



PLAY

PLAY COMMUNICATIONS S.A.

**REPORT ON THE ACTIVITY
IN THE SIX-MONTH PERIOD
ENDED 30 JUNE 2019**

**Play Communications S.A. and its subsidiaries
26 August 2019**

TABLE OF CONTENTS

PART I – GENERAL INFORMATION	3
1. DEFINITIONS	4
2. INTRODUCTION	11
3. FORWARD-LOOKING STATEMENTS	11
4. PRESENTATION OF FINANCIAL INFORMATION	11
PART II – BUSINESS REPORT	14
1. RESULTS OF OPERATIONS, CASH FLOWS AND STATEMENT OF FINANCIAL POSITION.....	15
2. DIRECTORS' REPORT	18
3. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2019	20
4. OUTLOOK FOR THE GROUP IN 2019.....	40
PART III – A GLOSSARY OF TECHNICAL TERMS.....	41
PART IV - FINANCIAL STATEMENTS.....	46
RESPONSIBILITY STATEMENT	47
INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF PLAY COMMUNICATIONS S.A.	48
PLAY COMMUNICATIONS S.A. AND ITS SUBSIDIARIES - INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS 34 AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE, 2019	F-1



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 attached hereto beginning on page 41.

“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.
“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 SA”	Kenbourne Invest SA, a Luxembourg société anonyme with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B227157, a successor entity of Telco Holdings S.à r.l after their merger effective October 8, 2018.
„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 (<i>Commission de Surveillance du Secteur Financier</i>) 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 six-month period ended June 30, 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” or “SFA”	Refers to Senior Facilities Agreement with syndication of banks entered into on March 7, 2017, and Amendment and Restatement Agreements installed afterwards.
“Telco Holdings S.à r.l.”	Telco Holdings S.à r.l, a Luxembourg société à responsabilité limitée with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg , which was merged with Kenbourne Invest SA effective October 8, 2018..
“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 2018 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.

<u>Term</u>	<u>Usage by Play</u>
Terms related to subscribers	
subscriber	We define a subscriber as any customer that we provide services to, based on SIM card or eSIM, until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards and eSIM 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, Play Internet postpaid, fixed line, Play NEXT 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 or eSIM 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 or eSIM 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, Play Internet postpaid, fixed line, Play NEXT 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 or eSIM 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. 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 becomes inactive. TechSIMs not actively used for data transfer do not represent active contract subscribers.
TV Box service	We define TV Box service (commercially: Play Now TV) as a value added TV service for big screen users, which is network agnostic and can be subscribed to by our or third party subscriber. TV Box services are not accounted for in our subscriber base, they are reported separately as long as there is a standing contract for the service.
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 180 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)).
reported subscriber base	We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base.
active subscriber base	We define active subscriber base as the sum of the number of active contract subscribers and active prepaid subscribers at the end of a given period.
average subscriber base (reported or active)	<p>We define average subscriber base in a reporting period as follows:</p> <ul style="list-style-type: none">• for a one-month period, the average subscriber base is calculated as our beginning of month subscriber base 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). <p>The above methodology is used to calculate our average reported subscriber base or average active subscriber base.</p>
retained subscribers	We define retained subscribers as every contract subscriber who renewed their contract (by signing a contract extension) in a given period.
net additions	We define net additions as the change in our reported subscriber base in a given period. Net additions for a given period are calculated as the difference between the end of period reported subscriber base and the beginning of period reported subscriber base.
total gross additions	We define total gross additions as the sum of contract gross additions and prepaid gross additions.
contract gross additions	We define contract gross additions as every new contract subscriber added to the subscriber base in a given period (in a standard acquisition or through mobile number portability (“MNP”) as well as through migrations from prepaid tariff plans to contract tariff plans). Other migrations (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	<p>We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period.</p> <p>Contract subscribers are recognized as churned when they voluntarily applied to terminate their agreement with us (voluntary churn), where we disconnect them due to a lack of payment (collection churn) or due to certain other events such as the non-renewal of contracts by new subscribers who subscribed for services on a trial basis, or extraordinary events (such as the death of a subscriber).</p>

Prepaid subscribers are recognized as churned when they are deactivated, which generally occurs if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the tariff plan chosen and the last top-up value.

Migration of a subscriber:

- from a contract tariff plan to a prepaid tariff plan;
- from a prepaid tariff plan to a contract tariff plan; or
- within a segment (e.g., individual contract subscriber migrating to a business plan),

is not recognized as churn and therefore does not affect the churn rate of a particular segment.

churn rate/churn (%)

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

migrations

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

Terms related to service usage**4G LTE Ultra**

We define 4G LTE Ultra as aggregate frequency bands (LTE carrier aggregation).

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.

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

We define subscriber acquisition costs as the sum of contract subscriber acquisition costs and prepaid subscriber acquisition costs.

We define contract subscriber acquisition costs as total costs relating to new contract subscribers acquired (or migrated from being prepaid tariff plans to contract tariff plans) in a given period, including: (i) in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device; (ii) commission costs paid to dealers and our own sales force and (iii) other SAC costs (primarily SIM cards).

We define prepaid subscriber acquisition costs as the total costs relating to the acquisition of new prepaid subscribers in a given period, which mainly consist of the costs of SIM cards and the costs of rebates for distributors of prepaid starter packs.

unit SAC

We define unit SAC as subscriber acquisition costs divided by the total gross additions in a given period.

unit SAC cash

We define unit SAC cash as the sum of the following acquisition costs: in case of contracts sold with devices such as handsets, device subsidies equal to the cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing the contract; commission costs paid to dealers and our own sales force; costs of SIM cards and the costs of rebates for distributors of prepaid starter packs, divided by the total gross additions in a given period.

unit contract SAC

We define unit contract SAC as contract subscriber acquisition costs divided by the total number of contract gross additions in a given period.

unit contract SAC cash

We define unit contract SAC cash as the sum of the following contract acquisition costs: in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing the contract; commission costs paid to dealers and our own sales force and the costs of SIM cards, divided by the total number of contract gross additions in a given period.

unit prepaid SAC

We define unit prepaid SAC as prepaid subscriber acquisition costs divided by the total number of prepaid gross additions in a given period.

unit prepaid SAC cash

We define unit prepaid SAC cash as sum of prepaid acquisition costs in a given period (i.e. costs of SIM cards and costs of rebates for distributors of prepaid starter packs), divided by the total number of prepaid gross additions in a given period.

subscriber retention costs

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

unit SRC

We define unit SRC as the subscriber retention costs divided by the number of retained subscribers in a given period.

unit SRC Cash

We define unit SRC cash as the sum of the following subscriber retention costs: in case of contracts renewed with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing the contract; and (ii) commission costs paid to dealers and our own sales force, divided by the number of retained subscribers in a given period.

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

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.

As of June 30, 2019, 59.24% of the outstanding shares were controlled by shareholders Tollerton Investments Limited and Kenbourne Invest S.A., 5.34% by Nationale-Nederlanden Otwarty Fundusz Emerytalny and 5.02% by Investec Asset Management Ltd / Investec Asset Management (Pty) Ltd (acting in concert). The remaining 30.40% was 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 cautions 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 presented in the Company and its subsidiaries unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34 as at and for the six-month period ended June 30, 2019 (the “**Financial Statements**” or “**Interim Condensed Financial Statements**”) issued by the Group, included elsewhere in this Report.

The Financial Statements were prepared on a basis consistent with the Company and its subsidiaries audited consolidated financial statements prepared in accordance with IFRS as adopted by the European Union as at and for the year ended December 31, 2018 (the “**Annual 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

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Six-Month Period Ended		Three-month period ended		Notes to the Financial Statements
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
	unaudited	unaudited	Unaudited	Unaudited	
	(PLN m)	(PLN m)	(PLN m)	(PLN m)	
Operating revenue	3,444.9	3,325.4	1,759.0	1,688.1	3
Service revenue	2,590.8	2,499.4	1,322.6	1,263.5	
Sales of goods and other revenue	854.1	826.0	436.3	424.6	
Operating expenses	(2,635.3)	(2,639.4)	(1,328.9)	(1,329.8)	
Interconnection, roaming and other service costs	(878.9)	(951.2)	(442.1)	(471.4)	4
Contract costs, net	(201.7)	(216.4)	(99.1)	(104.4)	5
Cost of goods sold	(676.6)	(665.4)	(348.8)	(346.5)	
General and administrative expenses	(440.8)	(420.2)	(217.7)	(209.7)	6
Depreciation and amortization	(437.3)	(386.3)	(221.3)	(197.8)	7
Other operating income	31.4	58.0	19.1	40.9	8
Other operating costs	(64.6)	(56.5)	(30.6)	(33.5)	8
Operating profit	776.3	687.4	418.6	365.7	
Finance income	1.8	1.6	2.1	0.3	9
Finance costs	(168.1)	(195.6)	(85.2)	(99.2)	9
Profit before income tax	610.0	493.3	335.5	266.8	
Income tax charge	(142.6)	(140.7)	(81.7)	(67.1)	10
Net profit	467.4	352.6	253.8	199.7	
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	3.6	(7.8)	2.4	2.3	25
Total comprehensive income	471.0	344.8	256.1	202.0	
Earnings per share (in PLN) (basic)	1.84	1.39	1.00	0.79	11
Earnings per share (in PLN) (diluted)	1.83	1.39	0.99	0.79	11
Weighted average number of shares (in millions) (basic)	253.9	253.9	253.9	253.9	11
Weighted average number of shares (in millions) (diluted)	255.5	253.9	255.5	253.9	11

Interim Condensed Consolidated Statement of Cash Flows

	Six-Month Period Ended		Three-month period ended		Notes to the Financial Statements
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
	unaudited	unaudited	Unaudited	Unaudited	
	(PLN m)	(PLN m)	(PLN m)	(PLN m)	
Profit before income tax	610.0	493.3	335.5	266.8	
Depreciation and amortization	437.3	386.3	221.3	197.8	
Change in contract costs	13.4	6.1	10.0	(7.9)	
Interest expense (net)	167.9	185.4	85.2	91.6	
Loss on finance instruments at fair value	-	0.2	-	-	
Foreign exchange (gains)/losses	(1.5)	8.1	(2.0)	7.0	
(Gain)/Loss on disposal of non-current assets and termination of lease contracts	(1.7)	(6.9)	0.4	(4.0)	
Impairment of non-current assets	0.7	0.6	0.3	(0.1)	
Change in provisions and liabilities or equity related to incentive and retention programs	7.5	(7.5)	4.9	(9.3)	
Changes in working capital and other	10.5	44.5	8.4	105.9	31
Change in contract assets	(65.7)	(67.0)	(50.4)	(41.9)	31
Change in contract liabilities	(5.6)	(8.3)	(9.9)	(12.7)	31
Cash provided by operating activities	1,172.9	1,034.6	603.5	593.1	
Interest received	0.3	1.4	-	0.1	
Income tax paid	(156.9)	(67.5)	(120.6)	(37.9)	
Net cash provided by operating activities	1,016.3	968.5	482.9	555.3	
Proceeds from sale of non-current assets	3.1	4.8	1.5	0.4	
Purchase of fixed assets and intangibles and prepayments for assets under construction (excluding frequency reservation acquisition)	(438.1)	(312.6)	(198.6)	(126.9)	
Purchase of frequency reservation acquisition	-	(8.5)	-	(7.0)	
Net cash used in investing activities	(435.0)	(316.3)	(197.2)	(133.5)	
Dividends (paid)	(368.3)	(652.5)	(368.3)	(652.5)	
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(439.5)	(449.1)	(124.5)	(127.8)	32
Net cash used in financing activities	(807.8)	(1,101.6)	(492.8)	(780.3)	
Net change in cash and cash equivalents	(226.5)	(449.4)	(207.0)	(358.5)	
Effect of exchange rate change on cash and cash equivalents	(0.1)	0.8	(0.1)	0.5	
Cash and cash equivalents at the beginning of the period	353.6	628.5	334.2	537.9	
Cash and cash equivalents at the end of the period	127.0	180.0	127.0	180.0	-

Interim Condensed Consolidated Statement of Financial Position

	June 30, 2019	December 31, 2018	
	unaudited		Notes to the
	(PLN m)	(PLN m)	Financial
			Statements
ASSETS			
Non-current assets			
Intangible assets	2,381.4	2,513.4	12
Property, plant and equipment	1,745.3	1,511.1	13
Right-of-use assets	873.3	868.1	14
Assets under construction	393.4	438.3	15
Contract costs	359.2	372.7	16
Other long-term receivables	14.7	14.4	17
Total non-current assets	5,767.4	5,718.0	
Current assets			
Inventories	251.0	169.5	18
Trade and other receivables	844.0	863.9	19
Contract assets	1,458.3	1,392.6	20
Current income tax receivables	0.1	0.7	
Prepaid expenses	22.0	22.2	21
Cash and cash equivalents	127.0	353.7	22
Total current assets	2,702.4	2,802.5	
TOTAL ASSETS	8,469.8	8,520.5	
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	0.1	0.1	23
Share premium	3,673.4	3,673.4	
Other reserves	38.4	29.5	
Retained losses	(3,804.3)	(3,903.5)	
Total equity	(92.4)	(200.5)	
Non-current liabilities			
Long-term finance liabilities - debt	6,308.3	6,250.6	24
Other long-term finance liabilities	-	3.9	25
Long-term provisions	54.3	49.1	26
Deferred tax liability	143.3	130.5	10
Other non-current liabilities	10.3	9.8	
Total non-current liabilities	6,516.2	6,443.7	
Current liabilities			
Short-term finance liabilities - debt	522.4	755.8	24
Other short-term finance liabilities	8.9	8.7	25
Trade and other payables	1,044.0	1,027.8	28
Contract liabilities	87.5	93.1	
Current income tax payable	65.3	93.1	
Accruals	51.7	55.6	29
Short-term provisions	7.2	3.4	26
Deferred income	258.9	239.8	30
Total current liabilities	2,046.0	2,277.4	
TOTAL LIABILITIES AND EQUITY	8,469.8	8,520.5	

2. DIRECTORS' REPORT

Group performance

Operating revenue increased by PLN 119.5 million, or 3.6% from PLN 3,325.4 million for the six-month period ended June 30, 2018, to PLN 3,444.9 million for the six-month period ended June 30, 2019. This increase resulted primarily from growth in retail contract usage revenue.

Operating expenses decreased by PLN 4.1 million, or 0.2%, from PLN 2,639.4 million for the six-month period ended June 30, 2018, to PLN 2,635.3 million for the six-month period ended June 30, 2019. This change resulted primarily from a decrease in interconnection, roaming and other services costs and contract costs.

Our operating profit amounted to PLN 776.3 million, at a margin of 22.5%, compared to PLN 687.4 million for the six-month period ended June 30, 2018.

Net financial expenses amounted to PLN 166.3 million for the six-month period ended June 30, 2019 and have decreased by PLN 27.7 million compared to PLN 194.0 million for the six-month period ended June 30, 2018 mainly due to lower nominal value of the SFA following the scheduled and voluntary repayments.

Profit before income tax amounted to PLN 610.0 million, compared to PLN 493.3 million for the six-month period ended June 30, 2018, and included the effect of the decrease in operating expenses and finance costs.

The Group tax charge amounted to PLN 142.6 million leaving a net profit for the six-month period ended June 30, 2019 of PLN 467.4 million, up by 32.6% YoY as compared to PLN 352.6 million for the six-month period ended June 30, 2018.

As a result, EPS for the six-month period ended June 30, 2019 reached PLN 1.84, compared to PLN 1.39 for the six-month period ended June 30, 2018.

Share capital

The Company's share capital amounted to EUR 30,469 at June 30, 2019, comprising 253,912,894 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 June 30, 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 June 30, 2019, based on the CSO's most recent analysis regarding SIM cards in the Polish market, together held over 98% of reported subscriber market share in the Polish market.

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

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

Internal controls and risk management over the preparation of the consolidated financial statements are set out in sections 10 and 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 the fight against 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 2019 is described in Part II section 4 of this Report.

Subsequent events

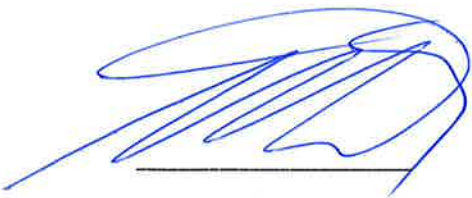
On July 23, 2019 the tax authorities issued a decision determining tax liability of P4 with regard to corporate income tax for the year 2013.

On August 8, 2019 in relation to incentive and retention programs (VDP 4, VDP 4 bis, PIP and PIP 2), the Company's share capital was increased.

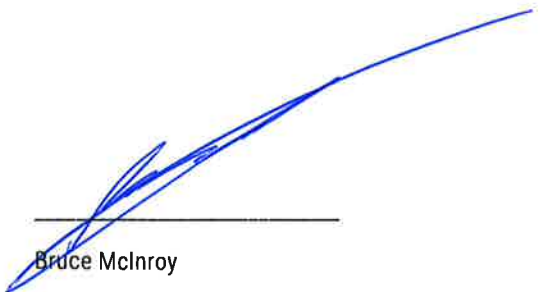
On August 19, 2019 we completed our acquisition of 3S and its subsidiaries ("3S Group").

For more information about the above events please refer to section 37 of the attached Financial Statements.

Luxembourg, August 26, 2019



Vasileios Billis
Director



Bruce McInroy
Director

3. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2019

The following discussion and analysis of our financial condition and results of operations are based on the interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows as of and for the six-month period ended June 30, 2019, and June 30, 2018, which have been derived from the Financial Statements, which are reproduced elsewhere in this Report. See "Presentation of Financial Information" in this Report. This section should be read in conjunction with the above mentioned interim condensed consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the interim condensed consolidated financial statements is set forth in the Financial Statements – please see Note 2.7 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 15.0+ million subscribers as of June 30, 2019 with which we reconfirmed our #1 position among mobile operators in Poland. In Q2 2019, we have added 24 thousands of contract subscribers. We have been equally effective in delivering a high level of customer service to our subscribers, managing to achieve a monthly average contract churn rate of just 0.7% for the six-month period ended June 30, 2019. During the six-month period ended June 30, 2019, we generated total revenues of PLN 3,444.9 million and an increase of 3.6% year on year with strong contribution from growth in usage revenue, while our Adjusted EBITDA for the six-month period ended June 30, 2019, amounted to PLN 1,220.7, an increase of 14.2% 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.

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) as well as VoD offerings. Mobile TV service was launched in 2016 with its basic version included in mobile subscription. In 2018 we have developed and started tests of TV Box service, which is network agnostic DTH, online TV streaming and VoD offer for use with big screen. Our principal focus is at contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of June 30, 2019, contract subscribers accounted for 66.2% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 79.4% of our usage revenues for the six-month period ended June 30, 2019. In the six-month period ended June 30, 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 we have introduced new offer "Homebox" which combines regular mobile plan with Wireless to the Home (WTTH) service.

We employ one brand and communications platform across all of our offerings, "PLAY," which is well recognized in the Polish market with broad appeal and according to research by Smartscope in the first half of 2019, we likely had the highest net

promoter score (a ratio measuring the willingness of subscribers to recommend their current provider) of the four major Polish MNOs. According to research performed by an external agency in the first half of 2019, the net promoter score for "PLAY" was 19¹. The net promoter score improved in the first half of 2019 versus comparable period of 2018 (when it was 17).

We market our offerings and services primarily through our nationwide distribution network of 784 "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 98.8% of the Polish population as of June 30, 2019, and we extend our available network to 99% of the population through 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 as of June 30, 2019, we provided 4G LTE and 4G LTE Ultra coverage, to 98.1% and 88.6% of the Polish population, respectively (compared to 94.6% and 83.0% as of June 30, 2018). Population coverage of 5G Ready network reached 13.4% as of June 30, 2019.

5G Ready network uses 5G technologies:

- 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.

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.

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

¹ Calculated as average for months January – June 2019

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 recent 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). In September 2017, with reference to the Roam Like At Home regulation, we applied for the sustainability. On January 15, 2018 we received positive decision from UKE. Based on this decision, PLAY modified the functioning of Roam Like At Home offers for new post-paid, pre-paid and retained customers. Current customers of PLAY post-paid offers use roaming on the existing RLAH terms.

As part of new offers, post-paid customers receive a free monthly GB packages (size depending on type of contract) for use in EU roaming. In addition, they are able to use calls and text messages as domestically. During weekend trips, winter or summer holidays, customers do not feel the difference compared to the current terms and conditions. The surcharges apply only after a period of 30 days during which the use of roaming services exceeds domestic use. If a customer does not use roaming within the next 30 days, the balance is reset and no additional charges are levied during the next trip. The changes were effective since January 26, 2018.

As a result of consultations with UKE, the surcharges have been set at following levels:

- PLN 0.06 per minute of outgoing call
- PLN 0.03 per minute of incoming call
- PLN 0.01 for an SMS or MMS sent
- PLN 0.012327 per MB of data transmission

The surcharges also apply to customers of pre-paid offerings and were introduced as of March 1, 2018. The customers of the Family in Play na Kartę and Solo S offers receive a free roaming package every month, containing 100 minutes for calls, 50 SMS and 500 MB of data. After using the package, the surcharges apply.

Remaining pre-paid customers use roaming with the above surcharges. In pre-paid, we have a large group of customers using the EU roaming intensively, the introduction of small surcharges will allow to maintain the national offer at the current price level.

As a result of application to UKE for further sustainability surcharges in 2019, the surcharges have been set at following levels, commercially effective as of January 1, 2019:

- PLN 0.06 per minute of outgoing call,
- PLN 0.03 per minute of incoming call,
- PLN 0.01 for a SMS sent,
- PLN 0.007 for MMS sent,
- PLN 0.00732 per MB of data transmission.

Moreover, article 50 of the Regulation 2018/19711, which amends Regulation 2015/2120 of the European Parliament and of the Council of 25 November 2015 have set the limit for intra-EU communication in respect of B2C tariffs. From 15 May 2019, any retail price (excluding VAT) charged to consumers for regulated intra-EU communications shall not exceed EUR 0,19 per minute for calls and EUR 0,06 per SMS message. PLAY implemented former mentioned intra-EU communications price caps in all B2C tariffs and complies with all the regulatory obligations in this regard.

Impact of foreign exchange rate movements

We make significant purchases and incur expenses (including 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:

	<u>Six-month period ended June 30, 2019</u>	<u>Six-month period ended June 30, 2018</u>
Foreign exchange rates		
Zloty per euro (EOP) ⁽¹⁾	4.2520	4.3616
Zloty per euro (average in period) ⁽²⁾	4.2934	4.2213

(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 land on which our telecommunications network is installed;
- office lease agreements and certain stores lease agreements.

For more details please refer to Note 2.27.1 to the Annual Financial Statements.

Competition

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with Play, as of June 30, 2019, held above 98% of the reported subscriber market share. As of June 30, 2019 our total number of reported mobile subscribers amounted to 15.0 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 mobile broadband, introduction and development of 5G Ready network and the active management of our subscriber acquisition, maintenance and retention costs, including subsidies and commissions. However, we may be forced to lower our prices for certain offerings and services in response to competitors' pricing policies, which may have an adverse effect on our future revenues and profitability.

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

Polish telecommunications market. The four major MNOs (Play, Orange, Plus, T-Mobile) represented above 98% of the market share of subscribers as of June 30, 2019, while MVNOs and other operators represented together between 1% - 2%. 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. As a result, since 2017 we have additional costs driven by continued national roaming agreements and incremental costs of own network maintenance and operation.

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 98.8% of the Polish population as of June 30, 2019, while we also provide 2G/3G/4G LTE coverage under national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile which extends our available network to 99% of the population and provides our subscribers with unmatched network coverage with access to all four major mobile networks in Poland. This allows us to use three back-up networks available while we are expanding our own network. In Q2'19 we continued our nationwide network rollout, putting on air 258 sites over last three months and achieving in total 7,382 sites. In addition we upgrade our network to 5G Ready standard and as of June 30, 2019, 23.1% of our sites were 5G Ready, representing 13.4% population coverage with this technology.

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

In Q2'18, the Group was granted a reservation of the 3700 MHz frequency for the period from July 1, 2018 to December 31, 2020 for the total price of PLN 8.5 million. Spectrum 3700 MHz will be used in the order to: (i) maximize available volume and utility for mobile broadband using 4G technology; and to (ii) maximize the future spectrum capacity for 5G technology. Additionally, any re-farming for these bands should ensure protection for the existing frequency portfolio.

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 expire on December 29, 2019, which cost the Group PLN 81 million.

In May 2019 the President of UKE commenced proceedings aimed to decline the prolongation of 3700 MHz frequency reservations, which the Group acquired in 2017. The proceedings are a part of the President of UKE's plan to reform the 3400-

3800 MHz spectrum in order to introduce the 5G technology.

We believe our current spectrum position is on a par with our competitors and have no renewals until the end of 2019.

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, as well as separately TV Box services (mobile TV is not reported separately as being sold in mobile bundle):

	As of		Change
	June 30, 2019	June 30, 2018	
Reported subscribers (thousands)	15,006.0	15,034.6	(0.2%)
Contract	9,941.7	9,710.7	2.4%
Prepaid	5,064.3	5,323.9	(4.9%)
Reported TV Box services (thousands)	17.6	-	n.a.
Active subscribers (thousands)	12,716.8	12,467.2	2.0%
Contract	9,102.1	8,837.8	3.0%
Prepaid	3,614.7	3,629.4	(0.4%)
Active TV Box services (thousands)	17.6	-	n.a.

As of June 30, 2019, the total number of our reported subscriber base was approximately 15.0 million, of which 66.2% 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 9.7 million as of June 30, 2018, to 9.9 million as of June 30, 2019. This increased the share of contract subscribers as a proportion of our total reported subscriber base from 64.6% as of June 30, 2018, to 66.2% as of June 30, 2019.

As of June 30, 2019, the total number of our active subscriber base was approximately 12.7 million, of which 71.6% were contract subscribers. The number of active contract subscribers increased from 8.8 million as of June 30, 2018 to 9.1 million as of June 30, 2019. This change is in line with our strategy to increase the number of contract subscribers, who generate higher ARPU on average compared to prepaid subscribers and provide greater revenue security through fixed-term contracts.

Our prepaid reported base decreased by 4.9% YoY basis, from 5.3 million as of June 30, 2018, to 5.1 million as of June 30, 2019. The prepaid active base trend was also slightly negative, it dropped from 3.63 million as of June 30, 2018 to 3.61 million as of June 30, 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 six months ended June 30, 2019, contract net additions were 76 thousand, representing a decrease of 73.1% relative to the comparable period in 2018.

In the six months ended June 30, 2019, we continued adding new subscribers. We believe that 76 thousand PLN of contract net additions was 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, since the Act on Anti-terrorist Operations has been implemented in early 2017, we were experiencing the partial shift of net additions from prepaid to contract in 2018. Now, once majority of migration is done, for the six months ended June 30, 2019, prepaid net additions were negative 85.2 thousand versus negative 465.5 thousand in six months ended June 30, 2018.

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

	Six-month period ended			Three-month period ended		
	June 30, 2019	June 30, 2018	Change	June 30, 2019	June 30, 2018	Change
Net additions (thousands)	(9.6)	(185.1)	(94.8%)	(26.3)	(141.0)	(81.4%)
Contract	75.5	280.3	(73.1%)	24.5	120.8	(79.8%)
Prepaid	(85.2)	(465.5)	(81.7%)	(50.7)	(261.8)	(80.6%)
Net additions in TV Box services (thousands)	17.6	0.0	n.a.	10.6	-	n.a.
Churn (%)⁽¹⁾	1.8%	2.3%	(0.5) pp	1.8%	2.4%	(0.6) pp
Contract	0.7%	0.8%	0.0 pp	0.7%	0.8%	0.0 pp
Prepaid	3.8%	4.8%	(1.0) pp	3.8%	5.2%	(1.4) pp

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

Average monthly contract churn rate has improved slightly to the level of 0.7% in the six-month period ended June 30, 2019 versus 0.8% in the comparable period ended June 30, 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 six-month period ended June 30, 2019, our ARPU was PLN 32.4, up by 0.7% stable to the comparable period in 2018. Contract ARPU for the six-month period ended June 30, 2019, amounted to PLN 37.4, a decrease of 0.3% compared to the same period in 2018, while prepaid ARPU for the six-month period ended June 30, 2019, amounted to PLN 19.5, an increase of 2.0% compared to the same period in 2018. Growth in prepaid ARPU resulted mainly from increase in voice and data usage. The slight decrease of contract ARPU was predominantly an effect of growing number of customers using family, duo and generations offers which were introduced in Q2 2014, Q2 2016 and Q3 2018 respectively. Thanks to selling these packages the number of subscribers increased, however, these tariffs were sold with a discount for bundling.

The following table presents ARPU during the periods under review:

	Six-month period ended			Three-month period ended		
	June 30, 2019	June 30, 2018	Change	June 30, 2019	June 30, 2018	Change
ARPU (PLN)⁽¹⁾	32.4	32.1	0.7%	32.9	32.4	1.4%
Contract	37.4	37.6	(0.3%)	37.8	37.7	0.3%
Prepaid	19.5	19.1	2.0%	20.5	19.8	3.5%

(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.

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

Data traffic

Overall data usage per subscriber increased from 5,094.3 MB monthly in the six-month period ended June 30, 2018, to 6,574.1 MB in the six-month period ended June 30, 2019, representing a growth of 29.0%. 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:

	Six-month period ended			Three-month period ended		
	June 30, 2019	June 30, 2018	Change	June 30, 2019	June 30, 2018	Change
Data usage per subscriber (MB)⁽¹⁾	6,574.1	5,094.3	29.0%	6,740.4	5,128.9	31.4%
Contract	7,506.7	6,110.3	22.9%	7,661.0	6,097.9	25.6%
Prepaid	3,593.5	2,672.5	34.5%	3,774.4	2,786.4	35.5%

(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 six-month period ended June 30, 2019, our unit contract SAC cash amounted to PLN 347.8, a decrease of 7.7% compared to the six-month period ended June 30, 2018. In the six-month period ended June 30, 2019, our unit prepaid SAC cash amounted to PLN 6.2, which represents 10.3% decrease versus comparable period in 2018.

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

	Six-month period ended			Three-month period ended		
	June 30, 2019	June 30, 2018	Change	June 30, 2019	June 30, 2018	Change
unit SAC cash (PLN)						
Contract	347.8	376.7	(7.7%)	359.6	413.4	(13.0%)
Prepaid	6.2	6.9	(10.3%)	6.2	6.8	(8.6%)
unit SRC cash (PLN)	361.5	328.0	10.2%	391.6	349.7	12.0%
unit SAC (PLN)						
Contract	329.3	359.6	(8.4%)	346.0	397.1	(12.9%)
Prepaid	6.2	6.9	(10.3%)	6.2	6.8	(8.6%)
unit SRC (PLN)	358.9	325.3	10.3%	389.1	347.0	12.1%

Results of Operations: Comparison of the three- and six-month period ended June 30, 2019 and the three- and six-month period ended June 30, 2018.

	Six-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	June 30, 2019	June 30, 2018			June 30, 2019	June 30, 2018		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Operating revenue	3,444.9	3,325.4	119.5	3.6	1,759.0	1,688.1	70.9	4.2
Service revenue	2,590.8	2,499.4	91.4	3.7	1,322.6	1,263.5	59.1	4.7
Sales of goods and other revenue	854.1	826.0	28.1	3.4	436.3	424.6	11.8	2.8
Operating expenses	(2,635.3)	(2,639.4)	4.1	(0.2)	(1,328.9)	(1,329.8)	0.8	(0.1)
Interconnection, roaming and other service costs	(878.9)	(951.2)	72.2	(7.6)	(442.1)	(471.4)	29.3	(6.2)
Other service costs	(122.4)	(144.8)	22.4	(15.5)	(60.5)	(61.9)	1.4	(2.3)
Contract costs, net	(201.7)	(216.4)	14.6	(6.8)	(99.1)	(104.4)	5.3	(5.1)
Cost of goods sold	(676.6)	(665.4)	(11.2)	1.7	(348.8)	(346.5)	(2.4)	0.7
General and administrative expenses	(440.8)	(420.2)	(20.6)	4.9	(217.7)	(209.7)	(7.9)	3.8
Depreciation and amortization	(437.3)	(386.3)	(50.9)	13.2	(221.3)	(197.8)	(23.5)	11.9
Other operating income	31.4	58.0	(26.6)	(45.9)	19.1	40.9	(21.7)	(53.2)
Other operating costs	(64.6)	(56.5)	(8.1)	14.3	(30.6)	(33.5)	2.9	(8.7)
Operating profit	776.3	687.4	88.9	12.9	418.6	365.7	52.9	14.5
Finance income	1.8	1.6	0.2	15.6	2.1	0.3	1.7	533.9
Finance costs	(168.1)	(195.6)	27.5	(14.1)	(85.2)	(99.2)	14.1	(14.2)
Profit before income tax	610.0	493.3	116.7	23.6	335.5	266.8	68.8	25.8
Income tax charge	(142.6)	(140.7)	(1.9)	1.3	(81.7)	(67.1)	(14.7)	21.9
Net profit	467.4	352.6	114.8	32.6	253.8	199.7	54.1	27.1
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	3.6	(7.8)	11.4	(145.9)	2.4	2.3	0.1	4.6
Total comprehensive income	471.0	344.8	126.2	36.6	256.1	202.0	54.2	26.8

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.

	Six-month period ended				Three-month period ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Unaudited (PLN m)	Unaudited (PLN m)	Change PLN m	Change %	Unaudited (PLN m)	Unaudited (PLN m)	Change PLN m	Change %
Service revenue	2,590.8	2,499.4	91.4	3.7	1,322.6	1,263.5	59.1	4.7
Usage revenue	1,937.9	1,848.6	89.3	4.8	989.8	933.3	56.5	6.1
Retail contract revenue	1,525.1	1,457.7	67.4	4.6	771.0	732.9	38.1	5.2
Retail prepaid revenue	317.4	306.7	10.8	3.5	166.9	158.5	8.4	5.3
Other usage revenue	95.3	84.2	11.1	13.2	51.9	41.9	10.0	23.8
Interconnection revenue	652.9	650.8	2.1	0.3	332.8	330.2	2.6	0.8
Sales of goods and other revenue	854.1	826.0	28.1	3.4	436.3	424.6	11.8	2.8
Operating revenue	3,444.9	3,325.4	119.5	3.6	1,759.0	1,688.1	70.9	4.2

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 growth in the reported contract subscriber base of 0.2 million, or 2.4%, from June 30, 2018, to June 30, 2019, due to the continued success of our subscriber acquisition and retention strategy and constant migration of customers from prepaid to contract offers.

The increase in revenue from prepaid usage was primarily due to increase in ARPU, partly offset by decrease in the reported prepaid subscriber base of 0.3 million, or 4.9%, from June 30, 2018, to June 30, 2019, due to constant migration of customers from prepaid to contract offers.

The increase in other usage revenue in the six-month period ended June 30, 2019 resulted mainly from the increase in revenue from the agreements with *MVNO* and 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 increased in the six-month period ended June 30, 2019 mainly due to the higher sales of devices without contract, incl. wholesale transactions.

Operating expenses

Interconnection, roaming and other services costs

	Six-month period ended				Three-month period ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Unaudited	Unaudited	Change PLN m	Change %	Unaudited	Unaudited	Change PLN m	Change %
(PLN m)	(PLN m)	(PLN m)			(PLN m)			
Interconnection costs	(667.4)	(674.0)	6.6	(1.0)	(337.0)	(341.3)	4.3	(1.2)
National roaming/network sharing	(89.1)	(132.3)	43.3	(32.7)	(44.6)	(68.1)	23.6	(34.6)
Other service costs	(122.4)	(144.8)	22.4	(15.5)	(60.5)	(61.9)	1.4	(2.3)
Interconnection, roaming and other service costs	(878.9)	(951.2)	72.2	(7.6)	(442.1)	(471.4)	29.3	(6.2)

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

Other service costs are mainly impacted by new international roaming regulations (RLAH) introduced since June 15, 2017 (see section 6 of the Annual Report). The decrease of international roaming costs in the six-month period ended June 30, 2019 in comparison to the six-month period ended June 30, 2018, was primarily caused by continuous application of sustainability measures as a response to RLAH and better pricing from roaming partners.

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.

Contract costs, net

	Six-month period ended				Three-month period ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Unaudited	Unaudited	Change PLN m	Change %	Unaudited	Unaudited	Change PLN m	Change %
(PLN m)	(PLN m)	(PLN m)			(PLN m)			
Contract costs incurred	(188.3)	(210.3)	21.9	(10.4)	(89.1)	(112.3)	23.1	(20.6)
Contract costs capitalized	176.9	193.5	(16.6)	(8.6)	84.3	105.5	(21.2)	(20.1)
Amortization and impairment of contract costs	(190.4)	(199.6)	9.3	(4.7)	(94.2)	(97.6)	3.4	(3.5)
Amortization of contract costs	(183.1)	(192.6)	9.5	(4.9)	(90.8)	(93.9)	3.1	(3.3)
Impairment of contract costs	(7.3)	(7.1)	(0.2)	2.5	(3.4)	(3.7)	0.3	(7.3)
Contract costs, net	(201.7)	(216.4)	14.6	(6.8)	(99.1)	(104.4)	5.3	(5.1)

Contract costs remained stable in the period under review.

Cost of goods sold

	Six-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	June 30, 2019	June 30, 2018			June 30, 2019	June 30, 2018		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Cost of goods sold	(676.6)	(665.4)	(11.2)	1.7	(348.8)	(346.5)	(2.4)	0.7

In the six-month period ended June 30, 2019 cost of goods sold increased in comparison to the six-month period ended June 30, 2018 following with the increase of sales of goods.

General and administrative expenses

	Six-month period ended				Three-month period ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Unaudited (PLN m)	Unaudited (PLN m)	Change PLN m	Change %	Unaudited (PLN m)	Unaudited (PLN m)	Change PLN m	Change %
Salaries and social security	(133.8)	(120.7)	(13.0)	10.8	(67.8)	(59.2)	(8.6)	14.5
Special bonuses, incentive and retention programs	(5.3)	(5.1)	(0.2)	4.3	(2.7)	0.9	(3.6)	(392.1)
Employee benefits	(139.1)	(125.8)	(13.2)	10.5	(70.4)	(58.3)	(12.2)	20.9
Network maintenance, leased lines and energy	(80.9)	(66.8)	(14.1)	21.2	(40.1)	(32.7)	(7.4)	22.5
Advertising and promotion expenses	(78.9)	(86.5)	7.5	(8.7)	(34.5)	(50.3)	15.9	(31.6)
Customer relations costs	(29.3)	(30.0)	0.6	(2.1)	(14.9)	(14.6)	(0.2)	1.6
Office and points of sale maintenance	(9.8)	(7.3)	(2.4)	33.1	(4.7)	(3.3)	(1.4)	41.9
IT expenses	(19.6)	(14.9)	(4.7)	31.5	(9.8)	(7.0)	(2.8)	39.2
People related costs	(7.6)	(9.6)	2.0	(20.8)	(4.2)	(5.0)	0.7	(15.0)
Finance and legal services	(6.5)	(7.9)	1.4	(17.5)	(3.7)	(5.0)	1.3	(26.4)
Management fees	-	(0.1)	0.1	(100.0)	-	-	-	-
Other external services	(26.2)	(30.6)	4.4	(14.4)	(14.7)	(14.8)	0.1	(0.6)
External services	(258.9)	(253.7)	(5.2)	2.1	(126.5)	(132.8)	6.3	(4.8)
Taxes and fees	(42.9)	(40.7)	(2.2)	5.4	(20.7)	(18.7)	(2.1)	11.0
General and administrative expenses	(440.8)	(420.2)	(20.6)	4.9	(217.7)	(209.7)	(7.9)	3.8

Employee benefits

The cost of salaries and social security increased in the six-month period ended June 30, 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 the increased number of sites to be maintained due to intensive rollout of Play's network and to growing energy prices.

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

	Six-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	June 30, 2019	June 30, 2018			June 30, 2019	June 30, 2018		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Other operating income	31.4	58.0	(26.6)	(45.9)	19.1	40.9	(21.7)	(53.2)
Other operating costs	(64.6)	(56.5)	(8.1)	14.3	(30.6)	(33.5)	2.9	(8.7)

Other operating income in the six-month period ended June 30, 2018 compared to the six-month period ended June 30, 2019 was higher mainly due to the penalty interest received due to favorable court ruling in relation to disputed interconnection receivables from the years 2011-2013.

Other operating costs increased mainly due to the loss on receivables management in the six-month period ended June 30, 2019 compared to gain in the six-month period ended June 30, 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 loss on receivables management in the six-month period ended June 30, 2019 in comparison to gain on receivables management in the six-month period ended June 30, 2018.

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

Finance Income and Costs

	Six-month period ended				Three-month period ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Unaudited	Unaudited	Change	Change	Unaudited	Unaudited	Change	Change
	(PLN m)	(PLN m)	PLN m	%	(PLN m)	(PLN m)	PLN m	%
Interest income	0.2	1.2	(0.9)	(79.5)	-	0.1	(0.1)	(100.0)
Interest expense	(168.1)	(186.5)	18.4	(9.9)	(85.2)	(91.7)	6.6	(7.2)
Exchange rate gains	1.6	-	1.6	-	2.1	-	2.1	-
Exchange rate losses	-	(8.9)	8.9	(100.0)	-	(7.5)	7.5	(100.0)
Net gain on finance instruments at fair value	(0.0)	0.2	(0.2)	(102.8)	(0.0)	0.2	(0.2)	(103.5)
Finance income and costs	(166.3)	(194.0)	27.7	(14.3)	(83.1)	(98.9)	15.8	(16.0)

Interest expense

Lower interest expense in the six-month period ended June 30, 2019, compared to the six-month period ended June 30, 2018, resulted mainly from the lower nominal value of the SFA following the scheduled and voluntary repayments.

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 Santander (Bank Zachodni WBK) Overdraft Facility until May 31, 2020
- (ii) PLN 50 million available for drawing under Millennium Overdraft Facility until November 12, 2019
- (iii) PLN 50 million available for drawing under mBank Overdraft Facility until April 16, 2020
- (iv) PLN 50 million available for drawing under DNB Overdraft Facility until September 9, 2019

On February 26, 2019 the Group made voluntary prepayment of the Facility A instalment originally maturing on March 29, 2019 in the amount of PLN 173 million plus accrued interest.

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- and six-month period ended June 30, 2019 and for the three- and six-month period ended June 30, 2018.

	Six-month period ended				Three-month period ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)	Change PLN m	Change %	(PLN m)	(PLN m)	Change PLN m	Change %
Profit before income tax	610.0	493.3	116.7	23.6	335.5	266.8	68.8	25.8
Depreciation and amortization	437.3	386.3	50.9	13.2	221.3	197.8	23.5	11.9
Change in contract costs	13.4	6.1	7.3	120.0	10.0	(7.9)	17.8	(226.3)
Interest expense (net)	167.9	185.4	(17.5)	(9.4)	85.2	91.6	(6.5)	(7.0)
(Gain)/Loss on finance instruments at fair value	-	0.2	(0.2)	(100.0)	-	-	-	-
Foreign exchange (gains)/losses	(1.5)	8.1	(9.6)	(118.3)	(2.0)	7.0	(8.9)	(128.7)
(Gain)/Loss on disposal of non-current assets and termination of lease contracts	(1.7)	(6.9)	5.2	(75.6)	0.4	(4.0)	4.4	(108.9)
Impairment of non-current assets	0.7	0.6	0.2	26.2	0.3	(0.1)	0.4	(272.8)
Change in provisions and liabilities or equity related to incentive and retention programs	7.5	(7.5)	15.0	(200.0)	4.9	(9.3)	14.1	(152.5)
Changes in working capital and other	10.5	44.5	(33.9)	(76.3)	8.4	105.9	(97.4)	(92.1)
Change in contract assets	(65.7)	(67.0)	1.4	(2.1)	(50.4)	(41.9)	(8.6)	20.4
Change in contract liabilities	(5.6)	(8.3)	2.7	(32.4)	(9.9)	(12.7)	2.8	(22.2)
Cash provided by operating activities	1,172.9	1,034.6	138.3	13.4	603.5	593.1	10.4	1.8
Interest received	0.3	1.4	(1.1)	(75.9)	-	0.1	(0.1)	(100.0)
Income tax paid	(156.9)	(67.5)	(89.4)	132.3	(120.6)	(37.9)	(82.7)	218.1
Net cash provided by operating activities	1,016.3	968.5	47.8	4.9	482.9	555.3	(72.4)	(13.0)
Proceeds from sale of non-current assets	3.1	4.8	(1.7)	(35.2)	1.5	0.4	1.1	255.3
Purchase of fixed assets and intangibles and prepayments for assets under construction (excluding frequency reservation acquisition)	(438.1)	(312.6)	(125.5)	40.2	(198.6)	(126.9)	(71.8)	56.6
Purchase of frequency reservation acquisition	-	(8.5)	8.5	(100.0)	-	(7.0)	7.0	(100.0)
Net cash used in investing activities	(435.0)	(316.3)	(118.7)	37.5	(197.2)	(133.5)	(63.7)	47.7
Dividends (paid)	(368.3)	(652.5)	284.2	(43.6)	(368.3)	(652.5)	284.2	(43.6)
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(439.5)	(449.1)	9.6	(2.1)	(124.5)	(127.8)	3.3	(2.6)
Net cash used in financing activities	(807.8)	(1,101.6)	293.8	(26.7)	(492.8)	(780.3)	287.5	(36.8)
Net change in cash and cash equivalents	(226.5)	(449.4)	222.9	(49.6)	(207.0)	(358.5)	151.4	(42.2)
Effect of exchange rate change on cash and cash equivalents	(0.1)	0.8	(0.9)	(112.2)	(0.1)	0.5	(0.6)	(115.1)
Cash and cash equivalents at the beginning of the period	353.6	628.5	(274.9)	(43.7)	334.2	537.9	(203.7)	(37.9)
Cash and cash equivalents at the end of the period	127.0	180.0	(52.9)	(29.4)	127.0	180.0	(52.9)	(29.4)

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 in the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018.

The increase of income tax paid for the six-month period ended June 30, 2019 in comparison to the six-month period ended June 30, 2018, resulted from higher taxable profit for fiscal year 2018 which was paid by P4 Sp. z o.o. on April 1, 2019 in accordance with the fiscal deadlines. The total income taxes to be paid in 2019 are expected to be higher compared to 2018.

Net cash provided by or used in investing activities

The change in the level of cash flows used in investing activities resulted mainly from payments related to the intensified network rollout.

Net cash used in financing activities

Net cash used in financing activities decreased. This resulted mainly from lower dividend payout and partially from the fact that SFA agreement was amended on January 8, 2019 and the amendment has changed the repayment schedule, leading to lower regular cash outflows in 2019 which were partially offset by a voluntary prepayment as described above.

Other Operating and Financial Information

	Six-Month Period Ended		Three-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	unaudited	unaudited	Unaudited	Unaudited
	(PLN m, except %)	(PLN m, except %)	(PLN m, except %)	(PLN m, except %)
Adjusted EBITDA ⁽¹⁾	1,220.7	1,068.5	644.3	550.1
Adjusted EBITDA margin ⁽¹⁾	35.4%	32.1%	36.6%	32.6%
Total cash capital expenditures ⁽²⁾	435.0	316.3	197.2	133.5
of which cash outflows in relation to frequency reservation acquisition	-	8.5	-	7.0
Adjusted EBITDA less total cash capital expenditures (excl. cash outflows in relation to frequency reservation acquisition)	785.7	760.7	447.1	423.7
Free cash flow to equity (post lease payments) ⁽¹⁾⁽³⁾	350.2	422.3	169.7	305.3

(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 six-month period ended June 30, 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:

	Six-Month Period Ended		Three-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	unaudited	unaudited	Unaudited	Unaudited
	(PLN m)	(PLN m)	(PLN m)	(PLN m)
Operating profit	776.3	687.4	418.6	365.7
Add depreciation and amortization	437.3	386.3	221.3	197.8
EBITDA	1,213.6	1,073.7	639.9	563.5
Add management fees	-	0.1	-	-
Add valuation of incentive and retention programs and special bonuses ^(a)	5.3	5.1	2.7	(0.9)
Add other non-recurring costs/(income) ^(b)	1.8	(10.4)	1.7	(12.4)
Adjusted EBITDA	1,220.7	1,068.5	644.3	550.1

(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 27 of the Interim Condensed Financial Statements included elsewhere in this Report as well as Note 29 of the Annual Financial Statements.

(b) Other non-recurring income for the six-month period ended June 30, 2019 resulted from non-recurring costs out of the scope of our usual business. Other one-off costs for the six-month period ended June 30, 2019 mainly comprised of cost of non-deductible VAT of PLN 1.3 million in connection with the SFA amendment.

Other non-recurring income for the six-month period ended June 30, 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.

	Six-Month Period Ended		Three-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	unaudited	unaudited	Unaudited	Unaudited
	(PLN m)	(PLN m)	(PLN m)	(PLN m)
Adjusted EBITDA	1,220.7	1,068.5	644.3	550.1
Total cash capital expenditures ⁽¹⁾	(435.0)	(307.8)	(197.2)	(126.5)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	(47.3)	(24.8)	(41.9)	43.4
Cash interest ⁽²⁾	(129.7)	(143.6)	(63.6)	(72.3)
Cash taxes	(156.9)	(67.5)	(120.6)	(37.9)
Free cash flow to equity (pre lease payments)	451.7	524.8	221.0	356.8
Lease payments	(101.5)	(102.5)	(51.3)	(51.5)
Free cash flow to equity (post lease payments)	350.2	422.3	169.7	305.3

(1) Cash capital expenditures excluding cash outflows in relation to frequency reservation acquisitions.

(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 lower leverage, evolving as expected towards mid-term target below 3x.

As of June 30, 2018 - unaudited	PLN m	xLTM Adjusted EBITDA ⁽¹⁾	As of December 31, 2018	PLN m	xLTM Adjusted EBITDA ⁽¹⁾
Senior Facilities ⁽²⁾	6,248.3	2.84x	Senior Facilities ⁽²⁾	6,052.1	2.80x
Other debt	45.1	0.02x	Other debt	29.6	0.01x
Cash and cash equivalents	(180.0)	(0.08)x	Cash and cash equivalents	(353.7)	(0.16)x
Total net financial debt	6,113.5	2.77x	Total net financial debt	5,728.0	2.65x
Leases	933.6	0.42x	Leases	985.2	0.46x
Total net debt	7,047.2	3.20x	Total net debt	6,713.2	3.11x

As of March 31, 2019 - unaudited	PLN m	xLTM Adjusted EBITDA ⁽¹⁾	As of June 30, 2019 - unaudited	PLN m	xLTM Adjusted EBITDA ⁽¹⁾
Senior Facilities ⁽²⁾	5,880.1	2.65x	Senior Facilities ⁽²⁾	5,880.1	2.54x
Other debt	24.6	0.01x	Other debt	31.3	0.01x
Cash and cash equivalents	(334.2)	(0.15)x	Cash and cash equivalents	(127.0)	(0.05)x
Total net financial debt	5,570.5	2.51x	Total net financial debt	5,784.4	2.50x
Leases	998.2	0.45x	Leases	992.7	0.43x
Total net debt	6,568.6	2.96x	Total net debt	6,777.0	2.93x

(1) LTM Adjusted EBITDA amounted to PLN 2,311.6 million as of June 30, 2019, PLN 2,217.4 million as of March 31, 2019, PLN 2,159.4 million as of December 31, 2018 and PLN 2,203.3 million as of June 30, 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.

4. OUTLOOK FOR THE GROUP IN 2019

For the year 2019, the Company set out the following guidance in the 2018 Annual Report published on 4 March 2019:

	FY 2019 Guidance	Comments
Revenue	Growth below 2018 result	Service revenue growth, partly offset by softer handset sales
Adjusted EBITDA	PLN 2.2-2.3bn	Driven by growing Service margin, partly offset by higher opex (network, new services)
Cash capex	Up to PLN 800m	Network capex rebalanced from radio to core, increase from digitalization and CPE capitalization
FCFE	PLN 670-750m	Impacted YoY by increased cash capex and significantly higher cash taxes
Distribution to Shareholders	40-50% of FCFE	Intention as per 2019-2022 ambition ²

Business trends in Q1 2019 indicated possibility to achieve higher end of Adjusted EBITDA guidance range. In Q2 2019 the positive trends continued therefore the Company decided to update the guidance as follows:

	FY 2019 Updated Guidance	Comments
Revenue	Growth below 2018 result	Service revenue growth, partly offset by softer handset sales
Adjusted EBITDA	PLN 2.3-2.4bn	Driven by growing Service margin, partly offset by higher opex (network, new services)
Cash capex	PLN 800-830m	Network capex rebalanced from radio to core, increase from digitalization and CPE capitalization
FCFE	PLN 770-830m	Impacted YoY by increased cash capex and significantly higher cash taxes
Distribution to Shareholders	40-50% of FCFE	Dividend guidance confirmed, based on the above FCFE

Please note that Cash capex, and consequently FCFE, do not include financial investment, i.e. acquisition of 3S Group closed on August 19th, 2019.

² Assuming that no spectrum auction takes place.



PART III

A GLOSSARY OF TECHNICAL TERMS

PLAY

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

1800 MHz.....	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 2G and 4G LTE mobile network technologies.
2100 MHz.....	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 3G mobile network technologies.
2G.....	Second generation cellular telecom networks commercially launched on the GSM standard in Europe.
3G.....	Third generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies at top speeds varying from 384 Kbps (UMTS) to 42 Mbps (HSPA+).
4G.....	Fourth generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies (these speeds exceed those available for 3G).
900 MHz	A frequency band, used particularly in Europe and Asia Pacific. In Europe, typically employed for 2G and 3G mobile network technologies.
Airtime	Time spent communicating using a handset.
All-net	Within all networks.
Bit.....	The primary unit of electronic, digital data, representing 1 binary digit (a "1" or a "0.")
Broadband (BB)	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (with capacity equal to or higher than 144 Kbps).
BTS.....	Base Transceiver Station. A radio transmitter/receiver of GSM network, provides communication between mobile and remaining part of network.
Byte	The byte is a unit of digital information in computing and telecommunications that most commonly consists of eight bits.
CAGR	Compound Annual Growth Rate. The year over year growth rate of a metric over a specified period of time.
Call termination	The handing off of a voice call from the network upon which the call was initiated to the network upon which the intended recipient is currently residing. This usually gives rise to MTRs.
CIT Act.....	The Polish Corporate Income Tax Act of February 15, 1992 (consolidated text in Dz. U. of 2011, No. 74, Item 397, as amended).
Companies Code	The Polish Companies Code of September 15, 2000 (Dz. U. of 2000, No. 94, Item 1037, as amended).
Competition Act.....	The Polish Act on the Protection of Competition and Consumers of February 16, 2007 (Dz. U. of 2007, No 50, Item 331, as amended).
coverage	We define coverage, unless otherwise indicated, as the area in which cellular radio signal is strong enough to provide normal operation of a standard user handset, modem or other device.
CSO	The Central Statistical Office of Poland (Główny Urząd Statystyczny).
Devices	Handsets, modems, routers, MCDs (Mobile Computing Devices, e.g., tablets, laptops, netbooks) and other equipment sold to subscribers.

DSL, xDSL.....	Digital Subscriber Line. Access technology that allows voice and high- speed data to be sent simultaneously over local exchange copper wires. DSL technologies are also called xDSL, where “x” is a substitute of the first letter of certain technology covered by DSL technologies, including ADSL, HDSL, SDSL, CDSL, RADSL, VDSL, IDSL or other technologies.
EDGE.....	Enhanced Data rates for GSM Evolution. Technology of data transmission for 2G network allowing for speed up to 384 Kbps (thus faster than basic GPRS and slower than 3G).
Ethernet	Standard for 10 Mbps local area networks.
Frequency	One of the parameters of radio waves, usually understood as a location on the radio frequency spectrum, the capacity of which is limited.
GB	Gigabyte. Unit of measurement of the volume of data. Equal to 1,024 MB (Megabytes) or 1,073,741,824 B (bytes).
Gb.....	Gigabit. Unit of measurement of the volume of data. Equal to 1,024 Mb (Megabits) or 1,073,741,824 b (bits).
Gbps	Gigabits per second. Measurement of the transmission speed of units of data (gigabits) over a network.
GDP	Gross Domestic Product.
GPRS	General Packet Radio Service. Packet Data transmission customarily used for 2G networks, which allows for a transmission with the speed up to 57.6 Kbps.
GSM.....	Global System for Mobile Communications. A pan-European standard for digital mobile telephony which provides a much higher capacity than traditional analog telephones as well as diversified services (e.g. voice, messaging and data) and a greater transmission security through information.
HSDPA	High-Speed Downlink Packet Access. 3G/UMTS technology enhancements, allowing for fast data transmission from network to mobile device. Supports speeds of up to 14.4 Mbps (depending on the technology used).
HSPA	High-Speed Packet Access. A mix of two mobile telephony protocols, high- speed download Packet Access (HSDPA) and High-Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.
HSPA+	Evolved High-Speed Packet Access. A set of 3G/UMTS technology enhancements allowing for very fast data transmission between network and mobile device. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.
Interconnection	Point of interconnection between two telecommunication operators. Consists of equipment, including links, and a mutually compatible configuration.
IP.....	Internet Protocol.
IT.	Information Technology.
Kbps	Kilobits per second. Measurement of the transmission speed of units of data (kilobits) over a network.
LAN	Local Area Network.
LTE	Long-Term Evolution. A set of enhancements to UMTS, designed to increase the capacity and speed of mobile telephone networks according to the standard developed by 3GPP consortium. Intended as a successor of UMTS thus frequently referred to as “4G” or “4 th generation.” Some of the key assumptions of the system are: (i) data transmission at speeds faster than 3G; (ii) ready for new service types; (iii) architecture simplified with comparison to 3G; and (iv) provides open interfaces.
MB.....	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 (<i>spółka z ograniczoną odpowiedzialnością</i>).

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

FINANCIAL STATEMENTS

PLAY

RESPONSIBILITY STATEMENT

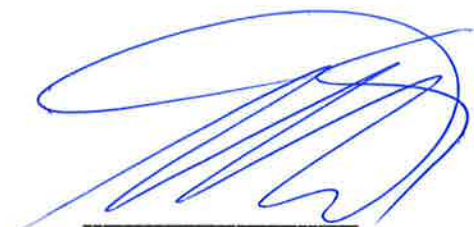
Play Communications S.A.
Société anonyme
4/6, rue du Fort Bourbon, L-1249 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 183.803
(the **Company**)

August 26, 2019

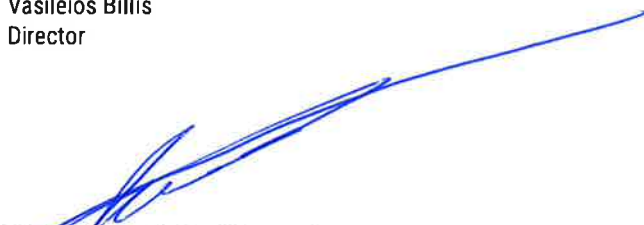
The board of directors of the Company (the **Board**) confirms that, to the best of its knowledge:

- the interim condensed consolidated financial statements of the Company and its subsidiaries prepared in accordance with IAS 34 as at and for the six-month period ended June 30, 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 six-month period ended June 30, 2019 provides a fair view of the important events of the past six-month period and their impact on the interim condensed 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



Vasileios Billis
Director



Bruce McInroy
Director

Independent Auditor's Report on review of interim condensed consolidated financial statements to the Shareholders of Play Communications S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Play Group ('the Group') for which the holding company is Play Communications S.A. as of 30 June 2019 and the related interim condensed consolidated statement of financial position as at 30 June 2019, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the six-month period then ended and other explanatory notes ('the interim condensed consolidated financial statements').

Responsibilities of the Group's Management for the financial statements

The Group's Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union ('IAS 34'). The Group's Management is also responsible for such internal control as the Management determines is necessary to enable preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2400 (Revised), 'Engagements to Review Historical Financial Statements', which requires us to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with IAS 34. This Standard also requires us to comply with relevant ethical requirements.

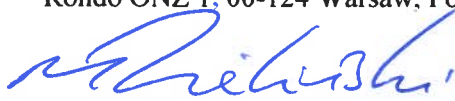
A review of the interim condensed consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement, primarily consisting of performing procedures by making inquiries of the Management and others within the Group, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less in scope than those performed in an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2019, and its financial performance and cash flows for the six-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw, Poland



Marcin Zieliński
Partner

Warsaw, 26 August 2019

Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością
spółka komandytowa
Rondo ONZ 1, 00-124 Warszawa
NIP 526-020-79-76



PLAY

**PLAY COMMUNICATIONS S.A.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH IAS 34
AS AT AND FOR THE SIX-MONTH PERIOD ENDED
30 JUNE, 2019**

Index to the interim condensed consolidated financial statements

Interim condensed consolidated statement of comprehensive income	F-4
Interim condensed consolidated statement of financial position	F-5
Interim condensed consolidated statement of changes in equity	F-6
Interim condensed consolidated statement of cash flows	F-7
Notes	F-8
1. The Company and the Play Group	F-8
2. Basis of preparation	F-9
2.1 New standards, interpretations and amendments to existing standards	F-9
2.2 Going concern	F-10
2.3 Consolidation	F-10
2.4 Foreign currency translation	F-11
2.4.1 Functional and presentation currency	F-11
2.4.2 Transactions and balances	F-11
2.5 Financial risk management	F-11
2.6 Fair value estimation	F-12
2.7 Critical accounting estimates and judgments	F-12
2.7.1 Recognition of revenue	F-12
2.7.2 Valuation of lease liabilities and right-of-use assets	F-13
2.7.3 Estimation of provision for impairment of financial assets	F-13
2.7.4 Valuation of the equity-settled incentive and retention programs	F-14
2.7.5 Valuation of the assets retirement obligation provision	F-15
2.7.6 Valuation of the option to acquire Virgin Mobile Polska sp. z o.o.	F-15
2.7.7 Deferred tax	F-15
2.7.8 Impairment of non-current assets	F-15
2.8 Segment reporting	F-16
3. Operating revenue	F-17
4. Interconnection, roaming and other service costs	F-18
5. Contract costs, net	F-18
6. General and administrative expenses	F-19
7. Depreciation and amortization	F-20
8. Other operating income and other operating costs	F-20
9. Finance income and finance costs	F-21
10. Taxation	F-22
11. Earnings per share	F-23
12. Intangible assets	F-25
13. Property, plant and equipment	F-28
14. Right-of-use assets	F-30
15. Assets under construction	F-32
16. Contract costs	F-33
17. Other long-term receivables	F-33
18. Inventories	F-33
19. Trade and other receivables	F-34
20. Contract assets	F-35
21. Prepaid expenses	F-35
22. Cash and cash equivalents	F-36
23. Shareholders' equity	F-36
24. Finance liabilities - debt	F-36
24.1 Bank loans	F-37
24.2 Lease liabilities	F-38
25. Other finance liabilities	F-38
26. Provisions	F-39
27. Incentive and retention programs	F-39
28. Trade and other payables	F-40
29. Accruals	F-40
30. Deferred income	F-40

Index to the interim condensed consolidated financial statements

- 31. 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 F-41
- 32. Cash flows relating to finance liabilities F-42
- 33. Commitments F-42
 - 33.1 2100 MHz and 900 MHz license requirements F-42
 - 33.2 1800 MHz license requirements F-42
 - 33.3 800 MHz license requirements F-42
 - 33.4 2600 MHz license requirements F-43
- 34. Contingencies and legal proceedings F-43
 - 34.1 Tax contingent liabilities F-43
 - 34.2 Legal and regulatory proceedings F-44
- 35. Related party transactions F-46
- 36. Remuneration of management and supervisory bodies F-46
- 37. Events after the reporting period F-46

Interim condensed consolidated statement of comprehensive income

	Notes	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
					-
Operating revenue	3	3,444,866	3,325,350	1,758,997	1,688,059
Service revenue		2,590,768	2,499,350	1,322,649	1,263,505
Sales of goods and other revenue		854,098	826,000	436,348	424,554
Operating expenses		(2,635,346)	(2,639,427)	(1,328,943)	(1,329,772)
Interconnection, roaming and other service costs	4	(878,913)	(951,152)	(442,113)	(471,367)
Contract costs, net	5	(201,741)	(216,368)	(99,075)	(104,382)
Cost of goods sold		(676,617)	(665,380)	(348,823)	(346,455)
General and administrative expenses	6	(440,802)	(420,187)	(217,655)	(209,749)
Depreciation and amortization	7	(437,273)	(386,340)	(221,277)	(197,819)
Other operating income	8	31,389	57,969	19,124	40,855
Other operating costs	8	(64,595)	(56,503)	(30,568)	(33,479)
<i>thereof: impairment of financial assets</i>	8	<i>(80,024)</i>	<i>(74,750)</i>	<i>(37,717)</i>	<i>(32,554)</i>
Operating profit		776,314	687,389	418,610	365,663
Finance income	9	1,826	1,580	2,073	327
Finance costs	9	(168,131)	(195,628)	(85,170)	(99,237)
Profit before income tax		610,009	493,341	335,513	266,753
Income tax charge	10	(142,593)	(140,731)	(81,741)	(67,051)
Net profit		467,416	352,610	253,772	199,702
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income		3,591	(7,829)	2,365	2,261
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	25	3,591	(7,829)	2,365	2,261
Total comprehensive income		471,007	344,781	256,137	201,963
Earnings per share (in PLN) (basic)	11	1.84	1.39	1.00	0.79
Earnings per share (in PLN) (diluted)	11	1.83	1.39	0.99	0.79
Weighted average number of shares (in thousands) (basic)	11	253,913	253,913	253,913	253,913
Weighted average number of shares (in thousands) (diluted)	11	255,491	253,913	255,501	253,913

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

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

Interim condensed consolidated statement of financial position

	Notes	June 30, 2019 Unaudited	December 31, 2018
ASSETS			
Non-current assets			
Intangible assets	12	2,381,415	2,513,429
Property, plant and equipment	13	1,745,328	1,511,091
Right-of-use assets	14	873,332	868,125
Assets under construction	15	393,383	438,342
Contract costs	16	359,227	372,653
Other long-term receivables	17	14,684	14,362
Total non-current assets		5,767,369	5,718,002
Current assets			
Inventories	18	251,025	169,494
Trade and other receivables	19	843,991	863,913
Contract assets	20	1,458,281	1,392,630
Current income tax receivables		113	654
Prepaid expenses	21	21,972	22,155
Cash and cash equivalents	22	127,042	353,690
Total current assets		2,702,424	2,802,536
TOTAL ASSETS		8,469,793	8,520,538
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	23	128	128
Share premium		3,673,350	3,673,350
Other reserves		38,415	29,509
Retained losses		(3,804,296)	(3,903,525)
Total equity		(92,403)	(200,538)
Non-current liabilities			
Long-term finance liabilities - debt	24	6,308,310	6,250,554
Other long-term finance liabilities	25	-	3,858
Long-term provisions	26	54,307	49,079
Deferred tax liability	10	143,321	130,455
Other non-current liabilities		10,271	9,774
Total non-current liabilities		6,516,209	6,443,720
Current liabilities			
Short-term finance liabilities - debt	24	522,429	755,776
Other short-term finance liabilities	25	8,922	8,654
Trade and other payables	28	1,044,049	1,027,813
Contract liabilities		87,482	93,118
Current income tax payable		65,290	93,145
Accruals	29	51,677	55,640
Short-term provisions	26	7,246	3,435
Deferred income	30	258,892	239,775
Total current liabilities		2,045,987	2,277,356
TOTAL LIABILITIES AND EQUITY		8,469,793	8,520,538

Interim condensed consolidated statement of changes in equity

	Notes	Attributable to equity holders of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained losses	
As at January 1, 2019		128	3,673,350	29,509	(3,903,525)	(200,538)
Net profit for the period		-	-	-	467,416	467,416
<u>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</u>						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	25	-	-	3,591	-	3,591
Total comprehensive income		-	-	3,591	467,416	471,007
Effect of valuation of equity-settled incentive and retention programs	27	-	-	5,302	-	5,302
Dividend payment	23	-	-	-	(368,174)	(368,174)
Other				13	(13)	-
As at June 30, 2019, unaudited		128	3,673,350	38,415	(3,804,296)	(92,403)

	Notes	Attributable to equity holders of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained losses	
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		-	-	-	352,610	352,610
<u>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</u>						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	25	-	-	(7,829)	-	(7,829)
Total comprehensive income		-	-	(7,829)	352,610	344,781
Effect of valuation of equity-settled incentive and retention programs	27	-	-	5,503	-	5,503
Dividend payment		-	-	-	(652,031)	(652,031)
As at June 30, 2018, unaudited		128	3,673,350	25,902	(4,295,519)	(596,139)

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.

Interim condensed consolidated statement of cash flows

	Notes	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Profit before income tax		610,009	493,341	335,513	266,753
Depreciation and amortization		437,273	386,340	221,277	197,819
Change in contract costs	31	13,426	6,104	9,960	(7,883)
Interest expense (net)		167,881	185,355	85,163	91,622
Loss on finance instruments at fair value		-	178	-	-
Foreign exchange (gains)/losses		(1,482)	8,081	(1,992)	6,950
(Gain)/Loss on disposal of non-current assets and termination of lease contracts		(1,687)	(6,900)	360	(4,042)
Impairment of non-current assets		737	584	254	(147)
Change in provisions and liabilities or equity related to incentive and retention programs		7,525	(7,523)	4,864	(9,270)
Changes in working capital and other	31	10,527	44,453	8,414	105,859
Change in contract assets	31	(65,651)	(67,042)	(50,417)	(41,863)
Change in contract liabilities	31	(5,636)	(8,338)	(9,885)	(12,710)
Cash provided by operating activities		1,172,922	1,034,633	603,511	593,088
Interest received		339	1,408	-	135
Income tax paid		(156,912)	(67,541)	(120,600)	(37,909)
Net cash provided by operating activities		1,016,349	968,500	482,911	555,314
Proceeds from sale of non-current assets		3,123	4,818	1,478	416
Purchase of fixed assets and intangibles and prepayments for assets under construction		(438,145)	(321,123)	(198,645)	(133,889)
Net cash used in investing activities		(435,022)	(316,305)	(197,167)	(133,473)
Dividends (paid)		(368,264)	(652,498)	(368,264)	(652,498)
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	32	(439,516)	(449,076)	(124,526)	(127,815)
Net cash used in financing activities		(807,780)	(1,101,574)	(492,790)	(780,313)
Net change in cash and cash equivalents		(226,453)	(449,379)	(207,046)	(358,472)
Effect of exchange rate change on cash and cash equivalents		(100)	822	(81)	538
Cash and cash equivalents at the beginning of the period		353,595	628,508	334,169	537,885
Cash and cash equivalents at the end of the period		127,042	179,951	127,042	179,951

Notes

1. The Company and the Play Group

Play Communications S.A. (the "Company") was incorporated under Luxembourg law on January 10, 2014 under the name Play Holdings 2 S. à r. l. The Company's registered office is in Luxembourg. On June 21, 2017, the Company was transformed from a private limited liability company (*société à responsabilité limitée*) Play Holdings 2 S. à r. l. to a public limited liability company (*société anonyme*) Play Communications S.A. The Company's ordinary shares have been listed and traded on the Warsaw Stock Exchange ("WSE") since July 27, 2017. For shareholding structure please see Note 23.

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".

These interim condensed consolidated financial statements comprise:

- interim condensed consolidated statement of financial position;
- interim condensed consolidated statement of comprehensive income;
- interim condensed consolidated statement of changes in equity;
- interim condensed consolidated statement of cash flows;
- summary of significant accounting policies and other notes

as at and for the six-month period ended June 30, 2019, 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 June 30, 2019	As at December 31, 2018	As at June 30, 2018
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%

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 August 26, 2019.

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

The Financial Statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction the consolidated financial statements of the Group as at and for the year ended December 31, 2018 approved on March 4, 2019 prepared in accordance with IFRS as adopted by the European Union ("Annual Financial Statements").

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 2.7.

2.1 New standards, interpretations and amendments to existing standards

The accounting policies applied in the Financial Statements are consistent with the policies applied and described in Annual Financial Statements, 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 issued and effective as at June 30, 2019:

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 six-month period ended June 30, 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	Not endorsed yet	Assessment in progress
Amendments to IFRS 3: Business Combination	October 22, 2018	January 1, 2020	Not endorsed yet	Assessment in progress
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 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 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. Although the Group presents negative shareholders equity on consolidated basis, 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 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.

2.4 Foreign currency translation

2.4.1 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 zloty ("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.

2.4.2 Transactions and balances

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

- the 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	June 30, 2019	December 31, 2018
EUR	4.2520	4.3000
GBP	4.7331	4.7895
USD	3.7336	3.7597

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

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

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

2.5 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. In current period there were no significant changes in financial risk management. For detailed disclosures please refer to Annual Financial Statements.

2.6 Fair value estimation

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

The 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 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 Note 2.7.4.

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

2.7 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial years are discussed below.

2.7.1 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 3). 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.

2.7.2 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 24.2) and the valuation of right-of-use assets (please see Note 14). 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. 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.

2.7.3 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.

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.

2.7.4 Valuation of the equity-settled incentive and retention programs

Upon the 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 29 of the Annual Financial Statements.

PIP and VDP 4

The estimated fair value of right to receive Award Shares per Original Share granted or purchased under the PIP and VDP 4 was calculated by applying a Monte Carlo simulation model. The key model assumptions were:

- the share price at the grant date of PLN 36,
- expected annualized volatility of 30% calculated based on the historical volatilities of stock prices of the companies which, at the grant date, were included in the WIG Telekomunikacja Index (i.e. index covering the largest telecommunications companies listed on Warsaw Stock Exchange),
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 2.38%)
- correlation matrix and volatility parameters for stock included in WIG 20 at the IPO date and the set group of companies,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price at IPO.

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

VDP 4 bis

The estimated fair value of right to receive Award Shares per Maximum Number of Award Shares to which a member of VDP 4 bis is entitled was calculated by applying a Monte Carlo simulation model. The key model assumptions were:

- the share price at the IPO date of PLN 36,
- expected annualized volatility 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,
- 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 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,
- 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.

2.7.5 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 telecommunication licenses owned by the Group. As at June 30, 2019 the assets retirement obligation provision (please see Note 26) was calculated using discount rate of 2.11% (2.46% as at December 31, 2018), representing interest rate of 10-years treasury bonds as at that date.

2.7.6 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 one time 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 agreed price of shares in VMP will approximate their fair value, 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).

2.7.7 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 10). 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.

2.7.8 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 June 30, 2019, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2018. No impairment loss

has been recognized. For the key assumptions and description of uncertainties please see Note 2.5.9 to the Annual Financial Statements.

2.8 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):

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Operating profit	776	687	419	366
Add depreciation and amortization	437	386	221	198
EBITDA	1,214	1,074	640	563
Add valuation of incentive and retention programs and special bonuses	5	5	3	(1)
Add other non-recurring costs/(income)	2	(10)	2	(12)
Adjusted EBITDA	1,221	1,069	644	550

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 six-month period ended June 30, 2019 resulted mainly from non-deductible VAT relating to strategic projects out of usual scope of the Group's business.

Other non-recurring income for the six-month period ended June 30, 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 34.2), partially off-set by the cost of non-deductible VAT relating to the management fee invoices received in connection with the IPO.

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

3. Operating revenue

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

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Service revenue	2,590,768	2,499,350	1,322,649	1,263,505
Usage revenue	1,937,863	1,848,569	989,806	933,279
Interconnection revenue	652,905	650,781	332,843	330,226
Sales of goods and other revenue	854,098	826,000	436,348	424,554
	3,444,866	3,325,350	1,758,997	1,688,059

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Usage revenue by category				
Retail contract revenue	1,525,091	1,457,704	771,026	732,894
Retail prepaid revenue	317,446	306,658	166,920	158,486
Other usage revenue	95,326	84,207	51,860	41,899
	1,937,863	1,848,569	989,806	933,279

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.

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	85,086	78,386	4,923	5,571

The amounts represent service revenues recognized in the reporting periods for which the customers had paid in advance before the beginning of the reporting period.

In the reporting periods there was no revenue recognized from performance obligations satisfied or partially satisfied in previous periods.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	June 30, 2019 Unaudited	December 31, 2018
Transaction price allocated to the remaining performance obligation to be satisfied within:		
1 year	1,931,268	1,906,184
later than 1 year and not later than 2 years	785,694	785,707
later than 2 years and not later than 3 years	84,955	71,380
later than 3 years	983	1,058
	2,802,900	2,764,329

4. Interconnection, roaming and other service costs

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Interconnection costs	(667,432)	(674,040)	(337,018)	(341,278)
National roaming/network sharing	(89,060)	(132,311)	(44,578)	(68,147)
Other service costs	(122,421)	(144,801)	(60,517)	(61,942)
	(878,913)	(951,152)	(442,113)	(471,367)

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 six-month period ended June 30, 2019 in comparison to the six-month period ended June 30, 2018, was primarily caused by the decrease of international roaming costs thanks to introduction of sustainability measures as a response to new international roaming regulations ("Roam Like At Home") and better pricing from roaming partners, partially offset by increasing costs of content.

5. Contract costs, net

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Contract costs incurred	(188,315)	(210,264)	(89,116)	(112,265)
Contract costs capitalized	176,929	193,544	84,256	105,493
Amortization and impairment of contract costs	(190,355)	(199,648)	(94,215)	(97,610)
	(201,741)	(216,368)	(99,075)	(104,382)

The contract costs presented above are costs to obtain contracts with customers (sales commissions).

6. General and administrative expenses

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Employee benefits	(139,052)	(125,819)	(70,445)	(58,268)
Salaries	(115,657)	(104,698)	(58,748)	(51,755)
Social security	(18,093)	(16,037)	(9,021)	(7,429)
Incentive and retention programs, including:	(5,302)	(5,084)	(2,676)	916
- <i>equity settled</i>	(5,302)	(5,503)	(2,676)	134
External services	(258,896)	(253,693)	(126,472)	(132,803)
Network maintenance, leased lines and energy	(80,919)	(66,780)	(40,057)	(32,705)
Advertising and promotion expenses	(78,910)	(86,451)	(34,460)	(50,346)
Customer relations costs	(29,325)	(29,955)	(14,875)	(14,645)
Office and points of sale maintenance	(9,784)	(7,349)	(4,667)	(3,288)
IT expenses	(19,637)	(14,934)	(9,777)	(7,023)
People related costs	(7,600)	(9,600)	(4,223)	(4,970)
Finance and legal services	(6,525)	(7,910)	(3,687)	(5,010)
Management fees	-	(122)	-	-
Other external services	(26,196)	(30,592)	(14,726)	(14,816)
Taxes and fees	(42,854)	(40,675)	(20,738)	(18,678)
	(440,802)	(420,187)	(217,655)	(209,749)

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 during the six-month period ended June 30, 2019 and the six-month period ended June 30, 2018. The Group is not required to make any contributions in excess of this statutory rate.

The increase of salaries costs 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 the increased number of sites to be maintained due to intensive rollout of Play's network and to growing energy prices. Costs of leased lines relate to lease agreements which do not qualify for recognition in accordance with IFRS 16.

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.

7. Depreciation and amortization

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Depreciation and amortization				
Depreciation of property, plant and equipment	(167,350)	(129,017)	(84,452)	(66,927)
Amortization of intangibles	(185,409)	(174,854)	(94,635)	(88,553)
Depreciation of right-of-use assets	(84,514)	(82,469)	(42,190)	(42,339)
	(437,273)	(386,340)	(221,277)	(197,819)

Depreciation and amortization increased 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.

8. Other operating income and other operating costs

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Other operating income				
Gain on receivables management	-	20,684	-	18,409
Gain on disposal of non-current assets and termination of lease contracts	1,762	6,823	-	3,996
Reversal of impairment of other non-current assets	417	-	83	147
Exchange rate gains	1,305	-	1,393	-
Income from subleasing of right-of-use assets	7,430	7,862	3,810	3,884
Interest income on trade receivables and cash	5,168	11,974	2,426	9,034
Other miscellaneous operating income	15,307	10,626	11,412	5,385
	31,389	57,969	19,124	40,855
Other operating costs				
Loss on receivables management	(12,999)	-	(2,663)	-
Impairment of contract assets	(47,114)	(51,135)	(24,450)	(29,157)
Impairment of non-current assets	(1,154)	(584)	(337)	-
Loss on disposal of non-current assets and termination of lease contracts	-	-	(343)	-
Exchange rate losses	-	(1,322)	-	(1,166)
Other miscellaneous operating costs	(3,328)	(3,462)	(2,775)	(3,156)
	(64,595)	(56,503)	(30,568)	(33,479)
<i>thereof: impairment of financial assets</i>				
Impairment of contract assets	(47,114)	(51,135)	(24,450)	(29,157)
Impairment of trade receivables	(32,910)	(23,615)	(13,267)	(3,397)
	(80,024)	(74,750)	(37,717)	(32,554)

Gain / loss on receivables management

The lines "Gain on receivables management" and "Loss on receivables management" represent the net amount resulting from: movement of the provision for impairment of receivables, net result of sales of overdue receivables to collecting agencies as well as income from early contract termination.

The line "Impairment of trade receivables" represents the amount charged to profit and loss according to IFRS 9. For movements of the provision for impairment of trade and other receivables please see also Note 19.

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. Due to unfavorable change in market conditions for receivables sales the expected recovery ratio decreased in current period and therefore the Group incurred higher impairment charge in the six-month period ended June 30, 2019 in comparison to the six-month period ended June 30, 2018.

Impairment of contract assets

For movements of the provision for impairment of contract assets please see also Note 20.

9. Finance income and finance costs

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Finance income				
Interest income	244	1,191	-	126
Net gain on finance instruments at fair value	-	389	-	201
Exchange rate gains	1,582	-	2,073	-
	1,826	1,580	2,073	327
Finance costs				
Interest expense, including:	(168,125)	(186,546)	(85,163)	(91,748)
- on lease liabilities	(28,024)	(30,401)	(14,269)	(14,602)
Net loss on finance instruments at fair value	(6)	(178)	(7)	-
Exchange rate losses	-	(8,904)	-	(7,489)
	(168,131)	(195,628)	(85,170)	(99,237)

The interest expense decreased in the six-month period ended June 30, 2019 in comparison to the six-month period ended June 30, 2018 mainly due to lower nominal value of the SFA following the scheduled and voluntary repayments.

10. Taxation

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Current tax charge	(129,727)	(93,106)	(80,940)	(52,280)
Deferred tax charge	(12,866)	(47,625)	(801)	(14,771)
Income tax charge	(142,593)	(140,731)	(81,741)	(67,051)

Reconciliation between tax calculated at the prevailing tax rate applicable to profit (19%) and income tax charge:

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
Profit before income tax	610,009	493,341	335,513	266,753
Tax calculated at the prevailing tax rate applicable to profit (19%)	(115,902)	(93,735)	(63,748)	(50,683)
Effect of difference between tax rates in Luxembourg and in Poland	2,036	2,522	927	1,174
Expenses not subject to tax	(26,945)	(26,078)	(14,298)	(10,546)
Income not subject to tax	2,881	3,773	1,372	1,746
Previous years tax income/ (costs) included in current year accounting profit	840	(17)	-	(1,664)
Adjustments relating to previous tax years	6,490	(10,928)	(495)	(17,987)
Change in unrecognized deferred tax asset	(12,095)	(16,268)	(5,550)	10,909
Taxable costs not included in accounting profit	102	-	51	-
Income tax charge	(142,593)	(140,731)	(81,741)	(67,051)

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 June 30, 2019 and June 30, 2018.

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 June 30, 2019 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

Current income tax for 2018 was paid by P4 on April 1, 2019 in line with due date for this payment.

Deferred income tax

	June 30, 2019 Unaudited	December 31, 2018
Base for deferred income tax calculation:		
net deductible temporary differences	(758,642)	(739,094)
carry-forwards of unused tax losses	420,037	419,574
	(338,605)	(319,520)
Potential deferred income tax net asset/(liability) arising from:		
net deductible temporary differences	(144,141)	(140,440)
carry-forwards of unused tax losses	95,690	93,588
	(48,451)	(46,852)
Recognized deferred income tax assets	-	-
Recognized deferred income tax liability	(143,321)	(130,455)
Not recognized deferred income tax assets	94,870	83,603

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 2019 and long term financial projections. As at June 30, 2019 and December 31, 2018 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).

11. 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. The dilutive potential ordinary shares are shares which will potentially be issued under the equity-settled incentive and retention programs as Award Shares or Loyalty Shares – please see Note 27. As at June 30, 2019 the number of potential Award Shares and Loyalty Shares to be granted 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 June 30, 2019, amounts to 1,578 thousand.

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Net profit	467,416	352,610	253,772	199,702
Weighted average number of shares (in thousands)				
Initial shares	250,000	250,000	250,000	250,000
VDP4 shares issued without consideration in 2017	538	538	538	538
PIP shares issued in 2017	3,170	3,170	3,170	3,170
PIP 2 shares issued without consideration in 2018	204	204	204	204
Weighted average number of shares (basic)	253,913	253,913	253,913	253,913
Potential PIP 2 Loyalty and Award Shares	796	-	806	-
Potential PIP, VDP4 and VDP4bis Award Shares	782	-	782	-
Weighted average number of shares (diluted)	255,491	253,913	255,501	253,913
Earnings per share (in PLN) (basic)	1.84	1.39	1.00	0.79
Earnings per share (in PLN) (diluted)	1.83	1.39	0.99	0.79

12. 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	-	48,155	-	5,667	53,822
Decreases	-	(24,153)	-	(11,760)	(35,913)
As at June 30, 2019, unaudited	2,869,695	1,335,571	238,301	44,777	4,488,344
Accumulated amortization					
As at January 1, 2019	974,899	948,413	-	33,694	1,957,006
Charge	112,315	65,918	-	7,176	185,409
Transfers and reclassifications	-	427	-	-	427
Decreases	-	(24,153)	-	(11,760)	(35,913)
As at June 30, 2019, unaudited	1,087,214	990,605	-	29,110	2,106,929
Net book value as at June 30, 2019, unaudited	1,782,481	344,966	238,301	15,667	2,381,415

The transfers recorded during six-month period ended June 30, 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.

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.

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Telecommunications licenses

Frequency band	License term from	to	Net book value as at June 30, 2019 Unaudited	Net book value as at December 31, 2018
2100 MHz	July 1, 2016	December 31, 2022	76,445	87,366
900 MHz	December 9, 2008	December 31, 2023	65,309	72,566
1800 MHz	February 13, 2013	December 31, 2027	291,931	309,103
800 MHz	January 25, 2016/ June 23, 2016	June 22, 2031	1,154,034	1,203,848
2600 MHz	January 25, 2016	January 24, 2031	171,518	178,921
3700 MHz (nationwide)	October 1, 2017	December 29, 2019	18,000	36,000
3700 MHz (regional)	July 1, 2018	December 31, 2020	5,244	6,992
			1,782,481	1,894,796

In May 2019 the President of UKE commenced proceedings aimed to decline the prolongation of 3700 MHz frequency reservations, which the Group acquired from Softnet Group Sp. z o.o. and Powszechna Agencja Informacyjna S.A. The proceedings are a part of the President of UKE's plan to reform the 3400-3800 MHz spectrum in order to introduce the 5G technology.

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	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
Transfers and reclassifications	-	70,260	-	3,011	73,271
Decreases	-	(6,178)	-	(4)	(6,182)
As at June 30, 2018, unaudited	2,860,955	1,211,467	238,301	47,153	4,357,876
Accumulated amortization					
As at January 1, 2018	752,015	831,325	-	22,994	1,606,334
Charge	110,568	58,922	-	5,364	174,854
Decreases	-	(5,583)	-	(3)	(5,586)
As at June 30, 2018, unaudited	862,583	884,664	-	28,355	1,775,602
Accumulated impairment					
As at January 1, 2018	-	596	-	-	596
Utilization of impairment provision	-	(596)	-	-	(596)
As at June 30, 2018, unaudited	-	-	-	-	-
Net book value as at June 30, 2018, unaudited	1,998,372	326,803	238,301	18,798	2,582,274

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

13. 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	-	-	-	2
Transfers and reclassifications	-	175,139	25,442	186,343	19	21,280	408,223
Decreases	-	(1,910)	(2,442)	(32,222)	(324)	(1,565)	(38,463)
As at June 30, 2019, unaudited	46	1,372,826	287,682	1,587,719	2,580	102,564	3,353,417
Accumulated depreciation							
As at January 1, 2019	5	452,373	182,011	774,463	2,849	60,863	1,472,564
Charge	-	30,595	15,659	113,162	26	7,908	167,350
Transfers and reclassifications	-	(31)	5,689	38	-	-	5,696
Decreases	-	(1,910)	(2,441)	(31,505)	(322)	(1,343)	(37,521)
As at June 30, 2019, unaudited	5	481,027	200,918	856,158	2,553	67,428	1,608,089
Net book value as at June 30, 2019, unaudited	41	891,799	86,764	731,561	27	35,136	1,745,328

The transfers recorded during six-month period ended June 30, 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.

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	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	-	-	11	-	-	-	11
Transfers and reclassifications	-	83,661	38,814	136,997	-	2,769	262,241
Decreases	-	(7,138)	(27,890)	(74,576)	-	(3,592)	(113,196)
As at June 30, 2018, unaudited	46	1,050,006	245,709	1,320,476	320	76,469	2,693,026
Accumulated depreciation							
As at January 1, 2018	4	410,027	137,015	661,910	305	50,675	1,259,936
Charge	-	22,482	12,799	87,103	6	6,627	129,017
Transfers and reclassifications	-	(26)	42,830	24,307	-	670	67,781
Decreases	-	(7,136)	(27,887)	(74,333)	-	(2,920)	(112,276)
As at June 30, 2018, unaudited	4	425,347	164,757	698,987	311	55,052	1,344,458
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 June 30, 2018, unaudited	-	-	-	-	-	-	-
Net book value as at June 30, 2018, unaudited	42	624,659	80,952	621,489	9	21,417	1,348,568

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

14. 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	30,714	45,754	-	5,336	-	-	81,804
Asset retirement obligation	-	6,407	-	-	-	-	6,407
Transfers and reclassifications	-	-	(1,707)	-	3,549	-	1,842
Decreases	(2,294)	(20,704)	(623)	(3,332)	(3,484)	-	(30,437)
As at June 30, 2019, unaudited	250,903	1,471,521	20,729	34,630	24,097	27	1,801,907
Accumulated depreciation							
As at January 1, 2019	69,490	761,311	15,755	15,201	12,402	7	874,166
Charge	10,723	62,229	3,002	3,749	3,745	3	83,451
Charge from asset retirement obligation	-	1,063	-	-	-	-	1,063
Transfers and reclassifications	-	-	(6,123)	-	-	-	(6,123)
Decreases	(1,077)	(15,513)	(619)	(3,301)	(3,472)	-	(23,982)
As at June 30, 2019, unaudited	79,136	809,090	12,015	15,649	12,675	10	928,575
Net book value as at June 30, 2019, unaudited	171,767	662,431	8,714	18,981	11,422	17	873,332

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the six-month period ended June 30, 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 5,244 thousand for the six-month period ended June 30, 2019.

Play Communications S.A. and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34
As at and for the six-month period ended June 30, 2019
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	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	28,767	73,150	-	2,854	-	-	104,771
Asset retirement obligation	-	(18,096)	-	-	-	-	(18,096)
Transfers and reclassifications	-	-	(40,119)	(24,285)	1,505	(718)	(63,617)
Decreases	(2,423)	(49,628)	(1,562)	(8,718)	(3,108)	-	(65,439)
As at June 30, 2018, unaudited	189,798	1,374,889	21,319	42,846	25,492	27	1,654,371
Accumulated depreciation							
As at January 1, 2018	54,829	658,115	53,432	59,315	14,516	678	840,885
Charge	6,884	61,187	5,295	4,271	3,796	3	81,436
Charge from asset retirement obligation	-	1,033	-	-	-	-	1,033
Transfers and reclassifications	-	-	(42,820)	(24,285)	-	(676)	(67,781)
Decreases	(41)	(3,492)	(1,559)	(7,774)	(3,108)	-	(15,974)
As at June 30, 2018, unaudited	61,672	716,843	14,348	31,527	15,204	5	839,599
Net book value as at June 30, 2018, unaudited	128,126	658,046	6,971	11,319	10,288	22	814,772

The decreases in gross book value of Right-of-Use assets: Land and Buildings recorded during the six-month period ended June 30, 2018 result mainly from reassessment of estimation of lease term.

In the six-month period ended June 30, 2018 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 5,145 thousand in the six-month period ended June 30, 2018.

15. Assets under construction

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
Cost	Unaudited	Unaudited
As at January 1	440,561	309,569
Additions	419,852	320,732
Radio network	311,435	238,093
Core network and network operations center	30,114	15,455
IT	51,077	50,414
Other capital expenditures	27,226	16,770
Transfers and reclassifications	(463,887)	(271,895)
Disposals	(1,976)	(6,074)
As at June 30	394,550	352,332
Accumulated impairment		
As at January 1	2,219	6,218
Impairment charge, net	736	584
Utilization of impairment provision	(1,788)	(6,067)
As at June 30	1,167	735
Net book value as at June 30	393,383	351,597

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 6,264 thousand as at June 30, 2019 and PLN 7,339 thousand as at June 30, 2018.

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.

16. Contract costs

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
	Unaudited	Unaudited
Cost		
As at January 1	732,553	728,964
Additions	176,929	193,544
Disposals - terminated contracts	(183,160)	(204,145)
As at June 30	726,322	718,363
Accumulated amortization		
As at January 1	359,900	367,962
Charge (including impairment)	190,355	199,648
Disposals (including impairment) - terminated contracts	(183,160)	(204,145)
As at June 30	367,095	363,465
Net book value as at June 30	359,227	354,898

The contract costs presented above are costs to obtain contracts with customers (sales commissions).

17. Other long-term receivables

	June 30, 2019 Unaudited	December 31, 2018
Long-term receivables	15,052	14,730
Impairment of long-term receivables	(368)	(368)
	14,684	14,362

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

18. Inventories

	June 30, 2019 Unaudited	December 31, 2018
Goods for resale	229,767	154,909
Goods in dealers' premises	38,102	29,560
Impairment of goods for resale	(16,844)	(14,975)
	251,025	169,494

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:

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
	Unaudited	Unaudited
Beginning of period	(14,975)	(9,654)
- charged to income statement	(1,869)	(3,636)
End of period	(16,844)	(13,290)

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

19. Trade and other receivables

	June 30, 2019	December 31, 2018
	Unaudited	
Trade receivables	995,005	1,017,599
Impairment of trade receivables	(152,541)	(163,796)
Trade receivables (net)	842,464	853,803
VAT and other government receivables	1,214	9,929
Other receivables	313	181
Other receivables (net)	1,527	10,110
	843,991	863,913

Total amount of trade receivables are receivables from contracts with customers.

As part of its receivables management the Group sells past due receivables to third party collection agencies; the receivables are then derecognized.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables.

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

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

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
	Unaudited	Unaudited
Beginning of period	(163,796)	(130,169)
Adoption of IFRS 9 - opening balance adjustment	-	(1,879)
- charged to income statement	(32,910)	(23,615)
- utilized	44,165	29,156
End of period	(152,541)	(126,507)

For explanation of changes in the amounts charged or credited to income statement please see Note 8.

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

20. Contract assets

	June 30, 2019	December 31, 2018
	Unaudited	
Contract assets	1,535,815	1,467,318
Impairment of contract assets	(77,534)	(74,688)
	1,458,281	1,392,630

Impairment of contract assets represents the expected credit loss recognized in accordance with IFRS 9 at the initial recognition of the contract asset. Please see also Note 2.7.3.

Movements of the provision for impairment of contract assets are as follows:

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
	Unaudited	Unaudited
Beginning of period	(74,688)	-
Adoption of IFRS 9 - opening balance adjustment	-	(72,015)
- charged to income statement	(47,114)	(51,135)
- utilization	44,268	50,586
End of period	(77,534)	(72,564)

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.

21. Prepaid expenses

	June 30, 2019	December 31, 2018
	Unaudited	
Distribution and selling costs	4,859	5,537
Network and IT maintenance	5,311	6,353
Other	11,802	10,265
	21,972	22,155

As of June 30, 2019 and December 31, 2018 other prepaid expenses included mainly advance payments for services.

22. Cash and cash equivalents

	June 30, 2019 Unaudited	December 31, 2018
Petty cash	785	806
Balances deposited with banks	126,194	352,466
Other cash assets	63	418
	127,042	353,690

As of June 30, 2019 as well as of December 31, 2018 balances deposited with banks include cash related to VAT received through split payment process imposed by new law regulation in Poland effective from July 1, 2018.

23. Shareholders' equity

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.

As of June 30, 2019, the Company's share capital amounted to EUR 30,469 and comprised of 253,912,894 bearer shares with a nominal value of EUR 0.00012 each. Tollerton Investments Limited controlled 29.17% of shares, Kenbourne Invest S.A. (a successor entity of Telco Holdings S.à r.l. after their merger effective October 8, 2018) controlled 30.07% of shares, Nationale-Nederlanden Otwarty Fundusz Emerytalny 5.34% of shares and Investec Asset Management Ltd / Investec Asset Management (Pty) Ltd (acting in concert) 5.02%. of shares. The remaining 30.40% 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.

At June 30, 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.

24. Finance liabilities - debt

	June 30, 2019 Unaudited	December 31, 2018
Long-term finance liabilities		
Long-term bank loans	5,463,033	5,410,198
Long-term lease liabilities	835,477	829,609
Other debt	9,800	10,747
	6,308,310	6,250,554
Short-term finance liabilities		
Short-term bank loans	343,756	581,319
Short-term lease liabilities	157,207	155,587
Other debt	21,466	18,870
	522,429	755,776
	6,830,739	7,006,330

Other debt represents purchases of IT equipment on installment.

24.1 Bank loans

	June 30, 2019 Unaudited	December 31, 2018
Long-term bank loans		
SFA	5,463,033	5,410,198
	5,463,033	5,410,198
Short-term bank loans		
SFA	343,756	581,319
	343,756	581,319
	5,806,789	5,991,517
the balance of unamortized fees	73,320	60,603
the weighted average effective interest rate	4.73%	4.87%

The effective interest rate reflects the interest costs as well as amortization of the loan origination fees.

The carrying amount of bank loans approximates their fair value.

On January 8, 2019, the Play Group has entered into a Second Amendment and Restatement Agreement to the Senior Facilities Agreement, which, among other, has 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 33 $\frac{1}{3}$ % 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.

On February 26, 2019 due to favorable cash position the Group made voluntary prepayment of the Facility A instalment originally maturing on March 29, 2019 in the amount of PLN 173,404 thousand plus accrued interest.

24.2 Lease liabilities

	June 30, 2019 Unaudited	December 31, 2018
Long-term lease liabilities		
Telecommunications sites	752,229	740,756
Points of sale	46,837	47,813
Dark fiber optic cable	13,500	12,366
Collocation centers	7,987	9,969
Offices and warehouse	6,346	11,533
IT equipment and telecommunications equipment	4,218	2,524
Motor vehicles	4,360	4,648
	835,477	829,609
Short-term lease liabilities		
Telecommunications sites	95,976	95,020
Points of sale	28,707	26,835
Dark fiber optic cable	6,740	6,821
Collocation centers	5,251	5,910
Offices and warehouse	10,883	11,233
IT equipment and telecommunications equipment	4,072	4,331
Motor vehicles	5,578	5,437
	157,207	155,587
	992,684	985,196

25. Other finance liabilities

	June 30, 2019 Unaudited	December 31, 2018
Interest rate swaps	-	3,858
Non-current finance liabilities at fair value through other comprehensive income	-	3,858
Interest rate swaps	8,922	8,654
Current finance liabilities at fair value through other comprehensive income	8,922	8,654

Finance liabilities at fair value through other comprehensive income comprise interest rate swaps designated as cash flow hedges.

The inputs used in determining the fair value of interest rate swaps 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). For more details please see Note 20.1 of the Annual Financial Statements.

The effective portion of changes in the fair value of the above mentioned finance liabilities resulted in other comprehensive gain of PLN 3,591 thousand for the six-month period ended June 30, 2019.

26. Provisions

	June 30, 2019 Unaudited	December 31, 2018
Assets retirement provision	50,278	43,463
Other long-term provisions	4,029	5,616
Short-term provisions	7,246	3,435
	61,553	52,514

27. Incentive and retention programs

In the six-month period ended June 30, 2019 the Group operated the following incentive and retention programs: PIP, PIP 2, VDP 4, VDP 4 bis (in the comparative period accordingly: PIP, VDP 3, VDP 4).

For the detailed description of the incentive and retention programs please see Note 29 of the Annual Financial Statements.

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.

	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
Changes in valuation during the period	-	5,302
As at June 30, 2019, unaudited	-	44,425
Vested at June 30, 2019	-	-
Exercised at June 30, 2019	n/a	24,466
As at January 1, 2018	17,743	28,110
Forfeited during the period	-	(3,990)
Exercised during the period	(8,932)	-
Changes in valuation during the period	(419)	9,493
As at June 30, 2018, unaudited	8,392	33,613
Vested at June 30, 2018	8,392	n/a
Exercised at June 30, 2018	n/a	19,379

In current and comparative periods "exercised" in the tables above represents the value of shares granted without consideration.

28. Trade and other payables

	June 30, 2019	December 31, 2018
	Unaudited	
Trade payables	757,463	711,572
Investment payables	187,412	219,966
Government payables	94,489	91,503
Employee payables	93	87
Other	4,592	4,685
	1,044,049	1,027,813

29. Accruals

Accruals include accruals for employee bonuses and unused holidays.

30. Deferred income

	June 30, 2019	December 31, 2018
	Unaudited	
Prepaid services	87,853	96,039
Contract services	171,039	143,736
	258,892	239,775

31. 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

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018
	Unaudited	Unaudited	Unaudited	Unaudited
(Increase)/decrease of inventories	(81,531)	(83,944)	(65,405)	(25,478)
(Increase)/decrease of receivables	19,922	150,507	1,422	81,433
(Increase)/decrease of prepaid expenses	(16)	627	(1,983)	4,902
Increase/(decrease) of payables excluding investment payables	56,823	(26,145)	31,961	13,337
Increase/(decrease) of accruals	(3,963)	(21,872)	12,463	(1,159)
Increase/(decrease) of deferred income	19,117	26,001	29,881	33,012
(Increase)/decrease of long-term receivables	(322)	(395)	(150)	(254)
Increase/(decrease) of other non-current liabilities	497	(326)	225	66
Changes in working capital and other	10,527	44,453	8,414	105,859
(Increase)/decrease in contract costs	13,426	6,104	9,960	(7,883)
(Increase)/decrease in contract assets	(65,651)	(67,042)	(50,417)	(41,863)
Increase/(decrease) in contract liabilities	(5,636)	(8,338)	(9,885)	(12,710)
	(47,334)	(24,823)	(41,928)	43,403

Changes in contract assets and receivables for the six-month period ended June 30, 2018 were adjusted by the impact of adoption of IFRS 9, please see Note 2.3 to the Annual Financial Statements. Changes in contract assets for the six-month period ended June 30, 2018 are also affected by the opening balance adjustment – please see Interim condensed consolidated statement of changes in equity. Significant decrease of receivables during six-month period ended June 30, 2018 resulted from decrease of installment receivables followed by substantial reduction in the volume of installment sales after October 2016.

32. Cash flows relating to finance liabilities

	Six-month period ended June 30, 2019 Unaudited	Six-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2019 Unaudited	Three-month period ended June 30, 2018 Unaudited
Repaid finance liabilities and paid interest and other costs relating to finance liabilities				
loans	(323,835)	(340,709)	(64,289)	(73,148)
- <i>principal</i>	(173,404)	(195,440)	-	-
- <i>interests</i>	(129,348)	(143,141)	(63,410)	(72,091)
- <i>other</i>	(21,083)	(2,128)	(879)	(1,057)
leases	(101,490)	(102,510)	(51,306)	(51,530)
other debt	(14,191)	(5,857)	(8,931)	(3,137)
- <i>principal</i>	(13,824)	(5,409)	(8,742)	(2,890)
- <i>interests</i>	(367)	(448)	(189)	(247)
	(439,516)	(449,076)	(124,526)	(127,815)

Other payments relating to loans in the six-month period ended June 30, 2019 represent the fees incurred in relation with the amendment of Senior Facilities Agreement. Please see Note 24.1.

33. Commitments

33.1 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.

33.2 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.

33.3 800 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 but due to reasons entirely beyond Group's control part of the infrastructure

necessary to provide the network coverage for the areas indicated in the Decision was ready after the deadline stemming therefrom. The non-fulfilment of P4's obligations within the deadline set out in the Decision had been pre-emptively notified and then discussed with the President of UKE. At the moment no administrative proceedings aimed at amending or cancelling the Decision have been instigated by the UKE President, according to discussions held so far, the President of UKE has no such intention.

33.4 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.

34. Contingencies and legal proceedings

34.1 Tax contingent liabilities

Play Group conducts its operations mainly in the area of Polish tax jurisdiction. Regulations relating to value-added tax, corporate income tax, and payroll (social) taxes change often. The lack of reference to well-established tax regulations results in a lack of clarity and consistency. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems. The tax authorities may at any time inspect the books and records and may impose additional tax assessments with penalty interest and penalties within 5 years from the end of the year in which a tax is due. In some cases, it is difficult to predict the ultimate outcome.

Following the tax audit with respect to corporate income tax settlements of P4 for the year 2013, the tax authorities issued a decision on July 23, 2019 determining tax liability of P4 with regard to corporate income tax for the year 2013. The decision is not final and therefore it is not subject to execution. In the decision, the tax authorities have declared that license fees related to use of trademarks applied by P4 were not priced at market value. Therefore, the tax authorities challenged P4's right to include expenses related to the use of trademark in the tax-deductible costs. The decision assesses tax liability of P4 at PLN 12 million. However, the decision should not result in an obligation to pay any due tax since in its corporate income tax return for 2013, P4 did not utilize the whole amount of available tax loss from previous reporting periods. The available tax loss covers the whole tax liability assessed in the decision. According to P4, the amount of license fees incurred was set at the market level. P4 has appealed against the decision. The Group believes that it is probable that a taxation authority will eventually accept its treatment of an uncertain tax position in this respect.

Currently, there is also one ongoing tax audit in the Group being conducted with respect to corporate income tax settlements of P4 for the financial year ended December 31, 2014 (initiated in 2018). The Group has been informed that the 2014 audit should be completed by November 14, 2019, please note that this deadline is likely to be further extended (this is a common practice of the Polish tax authorities). The tax authorities investigate in particular: (i) intra-group transactions and settlements, with special emphasis on the settlements between P4 and former subsidiary, subsequently merged with P4, Play Brand Management Limited and (ii) trademarks-related settlements after the sale of the trademark from Play Brand Management Limited to the Polish subsidiary Play 3GNS Sp. z o.o. Sp. k. 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). We cannot exclude the risk that the tax authorities will apply a different approach from the one adopted by the Group.

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 implementation, the Group concluded that no provision in this regard should be created.

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. New regulations will require 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 will enable Polish tax authority 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.

34.2 Legal and regulatory proceedings

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodfuzji 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 found

it admissible, but it haven't issued a judgment yet. The Group assesses the risk of the unfavorable change of judgement of District Court in Warsaw as low.

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. The UKE President has not reviewed the case yet. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In February 2016, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for reconsideration of the decision on reservation of 800/2600 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. It is difficult to assess the legal risk at this stage.

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. 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 26.

35. Related party transactions

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
	Unaudited	Unaudited
Operating revenue	-	672
Management fees	-	(122)
Other operating income	-	186

36. Remuneration of 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 six-month period ended June 30, 2019 amounted to PLN 9,263 thousand (PLN 5,751 thousand for the six-month period ended June 30, 2018).

Additionally, the members of the P4's Management Board participated in the incentive and retention programs (see Note 27 of the Financial Statements as well as Note 29 of the Annual Financial Statements). The valuation of the programs resulted in cost in the amount of PLN 4,412 thousand for the six-month period ended June 30, 2019 and cost of PLN 4,032 thousand for the six-month period ended June 30, 2018. 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 six-month period ended June 30, 2019 amounted to PLN 832 thousand.

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., the Management Board of P4, or supervisory or management bodies of any other entities within the Group.

37. Events after the reporting period


On July 23, 2019 the tax authorities issued a decision determining tax liability of P4 with regard to corporate income tax for the year 2013. For details please refer to Note 34.1.

On August 8, 2019 in relation to incentive and retention programs (VDP 4, VDP 4 bis, PIP and PIP 2), the Company's share capital was increased by an amount of EUR 21.66 i.e. from EUR 30,474 up to EUR 30,496 through the issue of 180,476 shares in bearer form with a nominal value of EUR 0.00012 each for no consideration where the nominal value was paid-up out of available reserves, issued to the members of the programs.

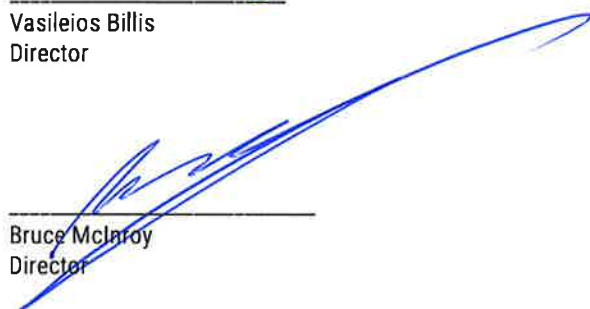
On August 19, 2019 we completed our acquisition of 3S and its subsidiaries ("3S Group") for consideration of EUR 78.3 million. Upon closing of the transaction, 3S Group became a wholly-owned consolidated subsidiary. 3S Group provides a variety of bundled telecommunications and data center services for 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. 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 will be accounted as business combination according to IFRS 3. Due to the short time between the date of purchase and the date of the financial statements were authorized for issue the initial accounting for the transaction couldn't be performed before issuance of these financial statements. Initial purchase price allocation will be disclosed in third-quarter financial statements. Our third-quarter 2019 operating results will include the results of 3S Group from the date of acquisition and are expected to be not material to our condensed consolidated statement of comprehensive income. Our consolidated statement of financial position will include the assets and liabilities of 3S Group. Potential goodwill will be calculated as the excess of the purchase price paid over the net assets acquired.

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



Vasileios Billis
Director



Bruce McIntroy
Director