code, accept its provisions and oblige to refrain from corrupt activities
d) in our Code we also introduce the obligation to add in our agreements with vendors a special anti-corruption (bribery) clauses,

The employees have right and technical possibilities to inform the relevant body about any infringement or violation of human rights via Compliance Officer (special e-mail account), Ethics Committee or using “internal whistle blowing box” uploaded on our intranet (playnet.pl). The Company decided also to start using “external whistle blowing box” which is uploaded on our website (play.pl). As a result of the above the Company decided also to implement on 29 October 2019 the Whistleblowing Procedure.

In accordance with the Whistleblowing Procedure, which sets forth the rules for accepting and examining reports:

a) Employees are obliged to inform the Company about any irregularities
b) Notifications may be made verbally, or in writing (using dedicated e-mail box compliance@play.pl), or in an anonymous way using a special “internal” or “external” whistle blowing tool;
c) The Procedure describes the whole process of clarifying cases. Compliance officer is obliged to supervise the whole proceeding, Compliance Officer may convene relevant committees if necessary, and after the verification of the case the Compliance Officer should prepare report on the results of the proceedings and, if necessary, presents its conclusions to the Management Board.
d) The procedure provided also the rules for the protection of whistleblowers.

The implementation of the Anti-Corruption Code and the Whistleblowing Procedure is also the implementation of the requirements set out in the "Standards on the requirements to be met by the compliance management system for the prevention of corruption and the system for the protection of whistleblowers in companies listed on the Warsaw Stock Exchange" dated 8 October 2018.

KPIs:

In 2019, the number of notifications reported to the Compliance Officer increased seventeen times as compared to the number of notifications reported in 2018. Apart from the above-mentioned notifications we observe significant number of notifications which were reported directly to Compliance Officer.

In 2019 there were together 120 notifications, among which 3 notifications were submitted anonymously using the internal whistleblowing box (they concerned the suspicion of a conflict of interest, suspicion of corruption and information regarding violation of the principles expressed in the Code of Conduct).

Information about the whistleblowing tools, anti-corruption procedures and our Code of Conduct was communicated within the whole firm in 2019 and it will be further communicated to the employees also this year. In 2020 we will also organize e-learning trainings for all employees regarding Anti-Corruption Procedure.

Objectives:

- Organizing e-learning trainings for all employees regarding Anti-Corruption Code (1 per year).
- Organizing trainings for management staff regarding Anti-Corruption Code (2 per year).
- Running communication campaigns across the Company regarding Code of Conduct, Anti-Mobbing Procedure and Whistleblowing Procedure (2 per year).
- Annual audit of the information received on whistleblowing boxes or to the Ethics Committee in order to assess the statute of protection and respect of human rights in the Company and measure the use of this communication channel by employees (1 per year).
- Publishing the Code of Conduct on the Company’s website in order to inform the third parties about the principles and values we follow.
- Implementing special contractual clauses in respect of Code of Conduct to contracts with suppliers, providing necessary trainings for all employees in particular via intranet regarding the necessity of use of the above-mentioned clauses.
- Strengthening the position and role of the Compliance in the organization (securing adequate people and organizational resources), informing employees about the role and position of Compliance via intranet (minimum 2 in 2020) and during trainings (minimum 2 in 2020)
- Increasing efficiency of the whistleblowing system in the Company through verification of the measures and skills of person responsible for receiving and examining reports of violations, (ii) regular trainings for the employees with respect to the rights and obligations of whistleblowers and their importance for the company (minimum 2 in 2020)
- Indication of the planned number of trainings for all employees (via intranet) regarding the necessity of registration of all benefits received from the Company’s contractors and registration of the potential conflict of interest in order to increase the awareness of employees in the scope of anti-corruption activities undertaken by the Company – 1 in 2020
- Indication of the planned number of audits in the area of ethics and compliance for 2020 – 1
- With reference to personal data protection – conducting trainings for the employees (via intranet) in order to strength the control mechanisms which allow for quick identification of personal data breaches, as well as for faster and more effective processing of personal data

12.4 Other aspects of PLAY's corporate responsibility

Upcoming legal acts

The Polish parliament is still working on the draft Act on the liability of collective entities ("Act"). The planned adoption of the Act is Q1 2020. The *vacatio legis* provided for in the Act is 6 months i.e. at the turn of October/November 2020. According to the draft Act companies are required to:

a) determine a person or organizational unit that will supervise the process of following the rules and regulations which are applicable for the company's activity (i.e. creation of compliance department or appointment of a compliance officer),
b) Conducting risk analysis,
c) Conducting verification of contractors,
d) Conducting trainings for employees,
e) Introduce effective whistleblowing system in the company,
f) Conducting annual audits of the procedures and regulations in the company.

According to the Act a collective entity (i.e. Company) is liable for a prohibited act, the features of which have been completed by an action or omission directly related to the activities carried out by that entity. The catalogue of prohibited acts is open, and it refers to offences and tax offences. A collective entity is liable for an offence or tax offence committed by:

a) the entity as such,
b) business partners (subcontractors),
c) other persons (also employees) or bodies authorized to act on behalf of the entity

A collective entity is responsible for a prohibited acts from which he even indirectly obtained a financial advantage committed by the above mentioned entities or persons, if the entity or a person authorized to represent the collective entity knew or was able to learned that the subcontractor or employee would try to commit a prohibited act or that the entrepreneur has irregularities.

According to the Act irregularities are (i) lack of due diligence in the selection of a person authorized to act by a member of the body or entrepreneur or (ii) lack in the supervision over them by a collective entity, or such an (iii) irregularity in the organization of the activities of a collective entity that facilitated or enabled the commission of a prohibited act, although another organization of the entity's activity could prevent the commission of that prohibited act.

A collective entity is not liable for an irregularity, if it proves that all entities and persons authorized to act on its behalf or in its interest have retained due diligence required by the circumstances in organizing the entity's activities and in supervising this activity of collective entity. If the responsible person or organizational unit of collective entity (compliance officer/compliance department) did not conduct explanatory proceedings regarding the information provided by the whistleblowers or did not remove the irregularities defeated in this proceeding, then the financial penalty can be increased from PLN 30 million to PLN 60 million. The increased financial penalty shall not be imposed if the prohibited act was committed despite the removal of any irregularities or infringements found.

Independently the government is working on the draft Act on the transparency in public life ("Act on transparency"). The latest version of the Act on transparency is dated January 8, 2018 and no changes have been made since then.

According to the Act on transparency, the Company will be obliged to take a lot of activities relating to the implementation of effective anti-corruption procedures on the Company, consisting in:

- Changing the Code of Ethics and adjusting it to the requirements set forth in the Act, making all employees, contractors and business partners sign the same
- Making the procedure of giving and accepting gifts and hospitalities more specific

- Developing internal procedures for the reporting of any corruptive practices (information within the entire organization on the existing whistleblowing channel)
- Drawing up and including anti-corruptive clauses in agreements
- Advising employees on criminal liability for corruption-related crimes
- Strengthening the position and role of the compliance officer
- Making no decisions within the company based on any corruptive practices.

Our Compliance Officer has prepared and presented relevant presentations regarding both above mentioned legislation (draft Act on the liability of public entities and draft Act on transparency in public life) and organized meetings within the whole organization regarding the obligations arising from the proposed legislation. In due course, relevant processes and procedures will be implemented in the Company.

Personal data protection

The Company, as a telecommunication operator, collects, processes and stores a significant amount of a basic personal data of natural persons and is accordingly subject to EU and Polish data protection laws (including, but not limited to, the Telecommunications Law).

The Telecommunications Law provides a protection regime for what are referred to as "telecommunications secrets", comprising: (i) user data; (ii) the content of individual messages; (iii) transmission data; (iv) location data; and (v) data relating to call attempts.

The requirement to retain connection data, introduced at EU level by the Data Retention Directive and implemented in Poland in 2009 by an amendment to the Telecommunications Law, applies to several data categories which are necessary to establish, in relation to a connection to/from our network: (i) the source; (ii) the recipient; (iii) date; (iv) time; (v) duration; (vi) telecommunications terminal equipment; and (vii) the location at which it was made. Polish law provides that such data is retained for a period of 12 months from receipt.

We confirm that:

- we have robust internal data protection policies and procedures in place to ensure compliance with all applicable data protection legislation
- there has been no historic material breach of any relevant data protection laws or regulations

In May 2016, a new regulation concerning the Protection of Personal Data (Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, General Data Protection Regulation) (the "GDPR") came into force and instigated a two-year preparatory period during which we have adopted new data processing requirements. Amongst other provisions, in the event of non-compliance the GDPR will enable the President of the Personal Data Protection Office (the "PUODO") to impose financial penalties of up to 4% of our turnover for the previous year.

The Company has introduced better control mechanisms that allow for quick identification and verification of personal data breaches, as well as for faster, more secure and more effective processing of personal data. The awareness of clients, our employees and business partners in the field of personal data protection has increased. Starting from 2013, the Company is obliged to submit reports regarding personal data breaches to the supervisory authority, i.e. the PUODO.

Audit of GDPR implementation was performed in Q3/Q4 '19 by The Traple Konarski Podrecki & Wspólnicy Law Firm (http://www.traple.pl/en/law-office/). No material non-compliance with the provisions of the GDPR, resulting in high risk to P4, was found. The overall level of implementation of the requirements arising from the provisions of the GDPR is assessed as GOOD. Issues that require corrective or optimization actions were identified.

In 2019, we had one material data incident:

- telephone attempts to persuade Play sales network consultants to install CRM or VPN patches

The Company has notified Police and CERT Polska of the possibility of committing a crime; the proceeding is pending.

National defense, security and public safety and order

The Company, along with other telecommunications undertakings, is required to perform tasks and obligations related to national defense, security and public safety and order, within the scope and under the terms specified in the Telecommunications Law and secondary legislation. In particular, all are required to keep up-to-date and agreed emergency action plans and to grant access to their telecommunications infrastructure necessary to carry out rescue actions. In addition, all are required to prepare and maintain the telecommunication network elements for the needs of a national security management system, primarily by ensuring technical and organizational conditions for access as well as retention of telecommunications messages and data. The Telecommunications Law defines certain data which must be retained, stored and properly protected for a period of twelve months by operator of a public telecommunications network and the provider of publicly available telecommunications services at its own cost, as it was introduced at the European level.

In 2019, we successfully implemented the new Security Incident Handling process, the Threat Intelligence service and monitoring. We have also completed several other tasks defined in the PLAY ICT Security roadmap 2019. Despite this effort, the current maturity of the PLAY Cybersecurity Management System remains overall at a medium level.

The implementation of the Regulation of the Minister of Digitization, defining the minimum technical and organizational measures and methods that telecommunications companies are obliged to use to ensure the security or integrity of networks or services will be a big challenge. Regulation based on Art. 175d of the Telecommunications Law is expected in the first quarter of 2020 and will enter into force six months after publication.

In 2020, there is a risk that P4 will be classified as a key service operator (based on the Act on the National Cybersecurity System) and as a critical infrastructure operator (based on the Crisis Management Act). This classification will impose new obligations on P4.

PART IV

ANNEXES

PLAY

1. ANNEX A – GLOSSARY OF TECHNICAL TERMS

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

1800 MHz...............................	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 2G and 4G LTE mobile network technologies.
2100 MHz...............................	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 3G mobile network technologies.
2G..	Second generation cellular telecom networks commercially launched on the GSM standard in Europe.
3G..	Third generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies at top speeds varying from 384 Kbps (UMTS) to 42 Mbps (HSPA+).
4G..	Fourth generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies (these speeds exceed those available for 3G).
5G …………………………………………………	Fifth generation cellular telecom networks aimed at delivering significantly increased operational performance: increased spectral efficiency, higher data rates, low latency, as well as superior user experience – near to fixed network but offering full mobility and coverage. 5G will cater for massive deployment of Internet of Things, while still offering acceptable levels of energy consumption, equipment cost and network deployment and operation cost.
5G Ready ……………………………………	4G network with 5G prerequisite technologies allowing to achieve higher data transmission speed before full implementation of 5G.
900 MHz	A frequency band, used particularly in Europe and Asia Pacific. In Europe, typically employed for 2G and 3G mobile network technologies.
Airtime	Time spent communicating using a handset.
All-net	Within all networks.
Bit..	The primary unit of electronic, digital data, representing 1 binary digit (a “1” or a “0.”)
Broadband (BB)	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (with capacity equal to or higher than 144 Kbps).
BTS..	Base Transceiver Station. A radio transmitter/receiver of GSM network, provides communication between mobile and remaining part of network.
Byte	The byte is a unit of digital information in computing and telecommunications that most commonly consists of eight bits.
CAGR	Compound Annual Growth Rate. The year over year growth rate of a metric over a specified period of time.
Call termination	The handing off of a voice call from the network upon which the call was initiated to the network upon which the intended recipient is currently residing. This usually gives rise to MTRs.
CIT Act...................................	The Polish Corporate Income Tax Act of February 15, 1992 (consolidated text in Dz. U. of 2011, No. 74, Item 397, as amended).
Companies Code	The Polish Companies Code of September 15, 2000 (Dz. U. of 2000, No. 94, Item 1037, as amended).

Competition Act....................... The Polish Act on the Protection of Competition and Consumers of February 16, 2007 (Dz. U. of 2007, No 50, Item 331, as amended).

coverage .... We define coverage, unless otherwise indicated, as the area in which cellular radio signal is strong enough to provide normal operation of a standard user handset, modem or other device.

CSO .... The Central Statistical Office of Poland (Główny Urząd Statystyczny).

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

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

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

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

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

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

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

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

GDP .... Gross Domestic Product.

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

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

HSDPA .... High-Speed Downlink Packet Access. 3G/UMTS technology enhancements, allowing for fast data transmission from network to mobile device. Supports speeds of up to 14.4 Mbps (depending on the technology used).

HSPA .... High-Speed Packet Access. A mix of two mobile telephony protocols, high- speed download Packet Access (HSDPA) and High-Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.

HSPA+ .... Evolved High-Speed Packet Access. A set of 3G/UMTS technology enhancements allowing for very fast data transmission between network and mobile device. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.

Interconnection .... Point of interconnection between two telecommunication operators. Consists of equipment, including links, and a mutually compatible configuration.

IP... Internet Protocol.

IT. Information Technology.

Kbps .... Kilobits per second. Measurement of the transmission speed of units of data (kilobits) over a network.

LAN .... Local Area Network.

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

LTE Ultra .... A major enhancement of the Long Term Evolution (LTE) standard where LTE carrier aggregation is used in order to increase speed of data transmission

MB .... Megabyte. Unit of measurement of the volume of data. Equal to 1,048,576 B (bytes).

Mb .... Megabit. Unit of measurement of the volume of data received or sent over a network. Equal to 1,048,576 b (bits).

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

MHz .... Megahertz.

MMS .... Multimedia Messaging Service.

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

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

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

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

MVNO .... Mobile Virtual Network Operator. A company that does not own a reserved frequency spectrum, but resells wireless services under its own brand name, using the network of another MNO.

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

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

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

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

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

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

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

S.A. .... Public limited liability company (Spółka Akcyjna).

SIM cards................................ SIM cards are subscriber identity modules. A SIM card is a smart card that securely stores the key identifying a handset service subscriber, as well as subscription information, preferences and text messages.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VAS .... Value-Added Services. All services provided on mobile networks beyond standard voice calls, SMS, MMS and data transmission.

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

PART V

FINANCIAL STATEMENTS

PLAY

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 consolidated financial statements of the Company and its subsidiaries 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 its subsidiaries included in the consolidation taken as a whole; and

- the director's report on the activity of the Company and its subsidiaries in the year ended December 31, 2019 provides a fair view of the important events of the past year and their impact on the consolidated financial statements, as well as the principal risks and uncertainties for the remaining months of the financial year, and the most important related party transactions.

Approved by the Board and signed on its behalf by

Ioannis Karagiannis
Director

Andrzej Klesyk
Director

Ernst & Young
Société anonyme

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Independent auditor's report

To the Shareholders of
Play Communications S.A.
4/6, rue du Fort Bourbon
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Opinion

We have audited the consolidated financial statements of Play Communications S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies, which are presented on pages 85 to 96.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and consolidated 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 consolidated financial statements » section of our report. We are also independent of the Group 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition – accuracy of revenue recorded given the complexity of systems

Risk identified

The Group's revenue amounting to PLN 7,041 million consists of voice and SMS communications, data transfer, interconnection, international roaming and sales of handsets and other equipment.

Revenue recognition is considered a significant risk due to both the bundling of these services with sales of handsets and the complexity of the Group's systems and processes used to record revenue. Also, the application of revenue recognition accounting standards is complex and involves a number of key judgments and estimates.

Our response

Our audit procedures over revenue recognition included, among others:

- We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes;
- We tested the operating effectiveness of controls around system development, program changes and IT dependent business controls to establish that changes to the system were appropriately authorized and also developed and implemented properly;
- We tested controls, assisted by our information technology specialists including those over: set-up of customer accounts, pricing data, segregation of duties, and the linkage to usage data that drives revenue recognition;
- We tested transactions for main revenues streams;
- We assessed the accounting applied to commercial offers, particularly in light of the revenue recognition criteria set by IFRS 15;
- We assessed the adequacy of the assumptions used by the Management in the process of determination of significant judgements and estimates relating to the application of IFRS 15. Those judgements include mainly the determination of the Standalone Selling Price of handsets, assessment of the Adjusted Contract Term, agent vs. principal considerations and the use of practical expedient in relation to the significant financing component;
- We performed testing on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills;
- We performed substantive procedures over deferred income and contract liabilities, through validation reports used in its determination at period end;
- We tested cash receipts for a sample of customers back to the customer invoice;
- We performed substantive analytical procedures on revenue and deferred revenue based on our industry knowledge, forming an expectation of revenue based on key performance indicators;
- We evaluated the adequacy of the provision for impairment of trade receivables, capitalized contracts costs and contract assets, including the appropriateness of the methodology used to calculate the provision, and analyzed individual significant long outstanding balances.

We also assessed the adequacy of the Company's disclosures in respect of the revenue recognition as set out in Notes 2.4.1, 4, 41.3 and 41.24.

2. Tax contingencies

Risk identified

As of December 31, 2019, there is no provisions for uncertain tax positions. Income tax positions were significant to our audit because the assessment process is complex and involves a high degree of judgment due to complex and evolving tax laws. Furthermore, the regulations and the amounts involved are material to the consolidated financial statements. The Company's Management exercises judgment in assessing the level of provision required for taxation when such taxes are based on the interpretation of complex tax laws. The future actual outcome concerning these tax exposures may result in materially higher or lower amounts than the accrual included in the accompanying consolidated financial statements.

Our response

Our audit procedures over tax contingencies included, among others:

- We assessed, with the support of EY tax specialists, the likelihood and exposure of the potential tax risks and reasonability of tax provisions;
- We reviewed communications between tax authorities and the Group;
- We reviewed legal opinions as well as correspondence with tax advisors obtained by the Management of the Group in relation to tax matters.

We also assessed the adequacy of the Company's disclosures in respect of the Tax contingencies as set out in Notes 11 and 39.1.

3. Capitalization and Asset lives

Risk identified

The net book value of property, plant, equipment, right-of-use assets and assets under construction at 31 December 2019 amounts to PLN 3,200 million. The assessment and timing of whether assets meet the capitalization criteria set out in the relevant accounting standards, the estimation of appropriate economic useful lives and the assessment of whether any impairment indicators are present, such as redundant assets, as well as the identification and the classification of leases all require judgment.

Our response

Our audit procedures over capitalization and asset lives included, among others:

- We assessed the design and tested the operating effectiveness of controls around the asset capitalization cycle;
- We reviewed management assumptions over the carrying value and economic useful life of key assets by consideration of internal and external available data. We challenged the management's assumptions used in the process of estimating the economic useful lives of existing and new assets capitalized in the year based on our knowledge of the business;

- We performed substantive procedures on fixed asset and verified evidence such as purchase invoice and bank statement to assess the validity, valuation and appropriateness of capitalization of those additions;
- We considered the circumstances as to whether any additions or prevailing events give rise to indicators of impairment such as redundant assets;
- We assessed the adequate application of IFRS 16, that the Group early adopted;
- We verified the estimates and judgements relating to the determination of contracts in scope of IFRS 16. We reviewed the interest rates used for discounting of future cash flows and assessed the appropriateness and application of lease contract terms, especially in relation to those agreements with indefinite contract term.

We also assessed the adequacy of the Company's disclosures as set out in Notes 2.4.2, 2.4.6, 2.4.9, 14, 15, 16, 41.7, 41.8 and 41.11.

Other information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Director is responsible for assessing the Group'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 Director either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

The objectives of our audit are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

Building a better working world

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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 Director's report on pages 23 to 24, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, on pages 45 to 118, 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 consolidated 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.

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 Group in conducting the audit.

Other matter

The corporate governance statement includes 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

PLAY COMMUNICATIONS S.A.

AND ITS SUBSIDIARIES

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

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Consolidated statement of comprehensive income

	Notes	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Operating revenue	4	**7,040,753**	**6,839,148**	**6,669,859**
Service revenue		5,296,028	5,082,978	4,878,228
Sales of goods and other revenue		1,744,725	1,756,170	1,791,631
Operating expenses		**(5,474,995)**	**(5,426,092)**	**(5,578,059)**
Interconnection, roaming and other service costs	5	(1,769,917)	(1,922,225)	(1,729,506)
Contract costs, net	6	(404,806)	(420,959)	(429,143)
Cost of goods sold		(1,437,291)	(1,442,127)	(1,409,818)
General and administrative expenses	7	(956,717)	(851,491)	(1,212,336)
Depreciation and amortization	8	(906,264)	(789,290)	(797,256)
Other operating income	9	76,885	78,239	109,778
Other operating costs	9	(142,997)	(120,635)	(94,695)
thereof: impairment of financial assets	9	*(157,557)*	*(176,044)*	*(129,523)*
Operating profit		**1,499,646**	**1,370,660**	**1,106,883**
Finance income	10	1,218	1,675	178,850
Finance costs	10	(346,118)	(374,679)	(656,423)
Profit before income tax		**1,154,746**	**997,656**	**629,310**
Income tax charge	11	(287,809)	(253,052)	(241,964)
Net profit		**866,937**	**744,604**	**387,346**
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income		7,827	(9,732)	118
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	26.4	**7,827**	**(9,732)**	**118**
Total comprehensive income		**874,764**	**734,872**	**387,464**
Earnings per share (in PLN) (basic)	12	3.41	2.93	1.54
Earnings per share (in PLN) (diluted)	12	3.39	2.93	1.54
Weighted average number of shares (in thousands) (basic)	12	254,043	253,953	252,150
Weighted average number of shares (in thousands) (diluted)	12	255,661	254,358	252,150

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

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

Consolidated statement of financial position

	Notes	December 31, 2019	December 31, 2018	December 31, 2017
ASSETS				
Non-current assets				
Intangible assets	13	2,598,138	2,513,429	2,683,857
Property, plant and equipment	14	2,028,828	1,511,091	1,282,347
Right-of-use assets	15	885,279	868,125	855,867
Assets under construction	16	285,906	438,342	303,351
Contract costs	17	374,080	372,653	361,002
Long-term investments		239	-	-
Long-term receivables	18	15,391	14,362	13,835
Other long-term finance assets	19	11,348	-	4,268
Deferred tax asset	11	-	-	-
Total non-current assets		**6,199,209**	**5,718,002**	**5,504,527**
Current assets				
Inventories	20	169,147	169,494	159,279
Trade and other receivables	21	731,556	863,913	1,100,466
Contract assets	22	1,455,922	1,392,630	1,366,913
Current income tax receivables		382	654	47,529
Prepaid expenses	23	28,848	22,155	23,530
Cash and cash equivalents	24	294,317	353,690	628,725
Other short-term finance assets	19	6,260	-	-
Total current assets		**2,686,432**	**2,802,536**	**3,326,442**
TOTAL ASSETS		**8,885,641**	**8,520,538**	**8,830,969**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	25	128	128	128
Share premium		3,673,350	3,673,350	3,673,350
Other reserves		52,950	29,509	28,228
Retained losses		(3,404,775)	(3,903,525)	(3,914,285)
Total equity		**321,653**	**(200,538)**	**(212,579)**
Non-current liabilities				
Long-term finance liabilities - debt	26	6,505,021	6,250,554	6,752,867
Other long-term finance liabilities	26	-	3,858	-
Long-term provisions	27	70,364	49,079	58,335
Deferred tax liability	11	168,406	130,455	117,101
Other non-current liabilities		10,388	9,774	10,125
Total non-current liabilities		**6,754,179**	**6,443,720**	**6,938,428**
Current liabilities				
Short-term finance liabilities - debt	26	361,720	755,776	585,955
Other short-term finance liabilities	26	4,685	8,654	6,871
Trade and other payables	29	865,405	1,027,813	1,106,528
Contract liabilities		101,826	93,118	86,957
Current income tax payable		141,466	93,145	10,258
Accruals	31	95,138	55,640	59,519
Short-term provisions	27	6,417	3,435	78
Short-term incentive and retention programs liabilities	28	-	-	17,743
Deferred income	32	233,152	239,775	231,211
Total current liabilities		**1,809,809**	**2,277,356**	**2,105,120**
TOTAL LIABILITIES AND EQUITY		**8,885,641**	**8,520,538**	**8,830,969**

Consolidated statement of changes in equity

		Attributable to equity holders of the parent				
	Notes	**Share capital**	**Share premium**	**Other reserves**	**Retained losses**	**Total equity**
As at January 1, 2019		**128**	**3,673,350**	**29,509**	**(3,903,525)**	**(200,538)**
Net profit for the period		-	-	-	866,937	866,937
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	26.4	-	-	7,827	-	7,827
Total comprehensive income		**-**	**-**	**7,827**	**866,937**	**874,764**
Issue of Loyalty and Award shares	28	0	-	(0)	-	-
Issue of shares without consideration (PIP3 Investment Shares)	28	0	-	1,292	-	1,292
Effect of valuation of equity-settled incentive and retention programs	28	-	-	14,309	-	14,309
Dividend payment	25	-	-	-	(368,174)	(368,174)
Other				13	(13)	-
As at December 31, 2019		**128**	**3,673,350**	**52,950**	**(3,404,775)**	**321,653**

	Notes	Attributable to equity holders of the parent				
		Share capital	**Share premium**	**Other reserves**	**Retained losses**	**Total equity**
As at January 1, 2018		**128**	**3,673,350**	**28,228**	**(3,914,285)**	**(212,579)**
Impact of adoption of IFRS 9		**-**	**-**	**-**	**(59,854)**	(59,854)
Prior year adjustment		-	-	-	(21,959)	(21,959)
As at January 1, 2018 (adjusted)		**128**	**3,673,350**	**28,228**	**(3,996,098)**	**(294,392)**
Net profit for the period		-	-	-	744,604	744,604
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	26.4	-	-	(9,732)	-	(9,732)
Total comprehensive income		**-**	**-**	**(9,732)**	**744,604**	**734,872**
Issue of shares without consideration (PIP2 Initial Investment Shares)	28	0	-	5,087	-	5,087
Effect of valuation of equity-settled incentive and retention programs	28	-	-	5,926	-	5,926
Dividend payment	25				(652,031)	(652,031)
As at December 31, 2018		**128**	**3,673,350**	**29,509**	**(3,903,525)**	**(200,538)**

In 2018 the Group recognized an opening balance adjustment recorded directly in retained earnings (presented as other movements in the consolidated statement of changes in equity without making the restatement) and amounting to PLN 21,959 thousand (net of deferred tax) relating to recalculation of prior years' contract assets balance under IFRS 15 due to identified immaterial errors in recognition of mix tariffs of pre-paid service revenue in years 2017 and 2016. The Group considers this adjustment from prior years to be immaterial to the financial statements taken as a whole.

		Attributable to equity holders of the parent				
	Notes	**Share capital**	**Share premium**	**Other reserves**	**Retained losses**	**Total equity**
As at January 1, 2017		**52**	**5,644,191**	**-**	**(4,301,631)**	**1,342,612**
Net profit for the period		-	-	-	387,346	387,346
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	26.4	-	-	118	-	118
Total comprehensive income		**-**	**-**	**118**	**387,346**	**387,464**
Issue of shares	25	76	114,123	-	-	114,199
Issue of shares without consideration (VDP4 Original shares)	25	0	-	19,379	-	19,379
Effect of valuation of equity-settled incentive and retention programs	28	-	-	8,731	-	8,731
Increase of share premium	25	-	171,184	-	-	171,184
Redemption of share premium	25	-	(2,256,148)	-	-	(2,256,148)
As at December 31, 2017		**128**	**3,673,350**	**28,228**	**(3,914,285)**	**(212,579)**

Consolidated statement of cash flows

	Notes	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Profit before income tax		**1,154,746**	**997,656**	**629,310**
Depreciation and amortization		906,264	789,290	797,256
Change in contract costs	34	(1,427)	(11,651)	(10,321)
Interest expense (net)		345,875	367,071	372,452
(Gain)/Loss on finance instruments at fair value		(593)	178	169,341
Foreign exchange (gains)/losses		(4,699)	5,743	(64,083)
Gain on disposal of non-current assets and termination of lease contracts		(9,310)	(10,422)	(5,780)
Impairment of non-current assets		2,234	2,070	5,586
Change in provisions and liabilities or equity related to incentive and retention programs		17,070	(6,105)	(123,149)
Changes in working capital and other	34	102,455	173,821	201,222
Change in contract assets	34	(63,292)	(124,842)	(369,133)
Change in contract liabilities	34	8,708	6,161	(12,770)
Cash provided by operating activities		**2,458,031**	**2,188,970**	**1,589,931**
Interest received		337	1,408	476
Income tax paid		(228,643)	(152,981)	(201,069)
Net cash provided by operating activities		**2,229,725**	**2,037,397**	**1,389,338**
Proceeds from sale of non-current assets		4,493	7,079	3,539
Proceeds from loans given		-	-	18,335
Proceeds from finance receivables (Repayment of notes by Impera Holdings S.A.)		-	-	388,250
Purchase of fixed assets and intangibles and prepayments for assets under construction		(852,596)	(766,643)	(734,816)
Purchase of debt securities (Notes issued by Impera Holdings S.A.)		-	-	(68,922)
Acquisition of subsidiaries	2.5	(334,897)	-	-
Net cash used in investing activities		**(1,183,000)**	**(759,564)**	**(393,614)**
Proceeds from equity increase		-	-	285,382
Proceeds from finance liabilities	26.2	750,000	-	6,443,000
Dividends (paid)		(368,264)	(652,498)	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	26.5	(1,489,005)	(900,649)	(5,208,251)
Purchase of notes issued by Impera Holdings S.A.	26.1	-	-	(2,227,933)
Net cash used in financing activities		**(1,107,269)**	**(1,553,147)**	**(707,802)**
Net change in cash and cash equivalents		**(60,544)**	**(275,314)**	**287,922**
Effect of exchange rate change on cash and cash equivalents		(60)	401	(408)
Cash and cash equivalents at the beginning of the period		**353,595**	**628,508**	**340,994**
Cash and cash equivalents from acquired subsidiaries		**1,326**	**-**	**-**
Cash and cash equivalents at the end of the period		**294,317**	**353,595**	**628,508**

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 (s*ociété 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 25.

The Company and its subsidiaries (together, the "Play Group" or the "Group") operate in the mobile telecommunications sector in Poland.

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

On August 19, 2019 the Group completed acquisition of 3S and its subsidiaries ("3S Group") (see Note 2.5).

These Financial Statements comprise:
- consolidated statement of financial position;
- consolidated statement of comprehensive income;
- consolidated statement of changes in equity;
- consolidated 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: years ended December 31, 2018 and December 31, 2017, hereafter the "Financial Statements".

The Financial Statements include the accounts of the Company and the following subsidiaries:

Entity	Location	Principal activity	Ownership and percentage of voting rights		
			As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%	100%
Play Finance 2 S.A. - liquidated in December 2018	Luxembourg	Financing	-	-	100%
P4 Sp. z o.o.	Poland	Operating	100%	100%	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	100%	100%	100%
3S S.A.	Poland	Operating	100%	-	-
3S Data Center S.A.	Poland	Operating	100%	-	-
3S BOX S.A.	Poland	Operating	100%	-	-
3S Fibertech sp. z o.o. *	Poland	Operating	100%	-	-

*On January 2, 2020 3S S.A. and Fibertech sp. z o.o. merged.

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

2. Basis of preparation

The Financial Statements were authorized for issue by the Board of Directors of the Company on February 26, 2020 and are subject to the approval by the Annual General Meeting.

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

The Financial Statements are prepared under the historical cost convention except for liabilities relating to cash-settled incentive and retention programs and derivatives 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.

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 2.4.

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. The accounting policies applied in the Financial Statements are consistent with the policies applied and described in the consolidated financial statements of the Group as at and for the year ended December 31, 2018 approved on March 4, 2019, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2019 as described below. For the purpose of the Financial Statements the Group has adopted the following standards, amendments to standards and interpretations:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Group'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

There is no material impact of the abovementioned regulations on the Financial Statements.

Please note that in the year ended December 31, 2016 the Group had early adopted IFRS 15: Revenues from contracts with customers and IFRS 16: Leases as of January 1, 2013, applying the full retrospective method.

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	Group'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

In June 2019, the IFRS Interpretations Committee (the “Committee”) discussed in its public meetings among others the following matters relating to application of IFRS 16: subsurface rights, lessee’s incremental borrowing rate and lease term and useful life of leasehold improvements and decided not to add them to its standard-setting agenda. The Group has analyzed the Committee reasoning and has concluded that the Group’s accounting policies in respect to the above topics are in line with the Committee’s considerations. The Group will monitor how the industry practice regarding above decisions will develop.

2.2 Going concern

The Financial Statements disclose all matters of which the Group is aware, and which are relevant to the Group’s ability to continue as a going concern, including all significant events and the Group’s plans. The Group generates positive cash flows from operating activities which can be used to perform all mandatory payments under the financing agreements, and to finance further development of telecommunications infrastructure as well as expected dividend payments by the Company. Accordingly, the Financial Statements have been prepared on a basis which assumes that the Group will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

2.3 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 level of the fair value hierarchy within which the fair value measurements are categorized are disclosed in respective Notes to the Financial Statements relating to items valued at fair value. For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Since there are no market prices available for the derivative financial instruments (interest rate swaps, foreign exchange forward contracts) in the portfolio assigned to Level 2 of the fair value hierarchy due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

The methods and assumptions used to estimate the equity relating to incentive and retention programs are described in the Note 2.4.4.

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

2.4 Critical accounting estimates and judgments

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

2.4.1 Recognition of revenue

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers (please see also Note 4). These include:

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

The stand-alone selling prices for mobile devices are estimated as cost of sale plus margin. Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses.

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

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

Agent vs. principal considerations in relation to cooperation with dealers
The Company cooperates with a network of dealers who sell contract services (including these bundled with handsets) and prepaid services. The Group has assessed that the dealers act as agents (and therefore do not control the goods or services before they are provided to the end-customer) in this process, for the following reasons:

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

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

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities (please see Note 26.3) and the valuation of right-of-use assets (please see Note 15). 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 Group generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

For all contracts signed since January 1, 2018 relating to properties for telecommunication sites, the Group has concluded that there are a number of scenarios where the Group might elect not to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by a potential use of an option to extend the lease are excluded from the lease term. For leases with indefinite term the Group estimates the non-cancellable period of such types of leases to be equal to the average or typical market contract term of particular type of lease. When assessing the lease term the Group takes into account penalty payments specified in the contract as well as materiality of possible economic outflows related to termination of the contracts. The Group will continue to monitor these assumptions in the future as a result of a review of the industry practice and the evolution of the accounting interpretations in relation to estimation of the lease terms among peer telecommunications entities when they also apply IFRS 16.

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 Group's rating, observed in the period when the lease contract commences or is modified.

2.4.3 Estimation of provision for impairment of financial assets

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The expected credit loss is calculated as expected gross carrying amount of the financial asset at default date multiplied by expected credit loss rate.

When measuring expected credit loss provision for billing receivables the Group uses collectability ratio from previous periods including information on recoverability through the process of sales of outstanding invoices as well as forward looking information.

For other trade receivables the Group performs assessment for each individual debtor taking into account the probability of default or delinquency in payments and the probability that debtor will enter into financial difficulties or bankruptcy. The Group uses all reasonable and supportable information regarding debtors available at the assessment date, including the information about securities, e.g. guarantees, deposits and insurance.

When calculating the loss allowance for contract assets the Group considers a financial asset in default when the Group is unlikely to receive the cash flows from customers which would be used to settle the outstanding contract assets balance, e.g. when the customer is disconnected as a result of breach of the contract. The Group uses professional judgement to calculate probability–weighted estimate of credit losses over the expected life of contract assets.

2.4.4 Valuation of the equity-settled incentive and retention programs

Upon the Initial Public Offering of the Company's shares ("IPO"), on July 27, 2017, the members of the Management Board of P4 and key employees have entered into 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 28.

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,
- expected dividend yield not exceeding 6.95%,
- 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 calculated on the grant date based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated on the grant date 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,
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- expected dividend yield not exceeding 5%,
- 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 IPO date. 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 grant date of PLN 24.88, whereas the actual share price on July 27, 2018 (the Start Date) was equal to PLN 21.50,
- 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,
- expected dividend yield not exceeding 5%,
- 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,
- expected dividend yield not exceeding 5%,
- 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.

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

With respect to Senior Facilities Agreement signed in March 2017 (please see Note 26.1.1) the Group had concluded that option's exercise price approximated debt amortized cost value and that it could be moreover assessed that implied fee for early redemption reimbursed the lender for an amount up to the approximate present value of lost interest for the remaining term of liabilities. Thus, close relation between embedded derivative and host contract was confirmed. Therefore, this early redemption option was not separated from host debt contract of Senior Facilities Agreement signed in March 2017 for accounting and valuation purposes.

2.4.6 Valuation of the assets retirement obligation provision

The assets retirement obligation provision relates primarily to obligation to dismantle the telecommunications constructions from the leased property.

The discount period reflects the expected timing of outflows relating to dismantling and equals the period covered by the lease of the property on which the telecommunications constructions are located. In prior years the Group used the discount period equal to the period covered by the telecommunications licenses owned by the Group. The change of the discount period has no material impact on the Financial Statements. As at December 31, 2019 the assets retirement obligation provision (please see Note 27) was calculated using discount rate of 1.91% (2.46% as at December 31, 2018 and 2.99% as at December 31, 2017), representing interest rate of 10-years treasury bonds as at that date.

2.4.7 Valuation of the option to acquire Virgin Mobile Polska sp. z o.o.

On January 15, 2018, the Group entered into a set of agreements with Virgin Mobile Polska sp. z o.o. ("VMP") and its shareholders as well as with the group of leading investors in VMP. These agreements give the Group, among others, a call option to acquire all shares in VMP during 2020 at the price calculated according to an agreed valuation methodology based on VMP's onetime annual revenue adjusted by certain elements. The investors in VMP undertook to procure that all shares in VMP are sold to the Group in case the Group exercises the call option. The fair value of the option at initial recognition equals the consideration given to acquire the option, which is PLN nil. The Group estimates that the fair value of shares in VMP at the potential transaction date will not exceed the price foreseen by the above mentioned agreements, therefore the fair value of this option amounts to PLN nil at the reporting date. The inputs used in determining the fair value fall within Level 3 of the fair value hierarchy (significant unobservable inputs).

2.4.8 Deferred tax

As part of the process of preparing the Financial Statements, the Group is required to estimate the Play Group's income taxes (please see Note 11). This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting

purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

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

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

2.4.9 Impairment of non-current assets

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at December 31, 2019, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and 3S Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2019. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2020-2024.

The key assumptions for the calculations include: the number of the new subscribers added ("gross adds"), ARPU Outbound (monthly revenue from retail usage per average subscriber), the costs of national roaming/network sharing and interconnection costs, unit subscriber acquisition and retention costs. The pre-tax discount rate used (of 9.75%) reflects the risks specific to the Play Group's operations. The growth rate used to extrapolate cash flow projections beyond the forecast period (from 2025 onwards) is conservatively determined at 0%.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long-lived assets, including goodwill as at December 31, 2019. As a result, no impairment loss has been recognized.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. Play Group's business model is based on a combination of operating an extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network of its own and providing nation-wide coverage to its customers via national roaming/network sharing agreements with other mobile telecommunications operators. The future success of this business model is dependent on many factors. The macroeconomic conditions of Poland and the European Union, the overall level of competition in the market, including market prices for voice and data services, the future take-up of new mobile data services, including demand for 5G technology, possible significant changes in mobile technology, access to sufficient distribution channels and the impact of possible new entrants in the form of mobile network operators (MNOs) and mobile virtual network operators (MVNOs), as well as over–the–top (OTT) service providers, may all impact the Group's ability to generate revenues. Risks associated with rapidly growing demand for radio network capacity, and uncertainties over the market regulator's approach to new entrants relative to market incumbents, the development of unit costs of mobile devices and market levels of mobile devices subsidies, all generate uncertainties over achievable profit margins.

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

As a result of these and other uncertainties the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.
However,

- If the total number of new subscribers added by the Group ("gross adds") in the projection period was 10% lower than the Group's assumptions, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.
- If the Blended ARPU Outbound (monthly revenue from retail usage per average subscriber) in the projection period was 5% lower than the Group's assumptions, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.
- If the revised estimated discount rate applied to the discounted cash flows was increased by 2 p.p., compared with the Group's estimates, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.

2.5 Changes in the composition of the Group

On August 19, 2019 the Group completed acquisition of 3S Group for cash consideration of PLN 330,486 thousand. There is no contingent consideration involved upon the transaction. Upon closing of the transaction, the entities within 3S Group became wholly owned consolidated subsidiaries. 3S Group provides a variety of bundled telecommunications and data center services for business clients. 3S Group includes the following legal entities: 3S S.A., 3S Data Center S.A., 3S Fibertech sp. z o.o. and 3S BOX S.A. On January 2, 2020 3S S.A. and 3S Fibertech sp. z o.o. merged. The transaction supports Play's mobile-centric strategy to develop a lean high-capacity wireless network and offers Play further opportunities to extend its B2B offering to fiber and data center solutions, leveraging Play's nationwide salesforce and strong brand, and at the same time enables Play to streamline its own data center operations.

The acquisition of 3S Group was accounted as business combination according to IFRS 3.

The following table shows the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and the resultant final purchase price allocation:

ASSETS		LIABILITIES	
Other intangible assets	97,311		
Property, plant and equipment	125,097	Long-term provisions	6,877
Right-of-use assets	19,537	Long-term finance liabilities - debt	73,671
Assets under construction	5,502	Deferred tax liability	27,339
Other long-term finance assets	12,850	**Non-current liabilities**	**107,887**
Long-term investments	238		
Long-term receivables	484	Short-term finance liabilities - debt	17,740
Deferred tax asset	404	Trade and other payables	15,632
Non-current assets	**261,423**	Current income tax payable	783
		Accruals	1,905
Inventories	1,906	Deferred income	83
Trade and other receivables	11,225	**Current liabilities**	**36,143**
Cash and cash equivalents	1,326	**TOTAL LIABILITIES AND EQUITY**	**144,030**
Other short-term finance assets	6,851		
Prepaid expenses	807		
Current assets	**22,115**		
TOTAL ASSETS	**283,538**	**NET ASSETS ACQUIRED**	**139,508**

As a result of purchase price allocation the Group recognized newly identified intangible assets of PLN 95,900 thousand including customer relationships and internally developed software. Fair value of acquired assets was determined using income approach (customer relationships) and cost approach (internally developed software). The Group recognized also a provision of PLN 6,700 thousand in the Consolidated Statement of Financial Position for potential tax risks. Fair value of acquired receivables includes finance lease receivables presented in line "other long-term finance assets" and "other short-term finance assets" in the amount of PLN 19,701 thousand. The amount of contractual cash flows not expected to be collected was immaterial.

The goodwill of PLN 190,978 thousand recognized in the consolidated statement of financial position was calculated as follows:

Consideration transferred	**330,486**
- fair value of the acquired assets	(283,538)
+ fair value of the acquired liabilities	144,030
= Goodwill	**190,978**

The goodwill comprises the value of expected operating synergies arising from the acquisition and expected new customer gains from extended B2B offering of fiber and data center solutions.

During the year ended December 31, 2019 the Group recognized PLN 30,465 thousand of revenue and PLN 132 thousand of net loss with respect to 3S Group since the acquisition date after elimination of intra-group transactions. Net loss includes the impact of amortization of newly recognized intangible assets and revalued property, plant and equipment.

During the year ended December 31, 2019 the Group recognized PLN 10,486 thousand of one-off general and administrative expenses related to acquisition and integration of new subsidiaries

3. Financial risk management

The Play Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements. During the current year, there were no significant changes in financial risk management.

3.1 Credit risk

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

Apart from billing receivables, the Group also has receivables from interconnect and international roaming partners, MVNOs, handsets dealers and other. The table below shows the balance of three major counterparties at the end of the reporting period and comparative periods and the percentage that the balance represents in total Group's trade and other receivables:

	December 31, 2019	
	%	Balance
Counterparty A	7,0%	51 365
Counterparty B	5,4%	39 733
Counterparty C	5,1%	36 955
	17,5%	**128 053**

	December 31, 2018	
	%	Balance
Counterparty B	8,4%	72 144
Counterparty A	5,2%	44 800
Counterparty C	3,4%	29 724
	17,0%	**146 668**

	December 31, 2017	
	%	Balance
Counterparty B	6,5%	72 045
Counterparty A	3,8%	41 624
Counterparty C	2,8%	30 707
	13,1%	**144 376**

Management and control of credit risk regarding receivables other than billing receivables, including the receivables from counterparties A, B, C is based on:

- investigation of financial standing in relation to the Group's business partners (current and potential);
- investigation of individual credit limit needs of business partners;
- security of credit limits by using hard security instruments (deposit, bank guarantee) and soft security instruments (submission for execution based on clause 777 of Polish code of civil procedure, bill of exchange);
- insurance of trade receivables in external institutions;
- periodical monitoring of different warning signals: lack of payment, lack of new orders;
- immediate response in case of appearance of any warning signals.

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

Cash is deposited only in well recognized financial institutions.

3.2 Interest rate risk

In the year ended December 31, 2019 and in comparative periods the exposure on interest rate risk was related primarily to floating rate borrowings under Senior Facilities Agreement (see Note 26.1.1). The risk has been partially mitigated by interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount for a three-year period. See also Note 26.4. Additionally in December 2019 the Group issued floating interest rate notes (see Note 26.2.1.).

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	(18,777)
	-50	18,777
Year ended December 31, 2018	+50	(19,511)
	-50	19,511
Year ended December 31, 2017	+50	(21,465)
	-50	21,465

Sensitivity to possible changes in interest rate decreased in 2019 in comparison to 2018 and 2017 due to the lower amount of floating rate debt resulting from SFA prepayments made during the year ended December 31, 2019. 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 or 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 Group is regularly monitored by the Group. The following instruments may be used to minimize the interest rate risk relating to the Group:

- Forward rate agreements (FRAs);

- Interest rate swaps;
- Interest rate options.

As described above, the Group entered into interest rate swaps in the year ended December 31, 2017 which were still in place as at December 31, 2019.

3.3 Currency risk

A significant portion of the Group's borrowings had been historically denominated in EUR, which had exposed the Group to currency risk. In March 2017, the EUR-denominated borrowings have been replaced with PLN-denominated borrowings – see Note 26.1.1. This has significantly reduced the currency risk.

Nevertheless, the exposure to currency risk still exists because while most of the Group's revenue is earned in PLN, some operating costs are denominated in foreign currencies, mainly EUR. Also international roaming costs and revenue are recorded in foreign currencies.

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 is regularly monitored by the Group. The following instruments may be used to minimize the currency risk relating to the Group's foreign exchange transactions:
- forward foreign exchange contracts (also Non Delivery Forwards);
- foreign currency swaps (also Non Delivery Forwards);
- foreign currency options with an approved currency option hedging plan.

During the year ended December 31, 2017, the Group had entered among others into several forward foreign exchange contracts which were used to exchange PLN into EUR for the purpose of the repayment of the EUR-denominated notes with the proceeds from PLN-denominated bank loans - see Note 26.1.1 (forward contracts for the purchase of EUR 940,000 thousand) and for the purpose of purchasing of EUR-denominated Notes of Impera Holdings S.A. – see Note 19.3 (forward contracts for the purchase of EUR 520,000 thousand). The Group did not enter into forward foreign exchange contracts of material amount during the year ended December 31, 2018 and during year ended December 31, 2019.

The table below presents split of assets and liabilities balances into currencies in which they are denominated, the values below are translated into PLN:

Year ended December 31, 2019	PLN (in thousands)	EUR presented in PLN (in thousands)	other currencies presented in PLN (in thousands)	**Total**
Long-term receivables before the impairment provision	13,871	1,888	-	15,759
Other long-term finance assets	11,348	-	-	11,348
Trade and other receivables before the impairment provision	855,347	12,930	94	868,371
Current income tax receivables	-	382	-	382
Cash and cash equivalents	285,506	7,141	1,670	294,317
Assets	**1,166,072**	**22,341**	**1,764**	**1,190,177**
Long-term finance liabilities - debt	6,447,112	53,121	4,788	6,505,021
Other non-current liabilities	10,388	-	-	10,388
Short-term finance liabilities - debt	321,253	36,104	4,363	361,720
Other short-term finance liabilities	4,685	-	-	4,685
Trade and other payables	756,821	104,339	4,245	865,405
LIABILITIES	**7,540,259**	**193,564**	**13,396**	**7,747,219**

Year ended December 31, 2018	PLN (in thousands)	EUR presented in PLN (in thousands)	other currencies presented in PLN (in thousands)	Total
Long-term receivables before the impairment provision	12,896	1,834	-	14,730
Trade and other receivables before the impairment provision	999,485	28,081	143	1,027,709
Current income tax receivables	-	654	-	654
Cash and cash equivalents	332,551	16,845	4,294	353,690
Assets	**1,344,932**	**47,414**	**4,437**	**1,396,783**
Long-term finance liabilities - debt	6,184,900	60,897	4,757	6,250,554
Other long-term finance liabilities	3,858	-	-	3,858
Other non-current liabilities	9,774	-	-	9,774
Short-term finance liabilities - debt	713,115	40,646	2,015	755,776
Other short-term finance liabilities	8,654	-	-	8,654
Trade and other payables	801,251	223,152	3,410	1,027,813
LIABILITIES	**7,721,552**	**324,695**	**10,182**	**8,056,429**

Year ended December 31, 2017	PLN (in thousands)	EUR presented in PLN (in thousands)	other currencies presented in PLN (in thousands)	Total
Long-term receivables - debt securities	-	-	-	-
Long-term receivables before the impairment provision	12,541	1,664	-	14,205
Other long-term finance assets	4,268	-	-	4,268
Trade and other receivables before the impairment provision	1,201,723	18,014	10,898	1,230,635
Cash and cash equivalents	576,713	49,523	2,489	628,725
Assets	**1,795,245**	**69,201**	**13,387**	**1,877,833**
Long-term finance liabilities - debt	6,671,616	76,635	4,616	6,752,867
Other non-current liabilities	10,125	-	-	10,125
Short-term finance liabilities - debt	551,626	33,537	792	585,955
Other short-term finance liabilities	6,871	-	-	6,871
Trade and other payables	856,970	203,529	46,029	1,106,528
Short-term incentive and retention programs liabilities	17,743	-	-	17,743
LIABILITIES	**8,114,951**	**313,701**	**51,437**	**8,480,089**

Other assets and liabilities are denominated in PLN.

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate, with all other variables held constant. As the balances denominated in other foreign currencies are relatively insignificant, the changes in the exchange rates other than EUR would not have any material impact on the financial statements.

	Change in EUR rate	**Effect on profit before tax**
December 31, 2019	+5%	(8,561)
	-5%	8,561
December 31, 2018	+5%	(13,864)
	-5%	13,864
December 31, 2017	+5%	(12,225)
	-5%	12,225

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 would comprise effect on profit before tax resulting from assets and liabilities valuation, as well as corresponding deferred tax effect.

The result is less sensitive to movement in EUR/PLN exchange rates in 2019 than in 2018 and 2017 mainly because of the lower EUR denominated investment payables and international roaming payables as at December 31, 2019.

3.4 Liquidity risk

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

The tables below present the maturity of bank loans, notes, lease liabilities and other debt in contractual values (i.e. excluding the impact of expenses incurred in relation to the liability), 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	386,205	5,324,708	-	5,710,913
Notes	26,695	106,273	789,716	922,684
Lease	217,337	635,269	353,721	1,206,327
Other debt	20,517	6,108	-	26,625
Derivative instruments	4,722	-	-	4,722
	655,476	**6,072,358**	**1,143,437**	**7,871,271**

December 31, 2018	**Liabilities (including projected interest) payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	841,163	6,073,558	-	6,914,721
Lease	202,545	610,122	405,781	1,218,448
Other debt	18,870	10,747	-	29,617
Derivative instruments	9,256	4,615	-	13,871
	1,071,834	**6,699,042**	**405,781**	**8,176,657**

December 31, 2017	**Liabilities (including projected interest) payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	666,645	5,632,909	1,281,813	7,581,367
Lease	192,490	567,295	575,400	1,335,185
Other debt	12,072	15,503	-	27,575
Derivative instruments	9,306	13,871	-	23,177
	880,513	**6,229,578**	**1,857,213**	**8,967,304**

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

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

3.5 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, to enable the repayment of debt and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital using the net debt figure. The Group includes in net debt the borrowings at nominal value increased by accrued interest (excluding the impact of loan origination fees), less cash and cash equivalents.

	December 31, 2019	December 31, 2018	December 31, 2017
Senior Facilities	5,155,312	6,052,120	6,444,597
Notes	751,382	-	-
Leases	991,531	985,196	948,816
Other debt	26,678	29,617	26,448
Total debt	**6,924,903**	**7,066,933**	**7,419,861**
Cash and cash equivalents	294,317	353,690	628,725
Net debt	**6,630,586**	**6,713,243**	**6,791,136**

4. Operating revenue

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

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Service revenue	**5,296,028**	**5,082,978**	**4,878,228**
Usage revenue	3,969,372	3,767,030	3,645,807
Interconnection revenue	1,326,656	1,315,948	1,232,421
Sales of goods and other revenue	**1,744,725**	**1,756,170**	**1,791,631**
	7,040,753	**6,839,148**	**6,669,859**

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Usage revenue by category			
Retail contract revenue	3,092,460	2,961,770	2,875,570
Retail prepaid revenue	655,307	632,883	618,996
Other usage revenue	221,605	172,377	151,241
	3,969,372	**3,767,030**	**3,645,807**

Other usage revenue consists mainly of revenues from MVNOs to whom the Group provides telecommunications services and revenues generated from services rendered to subscribers of foreign mobile operators that have entered into international roaming agreements with the Group.
Usage revenues generated by 3S Group acquired during the year ended December 31, 2019 are presented in "other usage revenue" line.

In the reporting periods there was no revenue recognized from performance obligations satisfied or partially satisfied in previous periods.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Transaction price allocated to the remaining performance obligation to be satisfied within:			
1 year	1,935,450	1,906,184	1,720,011
later than 1 year and not later than 2 years	785,272	785,707	684,130
later than 2 years and not later than 3 years	88,005	71,380	69,784
later than 3 years	1,304	1,058	145
	2,810,031	**2,764,329**	**2,474,070**

5. Interconnection, roaming and other service costs

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
Interconnection costs	(1,341,986)	(1,361,270)	(1,291,446)
National roaming/network sharing	(182,854)	(272,098)	(192,344)
Other service costs	(245,077)	(288,857)	(245,716)
	(1,769,917)	**(1,922,225)**	**(1,729,506)**

The decrease of national roaming/network sharing costs was mainly due to renegotiations of contracts with our national roaming partners as well as due to higher share of our customers' traffic served by our own network thanks to the further network rollout.

Other service costs include international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top ups) and fees paid to providers of content (e.g. TV, VoD, music) in transactions in which the Group acts as a principal. The decrease of other service costs in the year ended December 31, 2019 in comparison to the year ended December 31, 2018, was primarily caused by continuous application of sustainability measures as a response to international roaming regulation "Roam Like At Home" and better pricing from roaming partners, partially offset by increasing costs of content.

6. Contract costs, net

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Contract costs incurred	(406,232)	(432,610)	(439,464)
Contract costs capitalized	383,461	403,067	414,155
Amortization and impairment of contract costs	(382,035)	(391,416)	(403,834)
	(404,806)	**(420,959)**	**(429,143)**

The contract costs presented above are costs to obtain contracts with customers (sales commissions).

7. General and administrative expenses

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Employee benefits	**(297,915)**	**(255,239)**	**(525,565)**
Salaries	(246,329)	(214,566)	(213,095)
Social security	(35,985)	(30,070)	(29,612)
Special bonuses	-	-	(23,223)
Incentive and retention programs, including:	(15,601)	(10,603)	(259,635)
- equity settled	*(15,601)*	*(11,013)*	*(28,110)*
External services	**(571,284)**	**(515,062)**	**(606,301)**
Network maintenance, leased lines and energy	(173,017)	(146,467)	(131,078)
Advertising and promotion expenses	(179,585)	(165,526)	(169,347)
Customer relations costs	(61,246)	(59,820)	(70,337)
Office and points of sale maintenance	(18,609)	(15,221)	(16,091)
IT expenses	(37,888)	(32,083)	(28,334)
People related costs	(20,229)	(19,540)	(20,631)
Finance and legal services	(15,409)	(16,492)	(55,181)
Management fees	-	(250)	(48,606)
Other external services	(65,301)	(59,663)	(66,696)
Taxes and fees	**(87,518)**	**(81,190)**	**(80,470)**
	(956,717)	**(851,491)**	**(1,212,336)**

The cost resulting from valuation of incentive and retention programs was lower in the year ended December 31, 2019 and in the year ended December 31, 2018 in comparison to year ended December 31, 2017 as a result of changed composition of performance incentive plans due to the IPO in July 2017, which are classified and valued differently than the incentive and retention programs in place in the year ended December 31, 2017.

As the Play Group has employees in Poland as well as in Luxembourg, it is legally required to pay monthly social security contributions to the pension administration in both countries. The rate of social security contributions amounted to 8% of gross salaries for the employees in Luxembourg and 9.76% of gross salaries for the employees in Poland in all periods presented, whereas certain new types of income of the employees in Poland were classified as eligible for social security starting from the year ended December 31, 2018. The Group is not required to make any contributions in excess of this statutory rate.

The increase of salaries costs in the year ended December 31, 2019 resulted mainly from higher accruals for employee bonuses in connection with strong Group's performance in the current reporting period.

The increase in costs of network maintenance, leased lines and energy is mainly attributable to growing energy prices and to the increased number of sites to be maintained due to intensive rollout of Play's network. Costs of leased lines relate to lease agreements which do not qualify for recognition in accordance with IFRS 16. The Group ceased to incur costs of management fees due to termination of the regular advisory services agreements with Novator Partners LLP and Tollerton Investments Limited upon the IPO. Costs of finance and legal services were higher in the year ended December 31, 2017 than in subsequent years mainly because of expenses related to the IPO.

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

8. Depreciation and amortization

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
Depreciation and amortization			
Depreciation of property, plant and equipment	(361,215)	(270,211)	(288,168)
Amortization of intangibles	(376,248)	(356,258)	(361,060)
Depreciation of right-of-use assets	(168,801)	(162,821)	(148,028)
	(906,264)	**(789,290)**	**(797,256)**

Depreciation and amortization increased in the year ended December 31, 2019 due to increase in gross book value of assets following the development of the Group's telecommunications network as well as due to reviewed and adjusted assets' residual values and useful lives to reflect some faster changes in telecommunications technology.

9. Other operating income and other operating costs

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Other operating income			
Gain on receivables management	-	-	35,209
Gain on disposal of non-current assets and termination of lease contracts	9,829	10,240	5,351
Reversal of impairment of other non-current assets	434	-	-
Reversal of provisions	-	-	382
Exchange rate gains	5,350	308	7,835
Income from subleasing of right-of-use assets	15,221	14,732	11,426
Interest income on trade receivables and cash	9,852	17,620	9,842
Other miscellaneous operating income	36,199	35,339	39,733
	76,885	**78,239**	**109,778**
Other operating costs			
Loss on receivables management	(32,477)	(4,545)	-
Impairment of contract assets	(95,549)	(103,130)	(75,889)
Impairment of non-current assets	(2,668)	(2,070)	(5,586)
Other miscellaneous operating costs	(12,303)	(10,890)	(13,220)
	(142,997)	**(120,635)**	**(94,695)**
thereof: impairment of financial assets			
Impairment of contract assets	(95,549)	(103,130)	(75,889)
Impairment of trade receivables	(62,008)	(72,914)	(53,634)
	(157,557)	**(176,044)**	**(129,523)**

Gain / loss on receivables management

The lines "Gain on receivables management" and "Loss on receivables management" represent the net amount resulting from: cost resulting from movement of the provision for impairment of receivables of 62,008 thousand in the year ended December 31, 2019 (72,914 thousand in the year ended December 31, 2018 and 53,634 thousand for the year ended December 31, 2017), net result on sales of overdue receivables to collecting agencies as well as income from early contract termination.

Loss on receivables management during the year ended December 31, 2019 resulted from an unfavorable change in market conditions for receivables sales and decrease of recovery ratio in comparison to the year ended December 31, 2018.

During the year ended December 31, 2018 the Group reversed the one-off write-off cost of interconnection receivables from the years 2011-2013 in the amount of PLN 12,735 thousand due to change of the court ruling from 2016 (due to initial unfavorable court ruling the Group recognized cost during the year ended December 31, 2016).

Gain on the receivables management recognized in the year ended December 31, 2017 resulted from the decrease in provision for impairment of trade receivables due to decreased volume of installments sales as well as improved collectability of receivables achieved among others thanks to accelerated sales of receivables to collection agencies at favorable prices.

The line "Impairment of trade receivables" represents the amount charged to profit and loss according to IFRS 9.

When calculating the impairment provision the Group takes into account the price it expects to be able to recover in future from sales of receivables.

For movements of the provision for impairment of trade and other receivables please see also Note 21.

Impairment of contract assets
Impairment of contract assets recognized in the year ended December 31, 2019 and year ended December 31, 2018 related mainly to subsidy contracts for which amount of contract assets and its write-off is significantly higher than for installment contracts. The impairment recognized in the current period and in the year ended December 31, 2018 increased in comparison to the year ended December 31, 2017 as impairment recognized in 2017 related primarily to installment sales contracts with lower amount of contract assets.

For movements of the provision for impairment of contract assets please see also Note 22.

10. Finance income and finance costs

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Finance income			
Interest income, including:	444	1,286	114,358
- on the net investment in the lease	*196*	-	-
Net gain on finance instruments at fair value	588	389	-
Exchange rate gains	186	-	64,492
	1,218	**1,675**	**178,850**
Finance costs			
Interest expense, including:	(346,117)	(368,357)	(486,810)
- on lease liabilities	*(59,193)*	*(58,271)*	*(62,411)*
Net loss on finance instruments at fair value	-	(178)	(169,613)
Exchange rate losses	(1)	(6,144)	-
	(346,118)	**(374,679)**	**(656,423)**

The interest income in the year ended December 31, 2017 comprised mainly the interest and early redemption fee earned on notes issued by Impera Holdings S.A. to the Group, which were redeemed or repaid within 2017.

The interest expense decreased in the year ended December 31, 2019 and in the year ended December 31, 2018 in comparison to the year ended December 31, 2017 mainly due to lower nominal value of the SFA following the scheduled and voluntary repayments (see also Note 26.1.1).

The interest expense in the year ended December 31, 2017 also included the redemption costs in the amount of PLN 78,689 thousand related to repayment of Senior Secured Notes and Senior Notes liabilities in March 2017.

The loss on finance assets at fair value in the year ended December 31, 2017 resulted mainly from the de-recognition of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture as a result of the repayment of the Notes (please see Note 26.2), as well as losses on derivatives used to hedge the currency risk related to repayment of the EUR-denominated Notes. Please see Note 3.3).

11. Taxation

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Current tax benefit/(charge)	(276,793)	(220,506)	9,269
Deferred tax charge	(11,016)	(32,546)	(251,233)
Income tax charge	**(287,809)**	**(253,052)**	**(241,964)**

Reconciliation between tax calculated at the prevailing tax rate applicable to profit (19%) and income tax charge:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Profit before income tax	**1,154,746**	**997,656**	**629,310**
Tax calculated at the prevailing tax rate applicable to profit (19%)	(219,402)	(189,555)	(119,569)
Effect of difference between tax rates in Luxembourg and in Poland	4,032	4,615	16,085
Expenses not subject to tax	(53,000)	(43,098)	(57,659)
Income not subject to tax	108	170	57,991
Previous years tax income/ (costs) included in current year accounting profit	825	(19)	1,782
Adjustments relating to previous tax years	126	3,676	11,617
Change in unrecognized deferred tax asset	(23,844)	(27,874)	(89,329)
Taxable costs not included in accounting profit	3,346	204	-
Taxable income not included in accounting profit	-	-	(904)
Tax effect of liquidation of Play Finance 2 S.A.	-	(1,171)	-
Effect of changes in tax regulations	-	-	(61,927)
Other	-	-	(51)
Income tax charge	**(287,809)**	**(253,052)**	**(241,964)**

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries registered in Poland was 19% in all presented periods. The corporate income tax rate applied to the Company and the subsidiaries registered in Luxembourg was 22.80% as at December 31, 2019 and December 31, 2018 and 22.80%-27.08% as at December 31, 2017.

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland. As at December 31, 2019 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

The line "Effect of changes in tax regulations" relates to implementation of changes of Polish income tax law which since January 1, 2018 does not allow to account for depreciation charges of trademarks as tax costs. In the year ended December 31, 2017 the Group recorded a write-off of the deferred income tax asset in the amount of

PLN 61,927 thousand recognized in prior periods in relation to tax depreciation of trademarks expected at that time.

Deferred income tax assets and liabilities per category

	December 31, 2019	December 31, 2018	December 31, 2017
Net deductible temporary differences			
Potential base for deferred income tax calculation	(886,357)	(739,094)	(685,416)
Potential deferred income tax net asset/(liability), thereof:	**(168,406)**	**(140,440)**	**(130,294)**
- recognized deferred income tax assets	-	-	-
- recognized deferred income tax liabilities	*(168,406)*	*(140,440)*	*(130,294)*
Carry-forwards of unused tax losses			
Potential base for deferred income tax calculation	471,953	419,574	435,154
Potential deferred income tax net asset/(liability), thereof:	**107,533**	**93,588**	**104,623**
- recognized deferred income tax assets	-	*9,985*	*13,193*
- not recognized deferred income tax assets	*107,533*	*83,603*	*91,430*
Total, netted at subsidiary level			
- recognized deferred income tax assets	**-**	**-**	**-**
- recognized deferred income tax liabilities	**(168,406)**	**(130,455)**	**(117,101)**
- not recognized deferred income tax assets	107,533	83,603	91,430

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The estimation is based upon the budget for the year 2020 and long-term financial projections. As at December 31, 2019 and December 31, 2018 and December 31, 2017 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient, mainly in Play Communications S.A. The tax losses of P4 are fully utilized.

Deferred income tax assets and liabilities are offset on the level of the standalone financial statements of consolidated entities.

The Polish and Luxembourg tax systems have restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Luxembourg tax losses can be carried forward during a period of maximum 17 years (tax losses incurred during the period from January 1, 1991 to December 31, 2016, may be carried forward without any time limit). In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum (thus, a given loss may be fully utilized by a taxpayer within 2 subsequent years at the earliest).

Movements of the deferred tax assets and liabilities:

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
Beginning of period:			
Deferred tax assets	**-**	**-**	**134,446**
Deferred tax liabilities	**(130,455)**	**(117,101)**	**(314)**
credited / (charged) to the income statement	(11,016)	(32,546)	(251,233)
credited to equity	-	19,192	-
resulting from acquisition of subsidiaries	(26,935)	-	-
End of period:			
Deferred tax assets	**-**	**-**	**-**
Deferred tax liabilities	**(168,406)**	**(130,455)**	**(117,101)**

The deferred tax assets and liabilities consist of the following:

Deferred tax assets

	Carry-forward of unused tax losses	Provisions, accruals and deferred income	Contract liabilities	Fixed and intangible assets	Inventories	Liabilities	Other items	**Total**
As at January 1, 2017	**238**	**25,439**	**18,948**	**189,774**	**-**	**320,861**	**38**	**555,298**
credited / (charged) to the income statement	12,955	3,472	(2,426)	(88,995)	-	(69,444)	50	(144,388)
As at December 31, 2017	**13,193**	**28,911**	**16,522**	**100,779**	**-**	**251,417**	**88**	**410,910**
credited / (charged) to the income statement	(3,208)	(5,342)	1,170	(19,564)	4,340	4,001	(21)	(18,624)
As at December 31, 2018	**9,985**	**23,569**	**17,692**	**81,215**	**4,340**	**255,418**	**67**	**392,286**
resulting from acquisition of subsidiaries	**-**	**469**	**-**	**-**	**-**	**4,406**	**233**	5,108
credited / (charged) to the income statement	(9,985)	14,274	1,655	2,242	(2,104)	(3,749)	51	2,384
As at December 31, 2019	**-**	**38,312**	**19,347**	**83,457**	**2,236**	**256,075**	**351**	**399,778**

Deferred tax liabilities

	Fixed and intangible assets	Right-of-use assets	Contract costs	Prepaid expenses	Contract assets	Receivables	Inventories	Liabilities	Other items	**Total**
As at January 1, 2017	**(11,612)**	**(130,575)**	**(66,629)**	**(1,343)**	**(189,578)**	**(14,690)**	**(369)**	**(2,101)**	**(4,269)**	**(421,166)**
credited / (charged) to the income statement	2,760	(22,240)	(1,961)	(84)	(70,135)	(16,757)	(1,184)	(509)	3,265	(106,845)
As at December 31, 2017	**(8,852)**	**(152,815)**	**(68,590)**	**(1,427)**	**(259,713)**	**(31,447)**	**(1,553)**	**(2,610)**	**(1,004)**	**(528,011)**
credited / (charged) to the income statement	6,248	(11,949)	(2,214)	(928)	(23,721)	13,615	1,553	2,499	975	(13,922)
credited to equity	-	-	-	-	18,835	357	-	-	-	19,192
As at December 31, 2018	**(2,604)**	**(164,764)**	**(70,804)**	**(2,355)**	**(264,599)**	**(17,475)**	**-**	**(111)**	**(29)**	**(522,741)**
resulting from acquisition of subsidiaries	**(28,310)**	**-**	**-**	**-**	**-**	**(3,725)**	**-**	**-**	**(8)**	(32,043)
credited / (charged) to the income statement	(6,245)	(1,789)	72	389	(12,027)	6,012	-	103	85	(13,400)
As at December 31, 2019	**(37,159)**	**(166,553)**	**(70,732)**	**(1,966)**	**(276,626)**	**(15,188)**	**-**	**(8)**	**48**	**(568,184)**

12. 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	866,937	744,604	387,346
Weighted average number of shares (in thousands)			
Beginning of period:	253,953	253,953	250,783
Initial shares	*250,000*	*250,000*	*250,000*
VDP4 shares issued without consideration in 2017	*538*	*538*	*538*
PIP shares issued in 2017 (paid in)	*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:	89	-	1,367
*Issue of PIP shares**	-	-	*1,367*
Issue of Loyalty and Award shares	*89*	-	-
Weighted average number of shares (basic)	**254,043**	**253,953**	**252,150**
Potential Loyalty and Investment Shares	137	60	-
Potential Award shares	1,481	346	-
Weighted average number of shares (diluted)	**255,661**	**254,358**	**252,150**
Earnings per share (in PLN) (basic)	3.41	2.93	1.54
Earnings per share (in PLN) (diluted)	3.39	2.93	1.54

** 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 or 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 28.

13. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2019	2,869,695	1,311,569	238,301	50,870	4,470,435
Transfers and reclassifications	-	164,266	-	8,871	173,137
Acquisition of subsidiaries	-	-	190,978	97,311	288,289
Decreases	-	(33,948)	-	(12,610)	(46,558)
As at December 31, 2019	**2,869,695**	**1,441,887**	**429,279**	**144,442**	**4,885,303**
Accumulated amortization					
As at January 1, 2019	974,899	948,413	-	33,694	1,957,006
Charge	224,631	134,117	-	17,500	376,248
Transfers and reclassifications	-	427	-	-	427
Decreases	-	(33,906)	-	(12,610)	(46,516)
As at December 31, 2019	**1,199,530**	**1,049,051**	**-**	**38,584**	**2,287,165**
Net book value as at December 31, 2019	**1,670,165**	**392,836**	**429,279**	**105,858**	**2,598,138**

The transfers recorded during year ended December 31, 2019 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer and network software and other intangible assets.

The goodwill was recognized primarily on the acquisition of the Germanos Group in the year ended December 31, 2007 as well as acquisition of 3S Group on August 19, 2019 (see Note 2.5).

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

Telecommunications licenses

Frequency band	License term from	License term to	Net book value as at December 31, 2019	Net book value as at December 31, 2018	Net book value as at December 31, 2017
2100 MHz	July 1, 2016	December 31, 2022	65,524	87,366	109,207
900 MHz	December 9, 2008	December 31, 2023	58,053	72,566	87,079
1800 MHz	February 13, 2013	December 31, 2027	274,759	309,103	343,448
800 MHz	January 25, 2016/ June 23, 2016	June 23, 2031	1,104,219	1,203,848	1,303,477
2600 MHz	January 25, 2016	January 25, 2031	164,114	178,921	193,729
3700 MHz (nationwide)	October 1, 2017	December 29, 2019	-	36,000	72,000
3700 MHz (regional)	July 1, 2018	December 31, 2020	3,496	6,992	-
			1,670,165	**1,894,796**	**2,108,940**

On October 8, 2019 the President of UKE declined to prolong the 3700 MHz frequency reservations beyond the dates indicated above, which the Group acquired from Softnet Group Sp. z o.o. and Powszechna Agencja Informacyjna S.A.

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2018	2,860,955	1,147,385	238,301	44,146	4,290,787
Increases	8,740	-	-	-	8,740
Transfers and reclassifications	-	170,362	-	6,727	177,089
Decreases	-	(6,178)	-	(3)	(6,181)
As at December 31, 2018	**2,869,695**	**1,311,569**	**238,301**	**50,870**	**4,470,435**
Accumulated amortization					
As at January 1, 2018	752,015	831,325	-	22,994	1,606,334
Charge	222,884	122,671	-	10,703	356,258
Decreases	-	(5,583)	-	(3)	(5,586)
As at December 31, 2018	**974,899**	**948,413**	**-**	**33,694**	**1,957,006**
Accumulated impairment					
As at January 1, 2018	-	596	-	-	596
Utilization of impairment provision	-	(596)	-	-	(596)
As at December 31, 2018	**-**	**-**	**-**	**-**	**-**
Net book value as at December 31, 2018	**1,894,796**	**363,156**	**238,301**	**17,176**	**2,513,429**

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2017	2,779,955	830,955	238,301	29,904	3,879,115
Increases	81,000	-	-	-	81,000
Transfers and reclassifications	-	321,359	-	14,242	335,601
Decreases	-	(4,929)	-	-	(4,929)
As at December 31, 2017	**2,860,955**	**1,147,385**	**238,301**	**44,146**	**4,290,787**
Accumulated amortization					
As at January 1, 2017	557,879	672,922	-	14,931	1,245,732
Charge	194,136	158,861	-	8,063	361,060
Decreases	-	(458)	-	-	(458)
As at December 31, 2017	**752,015**	**831,325**	**-**	**22,994**	**1,606,334**
Accumulated impairment					
As at January 1, 2017	-	-	-	4,597	4,597
Impairment charge	-	596	-	(128)	468
Transfers and reclassifications	-	4,469	-	(4,469)	-
Utilization of impairment provision	-	(4,469)	-	-	(4,469)
As at December 31, 2017	**-**	**596**	**-**	**-**	**596**
Net book value as at December 31, 2017	**2,108,940**	**315,464**	**238,301**	**21,152**	**2,683,857**

14. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2019	46	1,199,597	264,680	1,433,598	2,885	82,849	2,983,655
Increases	-	-	2	-	-	8	10
Transfers and reclassifications	-	348,979	37,980	344,285	111	36,153	767,508
Acquisition of subsidiaries	1,408	12,711	-	109,537	1,175	267	125,098
Decreases	-	(38,631)	(15,090)	(53,858)	(551)	(3,512)	(111,642)
As at December 31, 2019	**1,454**	**1,522,656**	**287,572**	**1,833,562**	**3,620**	**115,765**	**3,764,629**
Accumulated depreciation							
As at January 1, 2019	5	452,373	182,011	774,463	2,849	60,863	1,472,564
Charge	4	65,438	32,728	245,220	65	17,760	361,215
Transfers and reclassifications	-	(52)	11,264	889	36	-	12,137
Acquisition of subsidiaries	-	-	-	-	-	-	-
Decreases	-	(38,630)	(15,082)	(52,739)	(532)	(3,132)	(110,115)
As at December 31, 2019	**9**	**479,129**	**210,921**	**967,833**	**2,418**	**75,491**	**1,735,801**
Net book value as at December 31, 2019	**1,445**	**1,043,527**	**76,651**	**865,729**	**1,202**	**40,274**	**2,028,828**

The transfers recorded during year ended December 31, 2019 relate mainly to transfers from assets under construction to property, plant and equipment due to the completion of investment projects. Buildings represent mainly own telecommunications towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.
Certain proportion of the Property, plant and equipment is also used to generate revenue from operating leases where some assets (towers) are also being shared with other operators. Nevertheless, property, plant and equipment that Group holds is used mainly for its own purpose and therefore the value of items leased to third parties is not material to the Financial Statements.

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2018	46	973,483	234,774	1,258,055	320	77,292	2,543,970
Increases	-	-	12	-	-	1	13
Transfers and reclassifications	-	233,416	58,643	266,837	3,256	10,328	572,480
Decreases	-	(7,302)	(28,749)	(91,294)	(691)	(4,772)	(132,808)
As at December 31, 2018	**46**	**1,199,597**	**264,680**	**1,433,598**	**2,885**	**82,849**	**2,983,655**
Accumulated depreciation							
As at January 1, 2018	4	410,027	137,015	661,910	305	50,675	1,259,936
Charge	1	49,695	27,999	179,092	50	13,374	270,211
Transfers and reclassifications	-	(50)	45,735	24,331	3,170	670	73,856
Decreases	-	(7,299)	(28,738)	(90,870)	(676)	(3,856)	(131,439)
As at December 31, 2018	**5**	**452,373**	**182,011**	**774,463**	**2,849**	**60,863**	**1,472,564**
Accumulated impairment							
As at January 1, 2018	-	-	503	984	-	200	1,687
Reversal of impairment charge	-	-	(499)	(764)	-	-	(1,263)
Utilization of impairment provision	-	-	(4)	(220)	-	(200)	(424)
As at December 31, 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at December 31, 2018	**41**	**747,224**	**82,669**	**659,135**	**36**	**21,986**	**1,511,091**

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2017	46	858,585	125,567	1,066,942	345	122,018	2,173,503
Increases	-	-	41	-	-	27	68
Transfers and reclassifications	-	123,630	114,909	301,562	29	(39,620)	500,510
Decreases	-	(8,732)	(5,743)	(110,449)	(54)	(5,133)	(130,111)
As at December 31, 2017	**46**	**973,483**	**234,774**	**1,258,055**	**320**	**77,292**	**2,543,970**
Accumulated depreciation							
As at January 1, 2017	4	390,861	96,046	548,752	323	47,894	1,083,880
Charge	-	41,373	29,364	202,727	34	14,670	288,168
Transfers and reclassifications	-	(13,583)	17,345	20,694	-	(7,111)	17,345
Decreases	-	(8,624)	(5,740)	(110,263)	(52)	(4,778)	(129,457)
As at December 31, 2017	**4**	**410,027**	**137,015**	**661,910**	**305**	**50,675**	**1,259,936**
Accumulated impairment							
As at January 1, 2017	-	-	34	-	-	152	186
Impairment charge	-	-	471	984	-	145	1,600
Utilization of impairment provision	-	-	(2)	-	-	(97)	(99)
As at December 31, 2017	**-**	**-**	**503**	**984**	**-**	**200**	**1,687**
Net book value as at December 31, 2017	**42**	**563,456**	**97,256**	**595,161**	**15**	**26,417**	**1,282,347**

15. Right-of-use assets

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2019	222,483	1,440,064	23,059	32,626	24,032	27	1,742,291
Increases	54,034	88,898	-	10,801	-	-	153,733
Asset retirement obligation	-	14,876	-	-	-	-	14,876
Transfers and reclassifications	-	-	(4,785)	(779)	9,108	-	3,544
Acquisition of subsidiaries	-	8,183	-	(3,136)	2,741	-	7,788
Decreases	(2,906)	(34,981)	(1,046)	(7,209)	(7,498)	-	(53,640)
As at December 31, 2019	**273,611**	**1,517,040**	**17,228**	**32,303**	**28,383**	**27**	**1,868,592**
Accumulated depreciation							
As at January 1, 2019	69,490	761,311	15,755	15,201	12,402	7	874,166
Charge	22,883	123,416	5,436	7,677	6,827	6	166,245
Charge from asset retirement obligation	-	2,556	-	-	-	-	2,556
Transfers and reclassifications	-	-	(11,698)	(830)	(36)	-	(12,564)
Acquisition of subsidiaries	-	(1,783)	-	(3,085)	-	-	(4,868)
Decreases	(923)	(27,082)	(1,042)	(6,720)	(6,455)	-	(42,222)
As at December 31, 2019	**91,450**	**858,418**	**8,451**	**12,243**	**12,738**	**13**	**983,313**
Net book value as at December 31, 2019	**182,161**	**658,622**	**8,777**	**20,060**	**15,645**	**14**	**885,279**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the year ended December 31, 2019. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed. The expenses relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 10,489 thousand for the year ended December 31, 2019.

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2018	163,454	1,369,463	63,000	72,995	27,095	745	1,696,752
Increases	61,414	154,948	-	13,840	-	-	230,202
Asset retirement obligation	-	(7,278)	-	-	-	-	(7,278)
Transfers and reclassifications	-	-	(38,379)	(24,285)	3,505	(718)	(59,877)
Decreases	(2,385)	(77,069)	(1,562)	(29,924)	(6,568)	-	(117,508)
As at December 31, 2018	**222,483**	**1,440,064**	**23,059**	**32,626**	**24,032**	**27**	**1,742,291**
Accumulated depreciation							
As at January 1, 2018	54,829	658,115	53,432	59,315	14,516	678	840,885
Charge	14,846	120,500	9,608	8,625	7,605	5	161,189
Charge from asset retirement obligation	-	1,632	-	-	-	-	1,632
Transfers and reclassifications	-	-	(45,725)	(24,285)	(3,170)	(676)	(73,856)
Decreases	(185)	(18,936)	(1,560)	(28,454)	(6,549)	-	(55,684)
As at December 31, 2018	**69,490**	**761,311**	**15,755**	**15,201**	**12,402**	**7**	**874,166**
Net book value as at December 31, 2018	**152,993**	**678,753**	**7,304**	**17,425**	**11,630**	**20**	**868,125**

The decreases in gross book value of Right-of-Use assets: Land and Buildings recorded during the year ended December 31, 2018 result mainly from reassessment of estimation of lease term. For more details see Note 2.4.2. The transfers and reclassifications represent mainly assets that had been previously used under lease agreements and were purchased by the Group at the end of the lease term, now used as own property, plant and equipment.

In the year ended December 31, 2018 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 1 thousand.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 10,291 thousand in the year ended December 31, 2018.

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2017	132,530	1,174,013	82,525	74,056	25,767	718	1,489,609
Increases	39,143	217,493	-	5,980	-	27	262,643
Asset retirement obligation	-	10,145	-	-	-	-	10,145
Transfers and reclassifications	(7,513)	7,513	(17,236)	-	7,483	-	(9,753)
Decreases	(706)	(39,701)	(2,289)	(7,041)	(6,155)	-	(55,892)
As at December 31, 2017	**163,454**	**1,369,463**	**63,000**	**72,995**	**27,095**	**745**	**1,696,752**
Accumulated depreciation							
As at January 1, 2017	44,524	572,474	58,716	54,518	13,203	665	744,100
Charge	10,816	103,270	14,337	9,553	7,437	13	145,426
Charge from asset retirement obligation	-	2,602	-	-	-	-	2,602
Transfers and reclassifications	(377)	377	(17,345)	-	-	-	(17,345)
Decreases	(134)	(20,608)	(2,276)	(4,756)	(6,124)	-	(33,898)
As at December 31, 2017	**54,829**	**658,115**	**53,432**	**59,315**	**14,516**	**678**	**840,885**
Net book value as at December 31, 2017	**108,625**	**711,348**	**9,568**	**13,680**	**12,579**	**67**	**855,867**

In the year ended December 31, 2017 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 10,126 thousand in the year ended December 31, 2017.

16. Assets under construction

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Cost			
As at January 1	440,561	309,569	543,114
Acquisition of subsidiaries	5,502	-	
Additions	788,854	826,758	595,919
Radio network	523,595	609,818	391,810
Core network and network operations center	81,540	72,767	48,923
IT	127,637	116,710	131,955
Other capital expenditures	56,082	27,463	23,231
Transfers and reclassifications	(944,189)	(689,692)	(826,358)
Disposals	(2,135)	(6,074)	(3,106)
As at December 31	**288,593**	**440,561**	**309,569**
Accumulated impairment			
As at January 1	2,219	6,218	2,698
Impairment charge, net	2,255	2,068	3,520
Utilization of impairment provision	(1,787)	(6,067)	-
As at December 31	**2,687**	**2,219**	**6,218**
Net book value as at December 31	**285,906**	**438,342**	**303,351**

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction. Assets under construction include also right-of-use assets being in the process of preparation for use amounting to PLN nil as at December 31, 2019, PLN 5,932 thousand as at December 31, 2018 and PLN 10,010 thousand as at December 31, 2017.

Transfers and reclassifications represent transfers from assets under construction to property, plant and equipment, to intangible assets and to right-of-use assets.

The Group did not capitalize any interest expense or exchange rate differences during the periods presented.

Contractual commitments for purchase of property, plant and equipment and intangible assets amounted to PLN 200,466 thousand as at December 31, 2019, PLN 218,425 thousand as at December 31, 2018 and PLN 120,037 thousand as at December 31, 2017.

17. Contract costs

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Cost			
As at January 1	732,553	728,964	703,567
Additions	383,461	403,067	414,155
Disposals - terminated contracts	(342,054)	(399,478)	(388,758)
As at December 31	**773,960**	**732,553**	**728,964**
Accumulated amortization			
As at January 1	359,900	367,962	352,886
Charge (including impairment)	382,035	391,416	403,834
Disposals (including impairment) - terminated contracts	(342,055)	(399,478)	(388,758)
As at December 31	**399,880**	**359,900**	**367,962**
Net book value as at December 31	**374,080**	**372,653**	**361,002**

The contract costs presented above are costs to obtain contracts with customers (sales commissions).

18. Long-term receivables

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term receivables	15,759	14,730	14,205
Impairment of long-term receivables	(368)	(368)	(370)
	15,391	**14,362**	**13,835**

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

19. Other finance assets

	December 31, 2019	December 31, 2018	December 31, 2017
Finance lease receivables	17,608	-	-
Finance assets at fair value through other comprehensive income	-	-	4,268
Other finance assets	**17,608**	**-**	**4,268**

19.1 Finance lease receivables

Amounts due from leases when Group acts as a lessor and classifies its leases as finance leases according to IFRS16 are recognized as receivables in the amount of the Group's investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As at December 31, 2019 the Group recognized finance lease receivables in relation to dark fiber and IT equipment lease contracts resulting from a business combination during the year ended December 31, 2019 (see also Note 2.5).

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term lease receivables	11,348	-	-
Short-term lease receivables	6,260	-	-
Finance lease receivables	**17,608**	**-**	**-**

Maturity analysis of the lease payments receivable under finance leases is presented below.

	December 31, 2019	December 31, 2018	December 31, 2017
Year 1	6,884	-	-
Year 2	5,127	-	-
Year 3	2,768	-	-
Year 4	1,399	-	-
Year 5	607	-	-
Year 6 and onwards	2,348	-	-
Undiscounted lease payments	**19,133**	**-**	**-**
Unguaranteed residual values	-	-	-
Less : unearned finance income	(1,525)	-	-
Present value of minimum lease payments	**17,608**	**-**	**-**
Impairment Losses	-	-	-
Net investment in the lease	**17,608**	**-**	**-**

The Group enters also into lease agreements which are classified as operating leases (i.e. when the terms of the lease don't transfer substantially all the risks and rewards of ownership to the lessee). Operating leases relate mainly to point of sales, telecommunications sites and fiber optic cables. Maturity analysis of operating lease payments which the Group expected to receive as at December 31, 2019 is presented below:

	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Year 1	26,428	14,046	13,337
Year 2	20,136	12,343	13,030
Year 3	11,264	9,725	11,510
Year 4	6,353	6,528	8,869
Year 5	3,044	4,263	5,696
Year 6 and onwards	3,339	3,950	4,229
total lease payments	**70,564**	**50,855**	**56,671**

19.2 Finance assets at fair value through other comprehensive income

Finance assets at fair value through other comprehensive income comprise interest rate swaps designated as cash flow hedges. For further details please see Note 26.4.

19.3 Debt securities (repaid in 2017)

EUR Senior Notes tranche A, B, C, D and E, due in 2020 issued by Impera Holdings S.A.
On February 26, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Notes issued by Impera Holdings S.A. On August 26, 2015, the Group purchased EUR 16,260 thousand in aggregate principal amount of B Series Notes issued by Impera Holdings S.A. On February 25, 2016, the Group purchased EUR 15,950 thousand in aggregate principal amount of C Series Notes issued by Impera Holdings S.A. On August 26, 2016, the Group purchased EUR 16,550 thousand in aggregate principal amount of D Series Notes issued by Impera Holdings S.A. On February 24, 2017, the Group purchased EUR 16,000 thousand in aggregate principal amount of E Series Notes issued by Impera Holdings S.A. The purpose of the notes was to facilitate the interest payments on the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Impera Holdings S.A. The initial maturity date of A, B, C, D and E Series Notes was February 28, 2020. Interest on the A, B and C Series Notes was calculated at the rate of 8.22% per annum, interest on the D Series was calculated at the rate of 6.11% per annum and interest on the E Series was calculated at the rate of 6.36% per annum. Interest accrued on all tranches was to be paid on the Notes repurchase date.

The notes receivables were measured at amortized cost using the effective interest rate.

The A, B, C, D and E Series Notes were repaid by Impera Holdings S.A. on March 20, 2017.

EUR Notes due in 2023 issued by Impera Holdings S.A.
On March 20, 2017, the Group 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. 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 Group's discretion. On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium.

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.

19.4 Loans given (repaid in 2017)

On September 5, 2016, the Group granted a loan to Impera Holdings S.A. in the total available amount of EUR 5,000 thousand. The factual amount drawn totaled EUR 4,150 thousand. Interest on the loan was calculated at the rate of 6M EURIBOR plus margin. The loan was originally to be repaid in 2019.

The loan was repaid by Impera Holdings S.A. on March 20, 2017.

19.5 Finance assets at fair value through profit or loss in 2017

Finance assets at fair value through profit or loss comprised historically early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 26.2). These financial instruments were derecognized in the year ended December 31, 2017.

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

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

   (ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
   - 102.625% - in period from February 1, 2016 to February 1, 2017,
   - 101.313% - in period from February 1, 2017 to February 1, 2018,
   - 100.000% - in period from February 1, 2018 to February 1, 2019.

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

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

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

Change in fair value of early redemption options impacted profit or loss (finance income or finance costs). The table below presents reconciliation of change in fair value in the reporting periods.

	Early redemption option embedded in Senior Secured Notes	**Early redemption option embedded in Senior Notes**	**Total**
Valuation as at January 1, 2019	-	-	-
Valuation as at December 31, 2019	-	-	-
Impact of change in fair value on profit or loss for the year ended December 31, 2019	**-**	**-**	**-**
Valuation as at January 1, 2018			-
Valuation as at December 31, 2018			-
Impact of change in fair value on profit or loss for the year ended December 31, 2018	**-**	**-**	**-**
Valuation as at January 1, 2017	83,522	50,724	134,246
Valuation as at December 31, 2017	-	-	-
Impact of change in fair value on profit or loss for the year ended December 31, 2017	**(83,522)**	**(50,724)**	**(134,246)**

The Senior Secured Notes liability and Senior Notes liability had been fully repaid in March 2017, using proceeds from Senior Facilities Agreement drawn down in March 2017 (see Note 26). Therefore the early redemption option assets were derecognized in the year ended December 31, 2017.

20. Inventories

	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Goods for resale	150,677	154,909	130,494
Goods in dealers' premises	32,479	29,560	38,439
Materials	1,926	-	-
Impairment of goods for resale	(15,935)	(14,975)	(9,654)
	169,147	**169,494**	**159,279**

The impairment of the Play Group’s inventories relates mainly to handsets and other mobile devices for which the Group assessed that the net realizable value would be lower than the purchase price. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories intended to be sold in promotional offers are stated at the lower of cost or probable net realizable value estimated taking into account future cash flows expected both from sales of inventories as well as related telecommunications services. Inventories intended to be sold outside promotional offers are stated at the lower of cost or probable net realizable value.

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

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Beginning of period	**(14,975)**	**(9,654)**	**(11,622)**
- (charged)/credited to income statement	(960)	(5,321)	1,968
End of period	**(15,935)**	**(14,975)**	**(9,654)**

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

21. Trade and other receivables

	December 31, 2019	December 31, 2018	December 31, 2017
Trade receivables	866,320	1,017,599	1,226,757
Impairment of trade receivables	(136,815)	(163,796)	(130,169)
Trade receivables (net)	**729,505**	**853,803**	**1,096,588**
VAT and other government receivables	1,409	9,929	3,272
Other receivables	642	181	606
Other receivables (net)	**2,051**	**10,110**	**3,878**
	731,556	**863,913**	**1,100,466**

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

Trade receivables include installment receivables relating to sales of handsets and mobile computing devices. The balance of trade receivables decreased following the significant reduction in the volume of installment sales after October 2016.

The Group classifies trade receivables within business model "hold to collect contractual cash flows" and measures them at amortized costs. As part of its receivables management the Group sells past due receivables to third party collection agencies; the receivables are then derecognized. Such sales are aimed at mitigating potential credit losses due to deterioration of credit-standing of the debtors.

As of December 31, 2019 trade receivables of PLN 136,815 thousand (December 31, 2018: PLN 163,796 thousand and December 31, 2017: PLN 130,169 thousand) were impaired. The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

As of December 31, 2019 trade receivables of PLN 174,500 thousand (December 31, 2018: PLN 214,580 thousand and December 31, 2017: PLN 195,945 thousand) were past due but not impaired. These relate mainly to individual customers for whom there is no history of default.

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

	December 31, 2019	December 31, 2018	December 31, 2017
Current	555,005	639,223	900,643
Overdue 0 to 3 months	134,207	134,884	152,903
Overdue 3 to 6 months	14,436	32,740	18,957
Overdue over 6 months	25,857	46,956	24,085
	729,505	**853,803**	**1,096,588**

The value of overdue receivables in the year ended December 31, 2019 decreased in comparison to previous years mainly due to significant sales transaction to collection agencies during 2019.

The value of receivables overdue over 3 months increased in the year ended December 31, 2018 in comparison to prior and subsequent year due to the fact that in 2018 the Group reduced the volume of sales of receivables to collection agencies because of unfavorable market prices for sales of receivables.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

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

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Beginning of period	**(163,796)**	**(130,169)**	**(143,191)**
Adoption of IFRS 9 - opening balance adjustment	-	(1,879)	-
- charged to income statement	(62,008)	(72,914)	(53,634)
- utilized	88,989	41,166	66,656
End of period	**(136,815)**	**(163,796)**	**(130,169)**

Utilization of provision during the year ended December 31, 2019 increased in comparison to previous years due to significant transactions of sales of impaired receivables to collection agencies. For explanation of changes in the amounts charged or credited to income statement please see Note 9.

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

Credit risk exposure resulting from the Group's trade receivables as at December 31, 2019 and December 31, 2018 was as follows:

December 31, 2019	Not past due	Overdue 0 to 3 months	Overdue 3 to 6 months	Overdue over 6 months	Total
Expected credit loss	3.8%	10.3%	52.9%	76.3%	
Total trade receivables, gross	577,011	149,614	30,655	109,040	866,320
Accumulated impairment loss	**(22,006)**	**(15,407)**	**(16,219)**	**(83,183)**	**(136,815)**
Total trade receivables, net	**555,005**	**134,207**	**14,436**	**25,857**	**729,505**

December 31, 2018	Not past due	Overdue 0 to 3 months	Overdue 3 to 6 months	Overdue over 6 months	Total
Expected credit loss	6.1%	12.2%	35.8%	64.5%	
Total trade receivables, gross	680,805	153,697	50,962	132,135	1,017,599
Accumulated impairment loss	**(41,582)**	**(18,813)**	**(18,222)**	**(85,179)**	**(163,796)**
Total trade receivables, net	**639,223**	**134,884**	**32,740**	**46,956**	**853,803**

22. Contract assets

	December 31, 2019	December 31, 2018	December 31, 2017
Contract assets	1,537,248	1,467,318	1,366,913
Impairment of contract assets	(81,326)	(74,688)	-
	1,455,922	**1,392,630**	**1,366,913**

The value of impairment of contract assets presented above represents the expected credit loss recognized in accordance with IFRS 9 at the initial recognition of the contract asset. Please see also Note 2.4.3.

Expected credit loss rate for contract assets as at 31 December 2019 and 2018 amounted to 5.3% and 5.1%, respectively.

In the year ended December 31, 2017 the expected credit loss was not estimated. The actually impaired contract assets were written off in the period when the actual credit loss occurred. The charge to income statement was equal to the value of the contract assets relating to contracts actually disconnected. In the year ended December 31, 2018 and in the current year the value of the contract assets relating to contracts actually disconnected is presented in line "utilization" below, whereas the line "charged to income statement" represents the changes in estimated credit losses which the Group expects to incur in future.

Movements of the provision for impairment of contract assets are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Beginning of period	(74,688)	-	-
Adoption of IFRS 9 - opening balance adjustment	-	(72,015)	-
- charged to income statement	(95,549)	(103,130)	(75,889)
- utilization	88,911	100,457	75,889
End of period	**(81,326)**	**(74,688)**	**-**

For explanation of changes in the impairment charged to income statement – please see Note 9.

Movements in the contract assets balance for the years ended: 31 December 2019, 2018 and 2017 were as follows:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Contract assets, net - Beginning of period	1,392,630	1,366,913	997,780
Additions	1,434,034	1,456,591	1,529,608
Invoiced amounts transferred to trade receivables	(1,275,193)	(1,255,729)	(1,084,586)
Impairment, impact of adoption of IFRS 9 (charged to equity)	-	(72,015)	-
Impairment, charged to income statement	(95,549)	(103,130)	(75,889)
Contract assets, net - End of period	**1,455,922**	**1,392,630**	**1,366,913**

Additions correspond to adjustments to sales of goods under IFRS 15 when services and devices are sold in bundled packages to customers.

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

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

23. Prepaid expenses

	December 31, 2019	December 31, 2018	December 31, 2017
Distribution and selling costs	5,502	5,537	8,449
Network and IT maintenance	14,439	6,353	3,852
Other	8,907	10,265	11,229
	28,848	**22,155**	**23,530**

As of December 31, 2019 and comparative periods, other prepaid expenses include mainly advance payments for services.

24. Cash and cash equivalents

	December 31, 2019	December 31, 2018	December 31, 2017
Petty cash	714	806	871
Balances deposited with banks	292,726	352,466	627,403
Other cash assets	877	418	451
	294,317	**353,690**	**628,725**

As of December 31, 2019 and December 31, 2018 balances deposited with banks included cash related to VAT received through split payment process imposed by new law regulation effective from July 1, 2018.

25. Shareholders' equity

25.1 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 128 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 II S.à r.l. 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.

25.2 Share premium

On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. (see Note 19.3) were redeemed against the Company's share premium 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 towards the members of the Management Board of P4.

26. Finance liabilities – debt

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 41.20).

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term finance liabilities			
Long-term bank loans	4,927,465	5,410,198	5,975,570
Long-term notes liabilities	748,360	-	-
Long-term lease liabilities	823,050	829,609	762,214
Other debt	6,146	10,747	15,083
	6,505,021	**6,250,554**	**6,752,867**
Short-term finance liabilities			
Short-term bank loans	171,325	581,319	387,988
Short-term notes liabilities	1,382	-	-
Short-term lease liabilities	168,481	155,587	186,602
Other debt	20,532	18,870	11,365
	361,720	**755,776**	**585,955**
	6,866,741	**7,006,330**	**7,338,822**

26.1 Bank loans

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term bank loans			
SFA	4,927,465	5,410,198	5,975,570
	4,927,465	**5,410,198**	**5,975,570**
Short-term bank loans			
SFA	171,325	581,319	387,988
	171,325	**581,319**	**387,988**
	5,098,790	**5,991,517**	**6,363,558**
the balance of unamortized fees	56,522	60,603	81,039
the weighted average effective interest rate	4.71%	4.87%	4.85%

The effective interest rate reflects the interest costs as well as amortization of the loan origination fees.

26.1.1 Senior Facilities Agreement (SFA)

On March 7, 2017 the Play Group 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 Group drew down the amount of PLN 6,443,000 thousand under the above facility agreement and the remaining amounts under term loan facilities were cancelled. Additionally, under the SFA, the Group 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 Secured Notes due 2019, PLN Floating Rate Senior Secured 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 Note19.3).

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, each in the amount of 12% of the total Facility A. 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 to 8.45% of total outstanding Facility A amount 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 3M WIBOR rate plus applicable margin and payable in quarterly periods.

The loan is measured at amortized cost using the effective interest rate. Loan origination fees 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 Play 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 and interest cover: when Total Leverage is above 2.75:1 the ratio of consolidated cashflow to net debt service shall not be less than 1.0 on each relevant quarter test date; when Total Leverage is below 2.75:1 the ratio of consolidated EBITDA to net finance charges shall not be less than 2.75:1 on each relevant quarter test date.

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 Group from making certain type of unusual payments at the same time allowing the Group to run normal operations under permitted payments definition.

On January 8, 2019 the Play Group 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 Group'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 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 Group repaid the principal of Senior Facilities Agreement (SFA)in the amount of 896,808 thousand in four voluntary prepayments of:

1. On February 26, 2019 Facility A instalment originally maturing on March 29, 2019 in the amount of PLN 173,404 plus accrued interest,
2. on August 30, 2019 Facility A installment originally maturing on September 30, 2019 in the amount of PLN 173,404 plus accrued interest,
3. On December 13, 2019 part of Facility C originally maturing on March 20, 2023 in the amount of PLN 376,596 plus accrued interest,
4. instalment on December 17, 2019 the Facility A installment originally maturing on March 31, 2020 in the amount of PLN 173,404 plus accrued interest.

26.1.2 ING Bank Śląski S.A. loan (repaid in 2019)

As at August 19, 2019 upon the acquisition of 3S Group, the Group's bank loans liabilities comprised also fair value of ING Bank Śląski facilities in the amount of PLN 67,611 thousand resulting from business combination (see note 2.5). The credit agreement signed on December 19, 2018 by 3S, 3S Data Center, 3S Fibertech and 3S BOX with ING Bank Śląski S.A. included PLN 86,400 thousand term loan facilities (tranche A and B) and PLN 10,000 thousand overdraft facility (tranche C). The purpose of the facilities was to refinance old debt, pay due CIT, finance investment expenses allowed under the agreement and finance working capital needs. Tranche A and B were draw down in the amount of PLN 68,347 thousand. Tranche A was repayable in monthly installments; the first installment was due in January 2019, the last installment was due in December 2025. Tranche B was due in full in December 2025 and tranche C was available untill December 2020. Interest was calculated based on 1M WIBOR rate plus margin.

On October 17, 2019 the Group voluntary closed overdraft facility and repaid the full outstanding amount of ING Bank Śląski term loan of PLN 63,795 thousand.

26.1.3 Santander Bank Polska (formerly Bank Zachodni WBK) loan

The Play Group has an overdraft agreement with Santander Bank Polska S.A. for the amount of PLN 50,000 thousand. The funds can be used to finance working capital needs.
The facility is available until May 31, 2020. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2019, the overdraft line in Santander Bank Polska S.A. was fully available.

26.1.4 Millennium Bank loan

The Play Group has an overdraft agreement with Bank Millennium S.A. for the amount of PLN 50,000 thousand. The funds can be used to finance working capital needs.
The facility is available until November 12, 2020 Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2019, the overdraft line in Bank Millennium S.A. was fully available.

26.1.5 mBank loan

The Play Group has an overdraft agreement with mBank S.A. for the amount of PLN 50,000 thousand. The funds can be used to finance working capital needs.
The facility is available until April 16, 2020. Interest is calculated based on ON WIBOR rate plus margin.

As at December 31, 2019, the overdraft line in mBank S.A. was fully available.

26.1.6 DNB Bank loan

The Play Group has an overdraft agreement with DNB Bank Polska S.A. for the amount of PLN 50,000 thousand. The funds can be used to finance working capital needs.
The facility is available until September 3, 2020. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2019, the overdraft line in DNB Bank Polska S.A. was fully available.

26.2 Notes

	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Long-term notes liabilities			
PLN Floating Rate Series A Notes due 2026	748,360	-	-
	748,360	**-**	**-**
Short-term notes liabilities			
Accrued interest related to notes	1,382	-	-
	1,382	**-**	**-**
	749,742	**-**	**-**

26.2.1 PLN Series A Senior Unsecured Notes due in 2026

On October 23, 2019 P4 announced its intention to establish a Bond Issue Program (the "Program"), as part of which the issuer will be able to carry out a number of bond issues up to the maximum total nominal value of bonds issued under the Program and outstanding at any time of PLN 2 billion.

On December 13, 2019 P4 issued under the Program 1,500 series A unsecured bonds, with the nominal value of PLN 500 thousand each and the aggregate nominal value of PLN 750,000 thousand which on 13 December 2019 were registered in the depository operated by the National Securities Depository.
In February 2020 P4 applied for the introduction of the Bonds to trading in the Alternative Trading System operated by the Warsaw Stock Exchange.

The notes maturity date is December 11, 2026. Interest, based on 6M WIBOR plus margin, will be paid semi-annually. The first interest payment date will be on June 13, 2020.

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 1,640 thousand as at December 31, 2019. The effective interest rate was 3.61% as at December 31, 2019.

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

26.2.2 EUR 5.25% Senior Secured Notes (repaid in 2017)

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

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 22,462 thousand as at December 31, 2016. The effective interest rate was 5.77% as at December 31, 2016.

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

The notes liability was fully repaid in March 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

26.2.3 PLN Floating Rate Senior Secured Notes (repaid in 2017)

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

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 703 thousand as at December 31, 2016. The effective interest rate was 5.70% as at December 31, 2016.

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

The notes liability was fully repaid in March 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

26.2.4 EUR 6.50% Senior Notes (repaid in 2017)

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

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 11,447 thousand as at December 31, 2016. The effective interest rate was 7.04% as at December 31, 2016.

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

The notes liability was fully repaid in March 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

26.2.5 EUR 5.25% Senior Secured Notes (repaid in 2017)

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

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes, adjusted by the value of premium, were included in the calculation of the effective interest rate. As a result of the purchase of notes at a premium the balance of unamortized fees was negative and amounted to PLN 8,001 thousand as at December 31, 2016. The effective interest rate was 4.57% as at December 31, 2016.

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

The notes liability was fully repaid in March 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

26.3 Lease liabilities

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term lease liabilities			
Telecommunications sites	729,305	740,756	660,308
Points of sale	46,099	47,813	54,257
Dark fiber optic cable	13,177	12,366	6,322
Collocation centers	4,906	9,969	11,797
Offices and warehouse	15,326	11,533	22,173
IT equipment and telecommunications equipment	8,367	2,524	2,723
Motor vehicles	5,870	4,648	4,634
	823,050	**829,609**	**762,214**
Short-term lease liabilities			
Telecommunications sites	100,837	95,020	119,386
Points of sale	29,185	26,835	28,932
Dark fiber optic cable	6,097	6,821	7,484
Collocation centers	5,342	5,910	5,785
Offices and warehouse	11,813	11,233	10,705
IT equipment and telecommunications equipment	8,143	4,331	9,616
Motor vehicles	7,064	5,437	4,694
	168,481	**155,587**	**186,602**
	991,531	**985,196**	**948,816**

For future payments payable under leases which are in place at the reporting date, please see Note 3.4.

Despite the continuous increase of number of leased sites during 2018 and 2019 the balance of finance lease liabilities slightly decreased as at December 31, 2019 in comparison to December 31, 2018. This was caused mainly by the ageing of the portfolio of the existing lease contracts and shorter average time remaining till the end of lease contract. The balance of finance lease liabilities decreased also due to other factors like: foreign exchange rate for contracts denominated in foreign currency, interest rates used for new contracts as well reassessments of initial valuation of liabilities relating to projected cash outflows during the contract term.

26.4 Other finance liabilities at fair value through other comprehensive income

	December 31, 2019	December 31, 2018	December 31, 2017
Non-current finance liabilities at fair value through other comprehensive income	-	3,858	-
Current finance liabilities at fair value through other comprehensive income	4,685	8,654	6,871
Other finance liabilities	**4,685**	**12,512**	**6,871**

Finance liabilities at fair value through other comprehensive income comprise interest rate swaps designated as cash flow hedges (see also Note 19.2).

Drawings under the Senior Facilities Agreement (please see Note 26.1.1) bear interest at floating rates tied to WIBOR plus margin. In May 2017, the Group entered into interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount (i.e. PLN 2,150,000 thousand) for a three-year period starting from July 1, 2017. The cash flows are expected to occur on the last days of quarters within this period whereas the interest cost is recognized in the statement of comprehensive income using the amortized cost method.

There is an economic relationship between the hedged items and the hedging instruments as the interest rate swap match the terms of the floating rate loan (i.e., payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.
The effective portion of changes in the fair value of the above mentioned cash flow hedges resulted in other comprehensive gain of PLN 7,827 thousand for the year ended December 31, 2019 (and loss of PLN 9,732 thousand in the year ended December 31, 2018).

26.5 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	**5,991,517**	**6,363,558**	**-**
Cash inflows	-	-	6,443,000
Acquisition of subsidiaries	67,619	-	-
Interest accrued	283,651	307,704	265,101
Cash outflows: interest paid	(256,443)	(284,718)	(238,432)
Cash outflows: other payments	(23,127)	(4,147)	(106,111)
Cash outflows: repayment of principal	(964,427)	(390,880)	-
As at December 31	**5,098,790**	**5,991,517**	**6,363,558**
Notes			
As at January 1	**-**	**-**	**4,608,210**
Cash inflows	750,000		-
Interest accrued	1,382	-	157,457
Cash outflows: interest paid	-	-	(156,223)
Cash outflows: other payments	-	-	(78,689)
Effect of changes in foreign exchange rates	-	-	(104,961)
Cash outflows: repayment of principal	-	-	(4,425,794)
Transaction costs	(1,640)	-	-
As at December 31	**749,742**	**-**	**-**
Lease			
As at January 1	**985,196**	**948,816**	**842,714**
New leases	146,550	237,537	263,512
Acquisition of subsidiaries	23,711	-	-
Modifications or terminations of lease contracts	(2,289)	(65,676)	(16,865)
Interest accrued	59,193	58,271	62,411
Effect of changes in foreign exchange rates	(745)	3,588	(6,861)
Lease payments	(220,085)	(197,340)	(196,095)
As at December 31	**991,531**	**985,196**	**948,816**
Other debt			
As at January 1	**29,617**	**26,448**	**2,643**
Acquisition of subsidiaries	31	-	-
New contracts	21,208	24,975	30,344
Interest accrued	768	1,348	368
Cash outflows: interest paid	(768)	(888)	(368)
Effect of changes in foreign exchange rates	(23)	410	-
Cash outflows: repayment of principal	(24,155)	(22,676)	(6,539)
As at December 31	**26,678**	**29,617**	**26,448**

Lines “Interest accrued” above represent interest calculated using the amortized cost method, i.e. including amortization of the loan origination fees.

Other payments relating to loans in the year ended December 31, 2017 represent the loan origination fees incurred in relation with the Senior Facilities Agreement signed in March 2017. Other payments relating to notes represent

the early redemption fees paid in relation to repayment of the Senior Secured Notes and Senior Notes upon refinancing in March 2017.

Other debt represents mainly installment purchase contracts relating to property, plant and equipment and intangible items.

26.6 Assets pledged as security for finance liabilities

Until June 16, 2017 the Senior Facilities were secured by pledge over the shares in Play Communications S.A. established by Play Holdings 1 S.à r.l. as pledgor in favor of Santander Bank Polska S. A. as pledgee. On June 16, 2017 the pledge over the shares was released by virtue of a release agreement executed in connection with the amendment agreement to the Senior Facilities Agreement.

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.

27. Provisions

	December 31, 2019	December 31, 2018	December 31, 2017
Assets retirement provision	58,917	43,463	49,985
Other long-term provisions	11,447	5,616	8,350
Short-term provisions	6,417	3,435	78
	76,781	**52,514**	**58,413**

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2019	**43,463**	**5,616**	**3,435**	**52,514**
Increase	17,456	1,404	3,875	**22,735**
Acquisition of subsidiaries	-	6,877	-	**6,877**
Decrease:	(2,002)	(2,450)	(893)	**(5,345)**
- reversal of provisions	(1,505)	(484)	(10)	**(1,999)**
- utilization	(497)	(1,966)	(883)	**(3,346)**
As at December 31, 2019	**58,917**	**11,447**	**6,417**	**76,781**

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2018	**49,985**	**8,350**	**78**	**58,413**
Increase	17,814	2,978	2,467	**23,259**
Transfers	-	(890)	890	**-**
Decrease:	(24,336)	(4,822)	-	**(29,158)**
- reversal of provisions	(24,336)	(490)	-	**(24,826)**
- utilization	-	(4,332)	-	**(4,332)**
As at December 31, 2018	**43,463**	**5,616**	**3,435**	**52,514**

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2017	**38,902**	**8,618**	**1,006**	**48,526**
Increase	11,512	315	15	**11,842**
Decrease:	(429)	(583)	(943)	**(1,955)**
- reversal of provisions	(429)	(220)	(162)	**(811)**
- utilization	-	(363)	(781)	**(1,144)**
As at December 31, 2017	**49,985**	**8,350**	**78**	**58,413**

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunications constructions and other space for other telecommunications equipment (“sites”) which would need to be restored to previous state when the lease ends.

Asset retirement provision increased in 2019 as a result of higher number of sites for which the Group have obligation to remove items of property, plant and equipment and restore the site on which they are located as well as due to change of estimate during 2019 relating to the discount period (see also Note 2.4.6).

During 2018, based on the observation of current market circumstances, the Group had lowered its estimation of unit costs of dismantling the telecommunication constructions from leased property, which led to a decrease in assets retirement provision balance and corresponding decrease in the net book value of right-of-use assets.

Other long-term and short-term provisions represent legal, regulatory or contractual obligations of the Group (see also Note 41.23).

28. Incentive and retention programs

28.1 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, 2018 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 the "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 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 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, 2018 the Group established a new equity-settled Value Development Program 4 bis ("VDP 4 bis"). The program is designed for promoted employees and new key employees joining the Group and is similar to VDP 4 but without underlying original shares.

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.

28.2 Cash-settled incentive and retention programs

During the year ended December 31, 2017, the Play Group operated following cash-settled share-based incentive and 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 Employees Plan
- VDP 3

EGA MB Plan
Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2006 and 2007. During year 2014 the plan operated by P4 was replaced by the plan with the same conditions operated by the Company. The percentage granted under the plan was transformed into number of rights. In accordance with the conditions of the EGA MB Plan upon disposal of shares by the 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. 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 P4 during year 2009. Under the PSA 2 and PSA 3 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. During year 2014 the plans operated by P4 were replaced by one plan operated by the Company and modified; the percentage granted under the plans was transformed into number of rights. In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members 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 P4 during year 2013. During year 2015 the plans operated by P4 were replaced by plans operated by the Company and modified. In accordance with the conditions of the SF 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program member was entitled to receive amount defined in agreement. In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member 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.

The total cost recognized in the general and administrative expenses in relation to the P4's Management Board cash-settled retention programs in the year ended December 31, 2017 amounted to PLN 226,002 thousand.

VDP 3 Plan

Under the VDP 3 the members of the Group's key personnel were granted share appreciation rights by P4 in June 2015, August 2015 and September 2016. In accordance with the conditions of the VDP 3, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right was calculated in reference to the increase in fair value of Group's equity until the date of change of control over the Group (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2017. In the light of the provisions of the program, IPO did not qualify as a change of control. Due to the fact that there was no change of control before December 31, 2017, the value of the payouts from VDP 3 was calculated based on level of achievement of certain key performance indicators by the Group in the years 2015-2017 and the fair value of the liabilities relating to the VDP 3 was estimated accordingly, taking into account the interim payments exercised in prior periods. Historically, the fair value of share appreciation rights was estimated using a geometric Brownian motion process (a Black-Scholes model). VDP 3 was settled in cash in years ended December 31, 2017 and December 31, 2018.

28.3 Change of value of the programs

The Group 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
Exercised during the period: nominal value of issued shares - transfer to share capital	-	-	(0)
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	**-**	**17,743**	**28,110**
Granted during the period	-	-	5,087
Forfeited during the period	-	-	(13,321)
Exercised during the period	-	(17,333)	-
Changes in valuation during the period	-	(410)	19,247
As at December 31, 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 ending December 31, 2019 resulted in decrease of number of Original Shares entitled to Award Shares which was reflected in the year ended December 31, 2018 as decrease in incentive and retention program costs.

	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	**150,064**	**17,740**	**-**
Granted during the period	-	-	19,379
Exercised during the period	-	(381,587)	-
Changes in valuation during the period	231,526	-	8,731
Transferred during the period	(381,590)	381,590	-
As at December 31, 2017	**-**	**17,743**	**28,110**
Vested at December 31, 2017	132,721	10,806	n/a

29. Trade and other payables

	December 31, 2019	December 31, 2018	December 31, 2017
Trade payables	673,315	711,572	812,761
Investment payables	122,738	219,966	190,478
Government payables	64,759	91,503	97,218
Employee payables	96	87	107
Other	4,497	4,685	5,964
	865,405	**1,027,813**	**1,106,528**

The decrease in trade and other payables results from the phasing of payments for interconnect services and investment purchases.

30. Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the end customer or the amount is due.
As at December 31, 2019 contract liabilities comprise Group's obligation to transfer services from unused contract and prepaid balances.
The table below represents amounts recognized as service revenue during the reporting periods for which the customers had paid in advance and which had been presented as contract liabilities before the beginning of the reporting period.

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	86,771	80,529	92,546

31. Accruals

Accruals include accruals for employee bonuses and unused holidays.

32. Deferred income

	December 31, 2019	December 31, 2018	December 31, 2017
Prepaid services	88,129	96,039	92,257
Contract services	145,023	143,736	138,327
Other	-	-	627
	233,152	**239,775**	**231,211**

Deferred income on sales of prepaid services comprises the value of prepaid products delivered to a distributor but not yet transferred to the end customer. Prepaid products transferred to end customer and not used are presented as contract liabilities (see also Note 30) while amounts of prepaid products used by end customers are recognized as revenue in the statement of comprehensive income.

Deferred income on sales of contract services comprises amounts relating to services that will be delivered in the future which are billed to a customer in advance but not yet due, whereas amounts billed in advance and due are presented as contract liabilities. Deferred income balances for contract services depend on whether due date for services is after or before the reporting date and may vary significantly between reporting dates.

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

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

	December 31, 2019	December 31, 2018	December 31, 2017
Cash and cash equivalents in statement of financial position	294,317	353,690	628,725
Interest accrued on cash	-	(95)	(217)
Cash and cash equivalents in statement of cash flows	**294,317**	**353,595**	**628,508**

34. Impact of changes in working capital and other, change in contract costs, change in contract assets and change in contract liabilities on statement of cash flows

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
(Increase)/decrease of inventories	2,253	(10,215)	(9,593)
(Increase)/decrease of receivables	144,775	231,121	162,786
(Increase)/decrease of prepaid expenses	(6,079)	1,375	(2,291)
Increase/(decrease) of payables excluding investment payables	(70,288)	(52,267)	33,842
Increase/(decrease) of accruals	38,981	(3,879)	5,090
Increase/(decrease) of deferred income	(6,674)	8,564	13,807
(Increase)/decrease of long-term receivables	(509)	(527)	(1,671)
Increase/(decrease) of other non-current liabilities	(4)	(351)	(748)
Changes in working capital and other	**102,455**	**173,821**	**201,222**
(Increase)/decrease in contract costs	(1,427)	(11,651)	(10,321)
(Increase)/decrease in contract assets	(63,292)	(124,842)	(369,133)
Increase/(decrease) in contract liabilities	8,708	6,161	(12,770)
	46,444	**43,489**	**(191,002)**

The decrease of receivables in the year ended December 31, 2019 resulted mainly from the decrease in international roaming receivables due to collection of international roaming discounts as well as change in invoicing pattern with roaming partners.
The decrease in receivables in the year ended December 31, 2018 and in the year ended December 31, 2017 resulted mainly from the change in structure of sales. In 2016 the Group significantly increased the volumes of sales in the installment model which generate higher receivables. In 2017 and 2018 the handsets were sold primarily in the subsidy model, with lower receivables. The installment receivables from 2016 were repaid by customers in the years 2017 and 2018, having positive effect on the cash flows from operating activities.

The changes in payables in the year ended December 31, 2019 are affected mostly by the phasing of payments of interconnection liabilities. In the year ended December 31, 2018 the Group had a receivable in the amount of PLN 62,261.8 thousand resulting from the fact that P4 paid tax advances in the year 2017 whereas the final tax return presented a tax loss. This receivable was netted off against the VAT payables. Due to the non-cash nature of this settlement the corresponding decrease of payables is not presented in the table above.

The changes in accruals in the year ended December 31, 2019 were driven mainly by the increase of accruals for employee bonuses due to strong performance of the Group.

The significant increase in contract assets in the year ended December 31, 2017 and continuing with lesser impact in the year ended December 31, 2018 resulted from the fact that since October 2016 the handsets had been sold primarily in the subsidy model for which the contract assets are significantly higher than in the instalment sales model. As the installment sale contracts were gradually replaced by subsidy contracts during the years 2017 and 2018, the balance of contract assets increased.

Changes in contract assets and receivables for the year ended December 31, 2018 were adjusted by the impact of adoption of IFRS 9. Changes in contract assets for the year ended December 31, 2018 are also affected by the opening balance adjustment – please see Consolidated statement of changes in equity

35. Segment reporting

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

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

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

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

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
Operating profit	**1,500**	**1,371**	**1,107**
Add depreciation and amortization	906	789	797
EBITDA	**2,406**	**2,160**	**1,904**
Add management fees	-	0	49
Add valuation of incentive and retention programs and special bonuses	16	11	283
Add other non-recurring costs/(income)	15	(11)	62
Adjusted EBITDA	**2,436**	**2,159**	**2,298**

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

Other non-recurring cost for the year ended December 31, 2019 were related mainly to acquisition and integration of 3S Group (see Note 2.5) as well as non-deductible VAT relating to strategic projects out of usual scope of the Group's business.

Other non-recurring income for the year ended December 31, 2018 resulted mainly from the reversal of the bad debt provision for interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to favorable court ruling (please see also Note 39.2), partially off-set by cost of provision for universal service liability to Orange Polska S.A. of PLN 4.3 million and other non-recurring income and costs totaling to a net amount of income of PLN 3.0 million.

The cost resulting from valuation of incentive and retention programs and special bonuses decreased in the year ended December 31, 2018 as a result of changed composition of performance incentive plans due to the IPO in July 2017, which are classified and valued differently than the incentive and retention programs in place in the year ended December 31, 2017; for more information see Note 28.

Other non-recurring costs for the year ended December 31, 2017 comprised: (i) costs of the IPO in the amount of PLN 45.9 million; (ii) non-recurring costs of PLN 11.4 million related to prepaid registration process to comply with new regulations introduced by the Act dated June 10, 2016 on Anti-terrorist Operations, which came into force in Poland on July 25, 2016 and amended the Polish Telecommunications Act to require the de-anonymization of

prepaid phone cards; (iii) net non-recurring costs of strategic projects out of usual scope of our business of PLN 3.4 million and other non-recurring costs of PLN 1.3 million. Non-recurring costs of strategic projects out of usual scope of the Group's business incurred in prior periods were offset in the three-month period ended December 31, 2017 with income from sale of assets relating to those projects.

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

36. Related party transactions

36.1 Transactions with management and supervisory bodies

Cost of remuneration (including accrued bonuses and special bonuses) of members of Boards of Directors or Boards of Managers in Group entities incurred for the year ended December 31, 2019 amounted to PLN 20,169 thousand (PLN 12,394 thousand for the year ended December 31, 2018 and PLN 34,951 thousand for the year ended December 31, 2017).

Cost of remuneration of members of Supervisory Board of P4 incurred during the year ended December 31, 2017 amounted to PLN 1,663 thousand. The Supervisory Board ceased to exist in June 2017.

Additionally, the members of the P4's Management Board participated in the incentive and retention programs (see Note 28). The valuation of the programs resulted in cost in the amount of PLN 15,605 thousand for the year ended December 31, 2019, cost of PLN 8,526 thousand for the year ended December 31, 2018 and cost of PLN 233,606 thousand for the year ended December 31, 2017. Relating costs are included in general and administrative expenses in the consolidated statement of comprehensive income.

Cost of benefits for former Members of Boards of Directors or Boards of Managers in Group entities incurred after their step down from their positions for the year ended December 31, 2019 amounted to PLN 1,520 thousand and PLN 837 thousand for the year ended December 31, 2018.

Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Board of Directors of Play Communications S.A., Supervisory Board or the Management Board of P4, or supervisory or management bodies of any other entities within the Group.

36.2 Transactions with other related parties

	December 31, 2019	December 31, 2018	December 31, 2017
Trade receivables	-	-	8,743
Trade and other payables	-	-	35,176

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Purchase of intangible assets	-	(10,065)	-
Operating revenue	-	1,896	372
Management fees	-	(250)	(48,606)
General and administrative expenses	-	-	(70)
Other operating income	-	199	3,368
Recharge of operating costs	-	-	8,398
Interest income	-	-	113,663

During the year ended December 31, 2019 the Group didn't enter into any transactions with related parties apart from described in the Note 36.1.

In the year ended December 31, 2018 the Group had entered into a transaction of purchase of certain assets from Folx S.A. The payables resulting from this transaction were settled within the year ended December 31, 2018. The management fees for the year ended December 31, 2018 comprised the foreign exchange losses incurred on payment of the management fees invoices.

The outstanding trade and other payables balance as at December 31, 2017 resulted mainly from the fact that settlement of payables resulting from the IPO advisory services agreement was due in two instalments – the first was payable within 6 months from the IPO and the second is payable within 12 months from the IPO.

The trade receivable balance as at December 31, 2017 resulted primarily from certain commercial agreements with Folx S.A. (formerly Beta S.A.) and BeamUp Payments S.A. (formerly Pejer S.A.), portfolio companies which were beneficially owned by Olympia Development S.A. and Telco Holdings S. à r. l. In the year ended December 31, 2017 the Group had entered into transactions of certain asset sales as well as a recharge of operating costs previously incurred by the Group to Folx S.A. and BeamUp Payments S.A. The majority of these receivables were settled during the year ended December 31, 2018.

Interest income in the year ended December 31, 2017 was earned on the notes issued by Impera Holdings S.A. (former indirect shareholder of the Company).

37. Auditor's fees

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Audit fees	860	868	820
Other attesting fees	427	501	1,828
Tax related fees	-	-	186
Other fees	84	173	182
	1,371	**1,542**	**3,016**

38. Commitments

38.1 2100 MHz and 900 MHz license requirements

As of the date of issuance of the Financial Statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums.

38.2 1800 MHz license requirements

The 1800 MHz frequency reservation decision granted to the Group on June 14, 2013 outlined a set of regulatory requirements towards the Group. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment had to be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, the Group had to commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of the Financial Statements, the Group has fulfilled all these obligations.

38.3 800 MHz license requirements

The 800 MHz frequency reservation decision granted to the Group on January 25, 2016 and replaced by decision granted to the Group on June 23, 2016 outlines a set of regulatory requirements towards the Group ("Decision"). These pertain mainly to realization of investment in telecommunications network covering 83% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunications network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, the Group had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of the Financial Statements, the Group has fulfilled the investment obligations.

38.4 2600 MHz license requirements

Four reservation decisions in the 2600 MHz spectrum granted to the Group on January 25, 2016 require that the Group must commence provision of services which utilize 2600 MHz frequencies no later than in 36 months from the date of the frequency reservation. The Group has met these requirements.

39. Contingencies and legal proceedings

39.1 Tax contingent liabilities

Play Group conducts its operations mainly in the area of Polish tax jurisdiction The Polish tax system is characterized by frequent changes. Recently, a number of new tax regulations have come into force which were prepared in a relatively short time and implemented with short grace periods. Other tax reporting or compliance obligations or new tax regulations may be introduced, which could also affect our operations.

In the Polish tax system taxpayers rely on laws, which are frequently amended but also on individual rulings, which are also subject to potential changes. Frequent changes in regulations may lead to uncertainties and conflicts in application.

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. The tax authorities may at any time inspect the books and records and may impose additional tax assessments with penalty interest and penalties within 5 years from the end of the year in which a tax is due. In some cases, it is difficult to predict the ultimate outcome.

P4 was subject to the tax audit concerning its settlements of the corporate income tax for 2013. It ended with the issuance by the tax authority of first instance of the decision challenging the amount of expenses on account of license fees paid by P4 to the holder of trademarks. As a result of the P4's appeal, the tax authority of second instance issued on December 20, 2019 the decision repealing the decision of the authority of first instance and discontinuing the proceedings in the case at issue. The decision is final in administrative proceedings and does not impose any obligation to pay tax for 2013 due to utilization of available tax losses. P4 appealed to the court against the decision issued, since it contained the legal assessment stating that license fees paid by P4 were not measured at their market value. In Group's view the amount of the license fees paid was established on arm's length conditions. At present, P4 is awaiting the resolution of the case. The Group considers it likely that the Court will support the Group's approach in this respect.

Currently, P4 is being subject to the customs and tax audit with respect to the corporate income tax settlement for 2014 (initiated in 2018). P4 was informed that the audit should end by May 14, 2020. This deadline may be further extended (this is a common practice of tax authorities). Tax authorities investigate in particular: (i) intra-group transactions and settlements, with special emphasis on settlements between P4 and Play Brand Management Limited and (ii) trademarks-related settlements. Moreover, tax authorities requested documents concerning different types of related party transactions (e.g. the transfer pricing documentation, fee calculations, and other similar documentation).

Currently, as well as in the previous years, P4 incurs license fees for using Play brand – those charges were treated as tax deductible expenses till the end of 2017. After performing analysis of tax risks connected with the above-mentioned tax settlements, supported by the external tax advisors, in the light of IFRIC 23 (Uncertainty over Income Tax Treatments) implementation, the Group concluded that no provision in this regard should be created.

In October 2019, customs and tax audits in respect of the Issuer's settlements of the withholding tax was commenced. The audits concern the performance of the obligations of a tax remitter in relation to the withholding tax on the interest paid by P4 in tax years 2015, 2016 and 2017. Until present, documents such as the transfer pricing documentation, pursuant to which the interest was paid, were requested. P4 was informed that the audits should end by April 20, 2020. This deadline may be, however, extended.

We cannot exclude the risk that the tax authorities will apply a different approach from the one we adopted, which may adversely affect our business.

On 15 July 2016, amendments were made to the Polish Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realizing tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. The regulation requires considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realized or continue to be realized. The implementation of the above provisions enables Polish tax authority to challenge such arrangements realized by tax remitters as restructuring or reorganization.

The Play Group is not aware of any circumstances, which may currently give rise to a potential material liability in connection with application of GAAR.

39.2 Legal and regulatory proceedings

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodyfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its

decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Plus and PIRC and requested that the UKE President dismiss the applications for annulment. President of UKE in its decision of August 3, 2016 upheld the decision refusing to invalidate the 1800 MHz tender. The President UKE's decision was appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel, PIRC and Sferia. The Voivodship Administrative Court in its judgment of September 25, 2017 dismissed Polkomtel's, Sferia's and PIRC's appeals. The judgement was appealed against at the Supreme Administrative Court by Polkomtel, PIRC and Sferia in January 2018, however on October 10, 2018 PIRC withdrew the appeal to the Supreme Administrative Court. The Group assesses the risk of the outcome that would be unfavorable for the Group as low.

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender is finalized. UKE President in its decisions of October 30, 2015 upheld the 3 decisions on reservation for P4 of the frequencies in the 1800 MHz spectrum. UKE President's decisions were appealed against at the lower administrative court by Polkomtel. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel's motion to withhold the enforceability of the decisions and requested the court to dismiss the motion. In three of the proceedings the court refused to withhold the enforceability of the three P4's decisions. In July 2016, we filed our answers to the Polkomtel's appeals against the reservation decisions and requested the court to dismiss the appeals in the whole. The Voivodship Administrative Court in judgments of August 25, 2016 and August 30, 2016 dismissed Polkomtel's complaints against three decisions. The judgements were appealed against at the Supreme Administrative Court by Polkomtel. On March 5, April 10 and May 31, 2019 the Supreme Administrative Court dismissed Polkomtel's complaints against P4's 1800 MHz reservations. The judgements are final.

President of the Office of Competition and Consumer Protection (UOKiK) in its decision of November 23, 2011 imposed a fine of PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info-TV-FM's wholesale offer and agreeing public questioning the said offer. District Court in Warsaw in its judgment of June 19, 2015 repealed UOKiK's decision. Therefore the provision for potential penalty resulting from the proceeding has been released in the year ended December 31, 2015. On March 15, 2017 the Appeal Court dismissed the appeal of UOKiK and confirmed that there wasn't any anti-competitive arrangement/collusion between Plus, Orange, T-Mobile and P4. President of UOKiK filed a cassation against the judgment. The Supreme Court in its judgment of 31 October 2019 dismissed the cassation.

In June 2015 P4 filed a statement of claim for PLN 315,697 thousand to be paid jointly and severally by Orange Polska S.A., Polkomtel sp. z o.o., T-Mobile Polska sp. z o.o. The said amount comprises of PLN 231,000 thousand of damages for an act of unfair competition consisting in the setting up excessive fees for voice connections with Play network (and other form of discrimination of such connections) for a period from July 1, 2009 to March 31, 2012 and capitalized interests. In July 2018 P4 extended the claim demanding payment of additional PLN 313,572 thousand (PLN 258,000 thousand of damages and capitalized interests) for a consecutive period from April 1, 2012 to December 31, 2014. On December 27, 2018 the District Court in Warsaw dismissed P4's claim with respect to PLN 315,697 thousand. P4 filed an appeal, the Appeal Court in Warsaw haven't heard the case yet. The claim for additional PLN 313,572 thousand is still subject of the proceedings before the District Court in Warsaw. In September 2019 P4 withdrew claims against T-Mobile. The claims against Orange and Polkomtel still remain at the previous amounts. As the receipt of the above amounts is not certain, the Group did not recognize any income in relation to this claim.

In November 2015, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for the annulment of the auction for the 800/2600 MHz frequency in its entirety, claiming the violation of procedures applicable to the allocation of frequencies. The motions to invalidate the auction tender initiated administrative proceeding before the UKE President. President of UKE in its decision of June 15, 2018 refused to invalidate the auction. Polkomtel, T-Mobile and Net Net requested reconsideration of the decision. The President of UKE upheld the decision refusing to invalidate the auction in its decision of November 12, 2019. The decision may be appealed against to the Voivodship Administrative Court. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In February 2016, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for reconsideration of the decision on reservation of 800/2600 MHz frequencies for P4. Polkomtel, T-Mobile and Net Net sp. z o.o. demand inter alia the cancelation of the decision on reservation of 800 MHz and relocation of the 800 MHz block of frequency. The motions initiate administrative procedures before the President of UKE. In June 2016, The UKE President issued new decisions on reservation of 800/2600 MHz frequencies and in case of P4 decided about the relocation of the 800 MHz block of frequency (P4 received the Block C instead of the Block D). The UKE President's decisions on reservation of 800/2600 MHz frequencies were appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel. T-Mobile also appealed against the decisions on reservation of 800 MHz with regard to Block C and E. The Voivodship Administrative Court in judgments of 30 January 2017 dismissed Polkomtel's and T-Mobile's complaints against the P4's decisions. The judgements were appealed against at the Supreme Administrative Court by Polkomtel and T-Mobile. The Supreme Administrative Court in its judgments of October 8, 2019 and November 28 2019 dismissed Polkomtel's and T-Mobile's complaints against P4's decision on reservation of 800 frequencies (block C) and against P4's decisions on reservation of 2600 MHz frequencies. The judgements are final.

In December 2018 Polkomtel sp. z o.o. filed a lawsuit in which it demands that the State Treasury or P4 (as defendants *in solidum*) pay missing MTR remuneration that Polkomtel would have received from P4, if UKE had not decreased its MTRs by means of a decision which was subsequently annulled by court, as issued in violation of the law (procedural errors committed by UKE), and accumulated interest plus statutory interest from the time of filing the lawsuit. The claim against the State Treasury is based on the liability for damages caused by a public authority (UKE) and the claim against P4 is based on the unjust enrichment regime. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In July 2019 P4 filed a lawsuit in which it demands that T-Mobile pay missing MTR remuneration that P4 would have received from T-Mobile, if UKE had not decreased its MTRs by means of decisions which were subsequently annulled by court, as issued in violation of the law (procedural errors committed by UKE), and accumulated interest plus statutory interest from the time of filing the lawsuit.

There is a number of other proceedings involving the Group initiated among others by President of UKE or President of UOKiK and proceedings resulting from appeals against regulators' decisions. The Group has recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are probable to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. For the total amount of provisions, including the provisions for pending legal cases, please see Note 27.

On June 8, 2018 the Court of Appeal changed the verdict of the District Court and confirmed P4's approach in the case against Orange Polska S.A. for underpayments due to the undervaluation of P4 mobile termination rates in the period from August 2011 to December 2012. As a result in the year ended December 31, 2018 Orange Polska S.A. paid to the Group the amount of underpayments (PLN 12,735 thousand) as well as interest for late payment (PLN 6,578 thousand).

40. Events after the reporting period

On January 2, 2020 3S S.A. and 3S Fibertech sp. z o.o. merged.

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

41. Summary of significant accounting policies

41.1 Consolidation

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

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

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

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

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

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

41.2 Foreign currency translation

41.2.1 Functional and presentation currency

Items included in the financial statements of each of the entities of the Play Group 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 are conducted primarily in Poland.

41.2.2 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.

41.3 Revenue

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

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

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

Revenues from voice, SMS telecommunications and data transfer include charges for telecommunications traffic originated in the Play network or roaming network, including revenues from prepaid products.

Goods and services may be sold separately or in bundled packages. For bundled packages, including e.g. mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct – i.e. if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the Adjusted Contract Term (see Note 41.10). The consideration (transaction price) is allocated between separate performance obligations in a bundle based on their relative stand-alone selling prices. The Group identifies the following performance obligations: delivery of mobile devices, provision of telecommunications services and provision of service of device leasing. The stand-alone selling prices for mobile devices are estimated based on cost of sale plus margin. Please see Note 2.4.1. Stand-alone selling prices for telecommunications services and lease services are set based on prices for non-bundled offers with the same range of services.

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

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

Telecommunications revenue from the sale of prepaid products in single–element contracts (i.e. with one performance obligation for telecommunications services) is recognized at the face value of a prepaid top-up sold, net of VAT. The difference between the face value of a prepaid offerings and the value for which the offerings are sold by the Group to its distributors, constitutes commission earned by the distributors, who act as agents. The Group acts as a principal in such agreements. The costs of prepaid commissions are recognized as other service costs when the distribution service is provided, i.e. when the prepaid product is delivered to the end customer. The revenue from the sale of prepaid products is deferred until the end customer commences using the product and presented in the statement of financial position as deferred income in case the prepaid product is held by a distributor or as contract liability in case the prepaid product had been transferred to the end customer but not yet used. The revenue from the sale of prepaid products is recognized in the profit or loss as telecommunications services are provided, based on the actual airtime or data usage at an agreed tariff, or upon expiration of the obligation to provide the service.

Revenues from the value-added services are recognized in the amount of full consideration if the Group acts as principal in the relation with the customer or in the amount of the commission earned if the Group acts as agent.

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

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

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

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

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

41.4 Interest income

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

41.5 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 receivable.

41.6 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.

41.7 Property, plant and equipment

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

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

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

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

Description	Term in years
Buildings	20-25
IT equipment	3-5
Telecommunications network and equipment	3-7
Motor vehicles	2-3
Other	1-5

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.

41.8 Right-of-use assets and lease liabilities

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

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

Accounting by the lessee
The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected 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 Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.
The right-of-use assets are initially measured at cost, which comprises:

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

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

Depreciation is calculated using the straight-line method over the estimated useful lives. The predominant estimated useful lives are as follows:

Description	Term in years
Land	6-14
Buildings	2-13
IT equipment	3-5
Telecommunications network and equipment	2-11
Motor vehicles	2-3

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

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunications constructions and other space for other telecommunications equipment ("sites") which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost of right-of-use assets and depreciated over the useful life equal to the period covered by the lease of the property on which the telecommunications constructions and equipment are located. The Group estimates the fair value of asset retirement obligations using number of sites available for use, average site reinstatement cost and the discount rate which equals the interest rate of long-term treasury bonds.

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

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

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

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

The lease term determined by the Group comprises:

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

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

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

Accounting by the lessor

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

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

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

41.9 Intangible assets

41.9.1 Licenses

Licenses are stated at cost less accumulated amortization and accumulated impairment losses. The licenses are amortized over the period for which they are granted.

41.9.2 Computer software costs

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

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

41.9.3 Goodwill

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing goodwill is allocated to cash-generating units, not larger than an operating segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, but not larger than operating segment and not larger than units for which goodwill is monitored by the Group. The Group allocates goodwill to the entire Play Group as a single cash-generating unit.

41.9.4 Intangible assets under construction

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

41.10 Contract costs

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

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

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

- for postpaid contracts - over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses,
- for “mix” contracts – over the term during which a customer is expected to fulfil their obligation in relation to all top-ups required under a contract.

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

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

41.11 Impairment of non-financial assets

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

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

41.12 Inventories

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

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

41.13 Trade and other receivables

Trade receivables are recognized initially at fair value less provision for impairment and subsequently measured at amortized cost using the effective interest method. According to IFRS9, from 1 January 2018, the Group measures the impairment provision at an amount equal to lifetime expected credit losses for trade receivables, lease receivables, cash and cash equivalents and contract assets and is recognized in the statement of comprehensive income within "other operating costs".

When measuring impairment provision for billing receivables the Group uses collectability ratio from previous periods including information on recoverability through the process of sales of outstanding invoices and forward-looking information.

For other trade receivables the Group performs assessment for each individual debtor taking into account the probability of default or delinquency in payments and the probability that debtor will enter into financial difficulties

or bankruptcy. When determining whether the recognition of lifetime expected credit loss is required under IFRS 9, the Group uses all reasonable and supportable information regarding debtors available at the assessment date, including the information about securities, e.g. guarantees, deposits and insurance.

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

41.14 Contract assets

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

The loss allowance for contract assets is measured and recognized under IFRS 9 at the initial recognition of contract assets. The Group uses professional judgement to calculate probability–weighted estimate of credit losses over the expected life of contract assets.

41.15 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.

41.16 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.

41.17 Cash and cash equivalents in statement of cash flows

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

41.18 Retirement benefits

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

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

The Play Group has no other employee retirement plans.

41.19 Incentive and retention programs

The Play Group operates cash-settled and equity-settled share-based incentive and retention programs. Membership in programs is granted to members of the Management Board of 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.

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 incentive and 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 2.4.4. The cost is recognized in the statement of comprehensive income in line with vesting conditions, which are described in Note 28.

41.20 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

41.21 Derivative instruments

41.21.1 Derivatives embedded in host contracts

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

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

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

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

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

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

41.21.2 Derivative instruments designated as hedges

Derivative financial instruments designated as hedging instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value.

On the date a derivative contract is entered into, the Group designates certain derivatives as either
(i) a hedge of the fair value of a recognized assets or liabilities (fair value hedge), or
(ii) a hedge of a highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking hedge transaction. This process includes linking all derivatives designed as hedges to specific firm commitments or forecast transaction. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transaction are highly effective in offsetting changes in fair values or cash flow hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement.

When a hedging instruments expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to the income statement.

The fair values of interest rate swaps used for cash flow hedge are disclosed in Note 26.4. Movements of the reserve capital are disclosed in Consolidated statement of changes in equity.

The fair value of a hedging derivative is classified as non-current assets or non-current liabilities if the remaining maturity of the hedged item is more than twelve months and as current assets or current liabilities, if the maturity of the hedged items is less than twelve months.

The fair values of the interest rate swaps are calculated by discounting the future cash flows of both the fixed rate and variable rate interest payments. The inputs used in determining the fair value fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities).

41.22 Trade liabilities

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

41.23 Provisions

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

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

41.24 Deferred income

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

41.25 Contract liabilities

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

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Director

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Director