

BOARD OF DIRECTORS' REPORT ON THE
ACTIVITY IN THE SIX-MONTH PERIOD ENDED
JUNE 30, 2017

Play Communications S.A.
(formerly Play Holdings 2 S.à r.l.)
and its subsidiaries

August 21, 2017

PLAY

TABLE OF CONTENTS

INTRODUCTION.....	3
INDUSTRY, MARKET AND SUBSCRIBER DATA	4
RELATED PARTY TRANSACTIONS	9
DEFINITIONS.....	10
PRESENTATION OF FINANCIAL INFORMATION	12
FORWARD-LOOKING STATEMENTS AND RISK FACTORS	16
RECENT DEVELOPMENTS.....	18
CONSOLIDATED FINANCIAL AND OTHER INFORMATION.....	19
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2017.....	28
ANNEX A GLOSSARY OF TECHNICAL TERMS.....	63
RESPONSIBILITY STATEMENT	68
INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF PLAY COMMUNICATIONS S.A.	69
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS 34 WITH EARLY ADOPTION OF IFRS 15 AND IFRS 16 AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017	F1

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 are traded on the Warsaw Stock Exchange since July 27, 2017.

As of August 21, 2017, 50.6% of the outstanding shares are controlled by former shareholders Tollerton Investments Limited and Telco Holdings S.à r.l. The remaining 49.4% is free float. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

INDUSTRY, MARKET AND SUBSCRIBER DATA

This Report includes market share and industry data that we obtained from various third-party sources, including reports publicly made available by other mobile network operators, discussions with subscribers as well as data based on our internal estimates. The third-party providers of market and industry data relating to our business include 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 Spring 2017 European Economic Forecast, published on November 9, 2016;
- 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 until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards which are registered on our network and have not been disconnected.
contract subscribers	We define contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber’s contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a number of SIM cards that have been issued pursuant to family calling plans.
active contract subscribers	We define active contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber’s contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for active contract subscribers do not include inactive (not used within the last 90 calendar days) technical SIMs and inactive SIM cards which are used in ‘Play Elastyczny’ promotion.
technical SIM (techSIM)	We define techSIM as additional SIM card issued to tariffs which include two or more subscribers. TechSIM can be used by subscribers only for data transfer. The key functionality of the techSIM card, from the Company’s perspective, is to consolidate all family members SIM cards and support the billing structure. A TechSIM which is not used (within the last 90 calendar days) by a subscriber for data transfer becomes inactive. TechSIMs not actively used for data transfer do not represent active contract subscribers.
prepaid subscribers	We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value.

active prepaid subscribers	We define active prepaid subscribers as the number of prepaid subscribers who have used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)).
reported subscriber base	We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base.
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. See "Presentation of Financial Information—Changes in Accounting Policies" for a discussion of the early adoption of IFRS 15.

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.

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.

RELATED PARTY TRANSACTIONS

We are not aware of any other related party transactions than those described in the Prospectus under the heading “Certain Relationships and Related Party Transactions” and described in Note 36 “Related party transactions” to Play Communications S.A. and its subsidiaries interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16 as at and for the six-month period ended June 30, 2017 (the “**Financial Statements**”) included elsewhere in this Report.

DEFINITIONS

Unless otherwise required by the context or explicitly stated, the following definitions shall apply throughout the document. Certain terms relating to Play and industry-specific terms are defined in the Glossary of Technical Terms attached hereto as Annex C beginning on page B-1.

"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.
"Bank Zachodni WBK Overdraft Facility"	Overdraft agreement between the Group and Bank Zachodni WBK S.A. in an aggregate principal amount of PLN 150 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.
"HoldCo 1"	Play Holdings 1 S.à r.l., a private limited liability company (<i>société à responsabilité limitée</i>) organized under the laws of Luxembourg, having its registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.
"IFRS"	International Financial Reporting Standards, as adopted by the EU.
"IFRS with early adoption of IFRS 15 and IFRS 16"	International Financial Reporting Standards, with early adoption of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.
"IFRS 15"	International Financial Reporting Standard 15 'Revenue from contracts with customers'.
"IFRS 16"	International Financial Reporting Standard 16 'Leases'.
„Millennium Overdraft Facility"	Overdraft agreement between the Group and Millennium S.A. in an aggregate principal amount of PLN 50 million.
"Olympia"	Olympia Development S.A., with its registered office at 25 Ermou St., Nea Kifisia 14564, Attiki, Greece.
"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, 2017"
"Revolving Credit Facility"	The PLN 400,000,000 multi-currency revolving credit facility made available pursuant to the Senior Facilities Agreement.
"SEC"	The United States Securities and Exchange Commission.

“Telco Holdings S.à r.l.”	Telco Holdings S.à r.l, a Luxembourg société anonyme with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg, with a share capital of EUR 21,500 and registered with the Luxembourg Trade and Companies Register under number B191962 (formerly known as NTP Limited, a private limited company incorporated in Jersey with registered number 115496 and having its registered office at 13 Castle Street, St Helier, Jersey JE4 5UT).
“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.

PRESENTATION OF FINANCIAL INFORMATION

General

The financial information presented in our consolidated financial results which are contained herein has been prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 - as presented in the unaudited interim condensed consolidated financial statements that the Group has issued for the six-month period ended June 30, 2017 (the “**Financial Statements**”).

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

IFRS with early adoption of IFRS 15 and IFRS 16 differs in various significant respects from U.S. GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS with early adoption of IFRS 15 and IFRS 16, 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 with early adoption of IFRS 15 and IFRS 16 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in those consolidated financial statements.

The Group’s consolidated financial statements have been prepared based on a calendar year and are presented in zloty rounded to the nearest thousand. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

The financial information in this Report is presented in zloty.

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), Cash Conversion 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 advisory services provided by shareholders, plus cost/(income) resulting from valuation of 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; and
- “Cash conversion” means Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) divided by Adjusted EBITDA.

While amounts included in EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments), and Cash conversion are derived from the Financial Statements, EBITDA, Adjusted EBITDA, Free cash flow to equity (post lease payments) and Cash conversion are not financial measures calculated in accordance with IFRS (including IFRS with early adoption of IFRS 15 and IFRS 16).

We present EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) and Cash conversion because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) and Cash conversion 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) and Cash conversion do not reflect our future requirements, for capital expenditures or contractual commitments;
- EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Cash conversion 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, Adjusted EBITDA margin and Cash conversion 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, Free cash flow to equity (post lease payments) and Cash conversion 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, Free cash flow to equity (post lease payments) and Cash conversion differently than we do, limiting its usefulness as a comparative measure.

We present EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) and Cash conversion 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, Free cash flow to equity (post lease payments) or Cash conversion 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 with early adoption of IFRS 15 and IFRS 16. We compensate for these limitations by relying primarily on our results in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and using non-IFRS measures only supplementally.

Early Adopted Accounting Standards

The Group early adopted the new standards: IFRS 15 *Revenue from contracts with customers* and IFRS 16 *Leases* which result in changes in accounting policies and consequently in differences between the financial data as included in the Financial Statements and the financial data as included in the financial statements prepared prior to the adoption of IFRS 15 and 16. The early adoption of IFRS 15 and IFRS 16 results in accounting adjustments that do not affect the cash flow profile of our Group.

The rationale for the early adoption, the main differences between our financial statements prepared prior to the adoption of IFRS 15 and IFRS 16 and the Financial Statements and the impact of such early adoption are explained below.

Rationale

The adoption of both accounting standards has been under consideration by us since details of their introduction were published. The rationale for early adoption of the IFRS 15 and IFRS 16 standards is twofold.

Firstly, the rationale is focused on IFRS 15. We believe a key pillar of our commercial success has been our focus on “simplicity” both in terms of products, services and value for money we offer to our customers, but also with respect to the running of our own internal processes. The early adoption of IFRS 15 principles allows for a more streamlined approach to onboarding new customers, and also provides a better basis for comparison of business performance in the future, by applying the same accounting policy to all customer contracts. The application of the current revenue standard, IAS 18, results in a degree of variability in timing of revenue recognition depending on the sales model (subsidy versus installment). For contracts with the same cash flow pattern, higher portion of revenue is allocated to the handset and thus recognized upfront in the installment model than in the subsidy model. Thus, telecommunication companies have over time replaced the subsidy sales model with the installment sales model. A range of the extent of transition of the respective customer bases from one sales model to another, differs across telecommunication companies. The installment contract sales model, which is now widely used, results in a disconnect between the phasing of the accounting recognition of revenue and the timing of cash flows, as a significant portion of customers’ total contractual obligation is recognized as revenue upfront (handset component), whilst the cash is received on a monthly basis over the life of the contract.

Applying IFRS 15 results in comparable allocation of customers’ total contractual obligation between service revenue and handset revenue in both sales models. The early adoption of IFRS 15, also on a retrospective basis, serves to put historical results on a consistent basis and therefore improves comparability, allowing also for historical and forecast information to be consistent with the treatment that will be required when the standard comes into effect. The cash flow profile of the companies remain the same, irrespective of the choice of the accounting policy.

Secondly, the rationale is focused on a consistent reporting regime. The adoption of the IFRS 15 and IFRS 16 will become mandatory for all companies reporting under IFRS as of the 2018 financial year for IFRS 15 and as of the 2019 financial year for IFRS 16. Thus early adoption ensures consistency of historical and prospective financial information going forward. Implementation of IFRS 15 and not IFRS 16 would have required a further change to our reporting standards in the future and a further adjustment for investors to reconcile to historical results. By adopting the IFRS 15 and IFRS 16 standards at the same time, investors will be able to review our future results on a more consistent basis.

IFRS 15 Adjustments

For mobile devices sold in bundled packages, under IAS 18 *Revenue* we previously limited revenue to the amount that was not contingent on the provision of future telecommunications services. That was typically the amount received from the customer on the signing of a contract. Whereas, under IFRS 15, the total consideration with respect to a contract (e.g., for mobile devices, telecommunication services and activation fees) is allocated to all products and services – e.g., mobile devices and mobile telecommunications services – based on their relative stand-alone selling prices. This results in a reallocation of a portion of revenue from service revenue to revenue from sales of goods, which are recognized upfront on signing of the customer contract, and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables.

IFRS 15 also requires reclassification of some items previously presented in deferred income to contract liabilities. Contract liabilities are then netted off against contract assets on a contract-by-contract basis.

Additionally, we also moved the inventories in dealers’ premises from prepaid expenses to inventories.

Under IAS 18 *Revenue*, we capitalized the subscriber acquisition and retention costs (“**SAC**”) relating to postpaid contracts and “mix” contracts in the month of service activation. Components of SAC included: subsidy granted to end customer to price of handset or other device, i.e., cost of sales of handset or other device less price charged to end customer, commission on sale, dispatch cost directly attributable to a contract.

The SAC was capitalized and recognized as intangible assets, and amortized in depreciation and amortization, over the life of the contract.

Under IFRS 15 we solely capitalize the costs of commissions paid to acquire or retain subscribers who enter into a post-paid or mix contract. Capitalized costs of commissions constitute “contract cost” asset and are depreciated on a straight-line basis in the operating expenses in the “contract costs, net” line.

IFRS 16 Adjustments

Previously, under IAS 17 *Leases*, the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (either as a lessor or a lessee). Leases classified as a finance lease were recognized as property, plant and equipment. Assets leased under the finance lease agreements comprised mostly vehicles or computers.

Under IFRS 16 *Leases*, the Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. Accordingly, the recurring expenses relating to the use of leased assets, previously presented in general and administrative expenses are now capitalized and depreciated in depreciation and amortization. The discount on lease liability is periodically unwound into finance costs.

Assets previously classified as finance lease agreements as well as asset retirement obligation relating to leased property were reclassified from property, plant and equipment to right-of-use assets.

For further information regarding the specific IFRS 15 and IFRS 16 elements which are adjusted and the relevant line items, please see Note 2.2 to the with the audited consolidated financial statements for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16.

Impact of adoption

IFRS 15

The adoption of IFRS 15 results in upfront recognition of revenue attributable to handset sales, which is partially offset by lower service revenue from contracts adjusted historically. With respect to the EBITDA there is an increase attributed to higher handset revenue partially offset by lower service revenue, whereas overhead costs increase due to the greater bad debt recognition required against the significant handset receivables recognized on the balance sheet when the handset revenue is recognized upfront.

The adoption of IFRS 15 also results in creation of contract cost assets (which comprise capitalized costs of commissions incurred in relation to acquiring a contract). These costs are amortized over the contract term with the amortization charge recognized within operating expenses.

The implementation of IFRS15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on balance sheet and reflected in the working capital changes and other cash flow line items.

IFRS 16

The adjustment for IFRS 16 has a positive impact on EBITDA as the costs of operating leases that were previously expensed above EBITDA are now moved below EBITDA to depreciation of the 'right-of-use' asset and unwind of the discounted lease liability as interest within financial expenses.

Nevertheless, the uplift to EBITDA is largely offset at the profit before tax level, although phasing differences between previous recognition of operating leases and the rate of depreciation of the asset and unwind of the lease liability discount do result in a degree of difference.

The IFRS 16 adjustment also results in a significant increase in net debt, as the discounted future costs of all operating leases are recognized as liabilities on the balance sheet.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

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 Issuer 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. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

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

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

These risks and others described under “Risk Factors” in the Prospectus are not exhaustive. We urge you to read the section of this Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2017” and the sections entitled “Risk Factors” and “Business” in the in the Prospectus approved by Luxembourg Financial Supervision Authority (*Commission de Surveillance du Secteur Financier*) on June 30, 2017 (“Prospectus”) for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Report may not occur. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. We cannot assure you that any of these statements are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources, and we cannot guarantee their accuracy.

RECENT DEVELOPMENTS

The Company completed an initial public offering and its shares were admitted to trading on the Warsaw Stock Exchange on July 27, 2017.

CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The tables below set forth certain consolidated financial information and other data of the Group as of the dates and for the periods indicated.

The interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows of the Group set forth below as of and for the six-month period ended June 30, 2017, and six-month period ended June 30, 2016, have been derived from the Financial Statements included elsewhere in this Report.

The Financial Statements were prepared on a basis consistent with the audited consolidated financial statements for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and include, in our opinion, all adjustments necessary for the fair presentation of the financial information contained in those statements.

Unless otherwise indicated, the financial information in this Report is presented in Polish zloty in millions. For your convenience, we have translated certain zloty amounts for the twelve-month period ended June 30, 2017, in this Report into euro. The exchange rate for the convenience translations is PLN 4.2265 per €1.00, which was the National Bank of Poland's exchange rate per euro as of June 30, 2017. You should not view such translations as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.

Interim Condensed Consolidated Statement of Comprehensive Income

	Six-month period ended		Twelve-month period ended		Notes in the Financial Statements
	June 30, 2016	June 30, 2017	June 30, 2017	June 30, 2017	
	Unaudited	Unaudited	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)	
Operating revenue	2,931.4	3,209.5	6,395.6	1,513.2	23
Service revenue	2,174.4	2,374.1	4,692.6	1,110.3	
Sales of goods and other revenue	757.0	835.4	1,703.1	403.0	
Operating expenses	(2,267.4)	(2,787.6)	(5,273.7)	(1,247.8)	
Interconnection, roaming and other service costs	(717.1)	(798.7)	(1,577.5)	(373.2)	24
Contract costs, net	(202.5)	(213.7)	(410.1)	(97.0)	25
Cost of goods sold	(664.2)	(639.4)	(1,341.4)	(317.4)	
General and administrative expenses	(385.5)	(726.5)	(1,199.5)	(283.8)	26
Depreciation and amortization	(298.0)	(409.3)	(745.3)	(176.3)	27
Other operating income	36.6	46.0	80.1	18.9	28
Other operating costs	(85.6)	(32.6)	(91.4)	(21.6)	28
Operating profit	615.0	435.4	1,110.6	262.8	
Finance income	25.8	136.2	245.3	58.0	29
Finance costs	(339.1)	(454.4)	(614.4)	(145.4)	29
Profit before income tax	301.8	117.2	741.5	175.4	
Income tax charge	(125.7)	(59.6)	(148.1)	(35.0)	30
Net profit for the period	176.1	57.5	593.4	140.4	
Other comprehensive loss for the period	-	(4.3)	(4.3)	(1.0)	10
Total comprehensive income for the period	176.1	53.2	589.1	139.4	
Earnings per share (in PLN) (basic equals diluted)	0.70	0.23	2.37	0.56	
Weighted average number of shares (in millions) (basic equals diluted) ⁽¹⁾	250.5	250.5	250.5	250.5	

(1) Weighted average number of shares (basic equals diluted) is calculated as sum of (i) 250,000,000 shares issued till June 30, 2017 and (ii) 538,325 shares issued without consideration under Value Development Plan 4 after the reporting date but before approval of the interim condensed consolidated financial statements. The shares under the new Performance Incentive Plans for the Management Board of P4 issued after the reporting date in exchange for consideration will be included in the weighted average number of shares starting from the period in which the consideration was paid.

Interim Condensed Consolidated Statement of Financial Position

	December 31, 2016	June 30, 2017	
		Unaudited	
	(PLN in millions)	(PLN in millions)	Notes in the Financial Statements
ASSETS			
Non-current assets			
Property, plant and equipment	1,089.4	1,215.6	3
Right-of-use assets	745.5	776.8	4
Intangible assets	2,628.8	2,683.3	5
Assets under construction	540.4	291.2	6
Contract costs	350.7	351.6	7
Long term finance receivables	341.0	-	8
Other long term receivables	12.2	12.5	9
Other long-term finance assets	134.2	1.0	10
Deferred tax asset	134.4	68.3	30
Total non-current assets	5,976.7	5,400.2	
Current assets			
Inventories	149.7	188.0	11
Short term finance receivables	0.3	2,217.0	8
Trade and other receivables	1,259.9	1,100.4	12
Contract assets	997.8	1,159.5	13
Current income tax receivables	-	21.9	
Prepaid expenses	21.2	22.4	14
Cash and cash equivalents	341.0	270.8	15
Total current assets	2,769.9	4,980.0	
TOTAL ASSETS	8,746.6	10,380.2	
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	0.1	0.1	16
Share premium	5,644.2	5,644.2	
Other reserves	-	(4.3)	10
Retained losses	(4,301.6)	(4,244.1)	
Total equity	1,342.6	1,395.9	
Non-current liabilities			
Long-term finance liabilities - debt	5,176.4	6,870.1	17
Long-term provisions	47.5	53.3	18
Long-term retention programs liabilities	150.1	8.6	19
Deferred tax liability	0.3	0.5	30
Other non-current liabilities	10.9	10.4	
Total non-current liabilities	5,385.2	6,942.8	
Current liabilities			
Short-term finance liabilities - debt	277.2	375.5	17
Other short-term finance liabilities	-	8.2	10
Trade and other payables	1,177.6	978.0	20
Contract liabilities	44.9	33.8	
Current income tax payable	173.8	15.9	
Accruals	54.4	60.0	21
Short-term provisions	1.0	0.1	18
Short-term retention programs liabilities	17.7	270.4	19
Deferred income	272.2	299.6	22
Total current liabilities	2,018.8	2,041.6	
TOTAL LIABILITIES AND EQUITY	8,746.6	10,380.2	

Interim Condensed Consolidated Statement of Cash Flows

	Six-month period ended	Six-month period ended	Notes in the Financial Statements
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Profit before income tax	301.8	117.2	
Depreciation and amortization	298.0	409.3	
Change in contract costs	(0.7)	(0.9)	
Interest expense (net)	163.5	243.2	
(Gain)/Loss on finance instruments at fair value	(17.1)	169.5	
Foreign exchange (gains)/losses	166.9	(94.6)	
Gain on disposal of non-current assets	(4.4)	(2.2)	
Impairment of non-current assets	2.0	3.0	
Change in provisions and retention programs liabilities	(16.0)	109.8	
Changes in working capital and other	(310.5)	77.1	32
Change in contract assets	1.0	(161.7)	
Change in contract liabilities	(1.3)	(11.1)	
Cash provided by operating activities	583.3	858.5	
Interest received	0.1	-	
Income tax paid	(51.5)	(172.2)	
Net cash provided by operating activities	531.9	686.3	
Proceeds from sale of non-current assets	3.7	1.1	
Proceeds from loans given	-	18.3	8
Proceeds from debt securities (Repayment of notes by Impera Holdings S.A.)	-	388.3	8
Purchase of fixed assets and intangibles and prepayments for assets under construction	(1,926.3)	(368.0)	
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	(69.7)	(68.9)	
Net cash used in investing activities	(1,992.3)	(29.3)	
Proceeds from finance liabilities	365.0	6,443.0	33
Repaid finance liabilities and paid costs relating to finance liabilities	(594.0)	(4,943.0)	33
Purchase of notes issued by Impera Holdings S.A.	-	(2,227.0)	8, 33
Net cash used in financing activities	(229.0)	(727.0)	
Net change in cash and cash equivalents	(1,689.4)	(70.0)	
Effect of exchange rate change on cash and cash equivalents	0.0	(0.2)	
Cash and cash equivalents at the beginning of the period	1,556.8	341.0	
Cash and cash equivalents at the end of the period⁽¹⁾	(132.6)	270.8	31

(1) Including overdrafts: PLN 113.9 million in Bank Zachodni WBK S.A. and PLN 48.5 in Bank Millennium S.A as of June 30, 2016.

Other Operating and Financial Information

	Six-month period ended		Twelve-month period ended	
	June 30, 2016	June 30, 2017	June 30, 2017	June 30, 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
Adjusted EBITDA ⁽¹⁾	957.5	1,163.0	2,240.7	530.1
Adjusted EBITDA margin (%) ⁽¹⁾	32.7	36.2	35.0	35.0
Total cash capital expenditures ⁽²⁾	1,922.6	367.0	634.7	150.2
of which cash outflows in relation to frequency reservation acquisition ⁽³⁾	1,704.4	6.5	6.5	1.5
Adjusted EBITDA less total cash capital expenditures (excl. cash outflows in relation to frequency reservation acquisition)	739.4	802.5	1,612.4	381.5
Cash conversion (%) ⁽¹⁾⁽⁴⁾	77.2	69.0	72.0	72.0
Free cash flow to equity (post repayment of leases) ⁽¹⁾⁽⁵⁾	149.1	195.8	829.4	196.2

(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.

(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.

(3) In the six-month period ended June 30, 2016, the Group acquired frequency reservations in the 800 MHz and 2600 MHz spectrum for the total price of PLN 1,718.4 million, of which PLN 14.0 million was paid in the year ended December 31, 2014, as a deposit securing the frequency and was finally accounted for in the price of the frequency reservation.

(4) “Cash conversion” is calculated as Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) divided by Adjusted EBITDA.

(5) 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		Twelve-month period ended	
	June 30, 2016	June 30, 2017	June 30, 2017	June 30, 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(EUR in millions)
Operating profit	615.0	435.4	1,110.6	262.8
Add depreciation and amortization	298.0	409.3	745.3	176.3
EBITDA	913.1	844.6	1,855.9	439.1
Costs of management fees ^(a)	16.0	34.3	54.2	12.8
Valuation of retention programs and costs of special bonuses ^(b)	(14.5)	251.9	273.5	64.7
Other one-off costs ^(c)	42.9	32.2	57.1	13.5
Adjusted EBITDA	957.5	1,163.0	2,240.7	530.1

- (a) Costs of management fees are costs in relation to advisory services agreements entered into by the Group with Novator Partners LLP and Olympia for the six-month period ended June 30, 2016, and with Novator Partners LLP and Tollerton Investments Limited for the six-month period ended June 30, 2017. The increase of these costs in six-month period ended June 30, 2017 resulted from additional advisory services related to the initial public offering of the Company.
- (b) We revalue our management and employee retention programs on a periodic basis based on the triggers affecting the program and the amounts which may be required to be paid to beneficiaries under such programs. This charge/benefit is added back to our Adjusted EBITDA. The valuation of retention programs and special bonuses increased in six-month period ended June 30, 2017 due to the settlement of certain programs in relation to the Refinancing and Recapitalization as well as the initial public offering of the Company; for more information see notes 19 and 37 of the Financial Statements included elsewhere in this Report.
- (c) Other one-off costs for the six-month period ended June 30, 2017 comprised: (i) one-off costs of PLN 12.2 million related to prepaid registration process to comply with new regulations introduced by the Act dated June 10, 2016 on Anti-terrorist Operations, which came into force in Poland on July 25, 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards; (ii) one-off costs of strategic projects out of usual scope of our business of PLN 4.6 million; (iii) costs of the initial public offering of the Company in the amount of PLN 14.7 million and other one-off costs of PLN 0.6 million.

Other one-off costs for the six-month period ended June 30, 2016, comprised: (i) cost of provision for early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million; (ii) one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling; (iii) one-off costs of strategic projects out of usual scope of our business of PLN 2.3 million and other one-off costs of PLN 7.4 million.

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 tables present 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, 2016	June 30, 2017	June 30, 2016	June 30, 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	(PLN in millions)	(PLN in millions)	(PLN in millions)	(PLN in millions)
Adjusted EBITDA	957.5	1,163.0	490.6	598.7
Cash capital expenditures ⁽¹⁾	(218.1)	(360.5)	(96.5)	(150.0)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs ⁽²⁾	(311.4)	(96.6)	(119.3)	23.1
Cash interest ⁽³⁾	(130.9)	(239.6)	(4.2)	(74.7)
Cash taxes	(51.5)	(172.2)	(0.2)	(12.8)
Lease payments	(96.6)	(98.2)	(47.7)	(48.7)
Free cash flow to equity (post repayment of leases)	149.1	195.8	222.6	335.6

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

(2) Comprising the separate line items changes in working capital and other, change in contract assets, change in contract liabilities and change in contract costs from the Financial Statements.

(3) 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

As of June 30, 2017, unaudited

	PLN in millions	xLTM Adjusted EBITDA ⁽¹⁾
Cash and cash equivalents	270.8	0.12x
Senior Facilities ⁽²⁾	6,443.0	2.88x
Leases	873.2	0.39x
Other debt	21.3	0.01x
Total debt	7,337.4	3.27x
Net debt	7,066.6	3.15x

As of March 31, 2017, unaudited

	PLN in millions	xLTM Adjusted EBITDA ⁽¹⁾
Cash and cash equivalents	116.3	0.05x
Senior Facilities ⁽²⁾	6,443.0	3.02x
Leases	863.4	0.40x
Other debt	20.0	0.01x
Total debt	7,326.4	3.44x
Net debt	7,210.1	3.38x

(1) LTM Adjusted EBITDA as of June 30, 2017, of PLN 2,240.7 million and as of March 31, 2017, of PLN 2,132.5 million.

(2) The amount represents the nominal value (there is no interest accrued as of June 30, 2017 nor as of March 31, 2017) whereas in the Financial Statements the value of Senior Facilities is measured at amortized cost.

Summary of Key Performance Indicators⁽¹⁾

	Three-month period ended		Six-month period ended	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
	unaudited	unaudited	unaudited	unaudited
Reported subscribers (thousands)	14,617.4	14,484.4	14,617.4	14,484.4
Contract	7,629.0	8,942.2	7,629.0	8,942.2
Prepaid	6,988.3	5,542.2	6,988.3	5,542.2
Active subscribers (thousands)	11,551.3	12,195.0	11,551.3	12,195.0
Contract	7,411.4	8,335.5	7,411.4	8,335.5
Prepaid	4,139.9	3,859.6	4,139.9	3,859.6
Net additions (thousands)	197.4	142.0	467.1	69.8
Contract	288.4	260.1	559.4	575.8
Prepaid	(90.9)	(118.0)	(92.3)	(505.9)
Churn (%)²	3.5%	2.1%	3.4%	2.6%
Contract	0.7%	0.7%	0.7%	0.7%
Prepaid	6.4%	4.4%	6.3%	5.6%
ARPU (PLN)³	31.0	32.3	30.7	31.6
Contract	39.0	38.5	39.0	38.4
Prepaid	17.1	18.7	16.8	17.5
Data usage per subscriber (MB)³	2,522.7	3,909.0	2,499.7	3,755.8
Contract	3,240.6	4,746.4	3,227.4	4,577.0
Prepaid	1,274.9	2,094.9	1,266.0	2,025.7
unit SAC cash (PLN)				
Contract	378.6	338.0	378.1	324.6
Prepaid	3.6	5.2	3.5	4.3
unit SRC cash (PLN)	368.5	323.6	386.2	323.7
unit SAC (PLN)				
Contract	272.9	319.8	297.4	305.5
Prepaid	3.6	5.2	3.5	4.3
unit SRC (PLN)	293.1	319.8	283.2	319.5

(1) See "Industry, Market and Subscriber Data" for definitions of our Key Performance Indicators. We believe that each of our competitors calculates these metrics differently and this may affect comparability.

(2) We present our ARPU and data usage per subscriber on an average active monthly basis.

(3) We present our churn per subscriber on an average reported monthly basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2017.

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, 2017, and June 30, 2016, 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 "–Critical Accounting Policies, Estimates and Judgments." In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

The financial statements have been prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16, 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 with early adoption of IFRS 15 and IFRS 16 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 and risk factors" in this Report. See "Industry, Market and Subscriber Data" for a discussion of how we define and calculate our KPIs.

Introduction

This Report summarizes consolidated financial and operating data derived from the Financial Statements of Play Communications S.A. (formerly Play Holdings 2 S.à r.l.; hereafter, together with its subsidiaries, the "**Play Group**" or the "**Group**") which was incorporated under the laws of Luxemburg on January 10, 2014. Play Communications S.A. directly holds 100% of its principal operating company, P4 Sp. z o.o. incorporated under the Polish law ("**P4**", the "**Company**") which began providing mobile telecommunications services on March 16, 2007.

Overview

We are a consumer-focused mobile network operator ("**MNO**") in Poland with approximately 14.5 million subscribers as of June 30, 2017. In Q2 2017, we have added 260 thousands of contract subscriber what allowed us to achieve an overall market share of 28.0% in terms of reported subscribers as of June 30, 2017. The level of our market share resulted from the organic increase of our subscriber base and partially the decrease of overall number of subscribers reported to Central Statistical Office by all operators which is an effect of prepaid registration process. 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, 2017. During the six-month period ended June 30, 2017, we generated total revenues of PLN 3,209.5 million and an increase of 9.5% year on year in PLN terms, while our Adjusted EBITDA for the six-month period ended June 30, 2017, amounted to PLN 1,163.0 million, an increase of 21.5% year on year in PLN terms.

We provide mobile voice, messaging, 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). Our principal focus is contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of June 30, 2017, contract subscribers accounted for 61.7% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 79.7% of our usage revenues for the six-month period ended June 30, 2017.

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 second quarter of 2017, 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 second quarter of 2017, the net promoter score for "PLAY" was 18.

We market our offerings and services primarily through our nationwide distribution network of 850 "PLAY" branded stores, a significant number of which are situated in prime locations across Poland. We exercise significant control over the network, enabling us to deliver a uniform look and feel designed to promote brand recognition and what we believe is a best-in-class retail experience in a cost-efficient manner.

Our growth has been supported by a favorable domestic regulatory framework and industry dynamics, as well as our extensive, modern and cost-efficient 2G/3G/4G LTE and 4G LTE Ultra telecommunications network in Poland, throughout which we provide our mobile voice, messaging, video and data services. Through our own network, we provided coverage to 92.8% of the Polish population as of June 30, 2017, and we extend our available network to 99% of the population through long-term 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, 2017, we provided 4G LTE and 4G LTE Ultra coverage, to 92.7% and 80.3% of the Polish population, respectively.

Key Factors Affecting Our Results of Operations and Significant Market Trends

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

Economic environment in Poland

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

During the recent economic downturn in EU, the Polish economy performed better than many of the other European economies and was the only economy in the EU which continues to grow in each year. Also in recent years the Polish economy outperformed the EU average, with the real GDP growth of 5.0% in 2011, 1.6% in 2012, 1.3% in 2013, 3.3% in 2014 and 3.6% in 2015 and 2.7% in 2016 compared to the EU average real GDP growth of 1.8% in 2011, a decline of 0.5% in 2012, growth 0.3% in 2013, 1.7% in 2014, 2.2% in 2015 and 1.9% in 2016. With a forecast for Poland announced by Eurostat in Spring 2017 of real GDP growth 3.5% in 2017 and 3.2% in 2018, Poland is poised to continue to grow at a faster rate than the estimated EU average real GDP growth rates of 1.7% in 2017 and 1.8% in 2018.

As of the date of this Report, Moody's Investors Services rated Poland "A2" with a "Stable" outlook, and Standard & Poor's Financial Services LLC rated Poland "BBB+" with a "Stable" outlook, Fitch credit rating for Poland stand at "A-" with a "Stable" outlook. As of June 30, 2017, the harmonized unemployment rate in Poland was approximately 4.8% compared to approximately 7.7% in the EU for 28 countries, according to Eurostat.

While we operate in the telecommunications sector, for which underlying consumer demand has proven to be less cyclical than other aspects of consumer spending during periods of economic downturn, the general macroeconomic environment correlates well with consumer spending. Consumers spend less on an incremental basis, such as by placing fewer calls, sending fewer SMS, using less data or opting for lower tariff plans. In poor economic conditions, consumers are more likely to delay the replacement of their existing handsets, change to less expensive tariff plans or be more likely to disconnect or cancel their services. While we believe that the telecommunications market will grow in line with overall GDP growth in Poland and support our future growth, generally, weak economic conditions may weigh on the growth prospects of the telecommunications market in Poland, which in turn may impact our number of subscribers and ARPU.

In addition, prospects for GDP growth in Poland and other macroeconomic factors are uncertain and strongly dependent, among other things, on the global economic environment, for example, concerns regarding the European sovereign debt crisis could have a material adverse effect on the economy in Poland and, consequently, our business and results of operations.

General regulatory environment

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

Since Poland is a member of the EU, we have to comply with certain EU directives that are transposed into Polish legislation concerning maximum rates that may be charged for international roaming services or maximum contract lengths for tariff plans offered to subscribers. Under these legislations, the EC regulates the maximum rates that can be charged to subscribers for voice calls and non-voice services placed and received by subscribers on foreign European mobile networks. In the periods under review these rates have been subject to annual reductions. In relation to contracts, the EC has set 24 months as the maximum length of time an MNO can tie a contract subscriber to a particular contract.

In addition to European regulations, we are subject to national regulations concerning the application of MTRs between operators in the wholesale market. In this respect, the regulatory authorities have the power to determine the MTR, subject to notification to the European Commission. 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.

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.

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

<i>expressed in PLN</i>	2014				2015				2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
ARPU	29.7	30.8	31.7	31.7	31.2	32.1	32.1	31.5	30.5	31.0	31.8	32.2	31.0	32.3
- Contract	40.8	41.7	42.5	41.7	40.9	41.3	41.5	40.3	39.0	39.0	39.0	39.4	38.2	38.6
- Prepaid	15.1	16.3	17.1	17.2	16.6	17.7	17.6	17.4	16.4	17.1	18.1	17.8	16.3	18.7

<i>expressed in PLN</i>	2014	2015	2016
	FY		
ARPU	31.0	31.7	31.4
- Contract	41.7	41.0	39.1
- Prepaid	16.4	17.3	17.4

See "ARPU and Contract/Prepaid ARPU" for an explanation of ARPU trends in Q2 2017.

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, 2016</u>	<u>Six-month period ended June 30, 2017</u>
Foreign exchange rates		
Zloty per euro (EOP) ⁽¹⁾	4.4255	4.2265
Zloty per euro (average in period) ⁽²⁾	4.3663	4.2704

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

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

Our principal expenditures denominated in euro result from our:

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

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

Growth of subscriber base and subscriber retention

According to the CSO, the Polish mobile telecommunications market grew from 55.5 million reported subscribers (a penetration rate of 143.9%) as of June 30, 2013 to 56.9 million reported subscribers (a penetration rate of 147.7%) as of June 30, 2014, to 58.4 million reported subscribers (a penetration rate of 152.0%) as of June 30, 2015 and drop to 57.2 million reported subscribers (a penetration rate of 148.8%) as of June 30, 2016, and to 51.7 million reported subscribers (a penetration rate of 134.5%) as of June 30, 2017..

The overall decrease in reported subscribers between 2015 and 2016 in the Polish market resulted from T-Mobile’s deactivation of significant amount of prepaid subscribers during the fourth quarter of 2015. This decreased the penetration level at the end of December 2015. At the same time, T-Mobile’s reduction of reported subscribers has changed the market shares of Polish MNOs.

The decrease as of June 30, 2017 compared to June 30, 2016 resulted from the introduction of an anti-terrorist act implementing prepaid registration requirement in Poland, which led to certain subscribers being cancelled by operators. All MNOs experienced subscriber base decrease.

The number of our reported subscriber base was 9.8 million as of June 30, 2013 (market share of 17.7%), 11.3 million as of June 30, 2014 (market share of 19.8%), 13.0 million as of June 30, 2015 (market share of 22.3%) and 14.6 million as of June 30, 2016 (market share of 25.6%), and 14.5 million as of June 30, 2017 (market share 28.0%). The proportion of contract subscribers to total reported subscriber base was 44.4% as of June 30, 2013, 45.6% as of June 30, 2014, 49.4% as of June 30, 2015 and 52.2% as of June 30, 2016, and 61.7% as of June 30, 2017.

Since the commercial launch of our operations in 2007 we have been focused on subscriber additions as we sought to establish our market share, and since then we have continued to focus on further subscriber additions and also focusing on subscriber retention, as well as on migrating prepaid subscribers to contract subscribers, which are generally characterized by a more stable revenue profile. In relation to subscriber additions, we have been particularly successful under MNP in attracting new subscribers and we have acquired 50% of all reported subscribers porting mobile numbers since April 2007 till June 30, 2017. In April 2014, we have also introduced “family” plans, whereby family groups of three or more individuals can enjoy discounts on mobile telephones, mobile data and other benefits, which have been successful since their introduction.

In June 2016, we have introduced “duo” offers, whereby groups of two can enjoy discounts on mobile telephones, mobile data and other benefits.

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

Competition

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with Play, as of June 30, 2017, held over 99% of the reported subscriber market share. According to CSO the total number of reported mobile subscribers in Poland as of June 30, 2017 amounted to 51.7 million, and Play with its 14.5 million reported subscriber base had approximately 28.0%.

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 able to achieve solid financial performance through a rational approach of securing their revenues by protecting ARPU levels rather than trying to maximize market share which would lead to price instability. Rather than focusing on low prices to attract new subscribers and retain existing subscribers which may lead to price instability, we believe that our revenues and profitability will be supported by the continued growth in the number of our subscribers (including in particular, the improvement of our quality mix of subscribers by attracting more contract subscribers), the up-selling of services, increased coverage of the 4G LTE network, the launch of new services including 4G LTE ULTRA mobile broadband and the active management of our subscriber acquisition, maintenance and retention costs, including subsidies and commissions. However, we may be forced to lower our prices for certain offerings and services in response to competitors’ pricing policies, which may have an adverse effect on our future revenues and profitability.

At the same time, we believe that it will be challenging for any new MNO to enter the Polish mobile telecommunications market given the substantial costs of entry in order to effectively compete, as a new entrant would require a substantial amount of radio spectrum (which is currently very limited) and network infrastructure which it would either need to build out or negotiate access to, as well as a distribution network, which, given the exclusivity arrangements the MNOs have with most mobile dealers, is difficult to build out. The low retail margins have contributed to MVNOs not being a major feature of the Polish telecommunications market. The four major MNOs (Play, Orange, Plus, T-Mobile) represented over 99% of the market share of subscribers as of June 30, 2017, while MVNOs and other operators represented together approximately 1%. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players.

Investment in our network

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

In addition to our nationwide roll-out strategy we have in place national roaming/network sharing agreements. Through our own network, we provide coverage to 92.8% of the Polish population as of June 30, 2017, while we also provide 2G/3G/4G LTE coverage under long-term national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile which extends our available network to 99% of the population and provides our subscribers with unmatched network coverage with access to all four major mobile networks in Poland. This allows us to provide wide coverage as well as benefiting from a built-in redundancy, such that if there is a failure of any one network, there are always three back-up networks available, as well as allowing us to manage our level of capital expenditures by being able to choose whether to build out our own network or rely on national roaming/network sharing coverage in a specific area.

Following the acquisition of 1800 MHz technology neutral frequency license in June 2013, we launched a roll-out of our 4G LTE network utilizing the 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 the fourth quarter of 2015, we won access to the following frequencies in spectrum auction:

- 1 frequency block of 2 x 5MHz bandwidth in the 800 MHz frequency band, for a total of PLN 1,496,079,000
- 4 frequency blocks, each of 2 x 5MHz bandwidth in the 2600MHz frequency band, for a total of PLN 222,354,000

The total payment offered by P4 for above-listed frequency blocks amounted to PLN 1,718,433,000.

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

- 800 MHz for 2 x 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 x 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 x 15 MHz (decisions issued on June 14, 2013) that expires on December 31, 2027, which cost the Group PLN 498 million
- 2100 MHz for 2 x 14.8 MHz and 1 x 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 x 20 MHz (decisions issued on January 25, 2016) that expires on January 25, 2031, which cost the Group PLN 222 million.

We believe our current spectrum position is on a par with our competitors and have no renewals until 2022.

Quality of subscriber base

Our operations are affected by the quality mix of our subscriber base. We have been focused on growing our contract subscribers who provide higher ARPU than prepaid subscribers and security of revenue due to fixed term contracts. The 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, 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.

Refinancing and Recapitalization

Senior Facilities Agreement

On March 7, 2017 we signed Senior Facilities Agreement (the "**Senior Facilities Agreement**") with a principal amount of PLN 6,600m in term loans and a PLN 400m revolving credit facility. On March 20 and 21, 2017, we drew down PLN 6,443m from Senior Facilities and the remaining amount under the term loans was cancelled. The bank debt is now divided into three tranches:

- Tranche A amounting to PLN 2,443m which is amortized, maturing in 2022
- Tranche B amounting to PLN 2,732m which is bullet, maturing in 2022
- Tranche C amounting to PLN 1,268m which is bullet, maturing in 2023.

Margins over WIBOR are a subject to total leverage ratio at the level of Group.

We used the net proceeds from Senior Facilities Agreement towards repayment of Notes and, via acquisition of intercompany notes between the Company and Impera Holdings S.A. (amounting to EUR 524,000,000), repayment of EUR 415,000,000 of senior PIK toggle notes issued in August 2014 (and repayment of intercompany debt).

The facilities initially bear interest at a rate per annum equal to WIBOR (or EURIBOR or LIBOR, as applicable) (in each case subject to zero floor) and an initial margin of:

- (a) in relation to any Facility A, 2.50% per annum;
- (b) in relation to any Facility B, 3.00% per annum;
- (c) in relation to Facility C, 3.75% per annum; and
- (d) in relation to Revolving Facility, 2.50% per annum,

provided that if no event of default is continuing and a period of at least two complete financial quarters expired after the first utilization under the Senior Facilities Agreement, the margin will be determined by reference to the total leverage ratio.

The facilities under the Senior Facilities Agreement are required to be secured (subject to the security principles agreed in the Senior Facilities Agreement) by security including (as applicable for the relevant grantor of security) over the shares in each borrower and guarantor, assignments of intra group receivables, pledges over bank accounts and pledges over assets (including material intellectual property and insurance). On the date of first utilization of the Senior Term Facilities, such security shall include a share pledge over the shares in Company, a share pledge over the shares in Play, a financial pledge over bank accounts by Play, and a registered pledge over all assets (including material intellectual property and insurance) by Play.

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

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

In connection with entering into the Senior Facilities Agreement, Play Holdings 1 S.à r.l., the Company, Play, Bank Zachodni WBK S.A. as facility agent, Bank Zachodni WBK S.A. as the security agent (the "**Security Agent**") and certain other entities entered into an intercreditor agreement (the "Intercreditor Agreement") to govern the relationships and relative priorities among: (a) the lenders under the Senior Facilities Agreement; (b) any persons that accedes to the Intercreditor Agreement as counterparties to certain hedging agreements; (c) certain future creditors of the Company and its subsidiaries; (d) the Security Agent; (e) intra-group creditors and debtors; and (f) Play Holdings 1 S.à r.l. as a creditor of the Company. Impera Holdings SA is not a party to the Intercreditor Agreement.

Amendments to the Senior Facilities Agreement

On May 11, 2017, Play requested certain amendments to the Senior Facilities Agreement in anticipation of the offering of the Shares and application for admission to trading on the WSE. These included:

- certain technical amendments in order to facilitate an initial public offering of Shares of the Issuer and consequential amendments to reflect that this had occurred throughout the Senior Facilities Agreement
- a waiver of a mandatory prepayment with the proceeds of the offering of the Shares
- certain technical amendments to the information undertakings of the Senior Facilities Agreement in connection with the admission to trading on the WSE
- an amendment to the financial covenants to include an interest cover ratio and an amendment to the testing of the cashflow cover. Testing of the cashflow cover would be updated so that for any testing period in respect of which

consolidated total net leverage is equal to or less than 2.75:1, the interest cover ratio shall be tested and the cashflow cover shall not be tested; and for any testing period in respect of which consolidated total net leverage is greater than 2.75:1, the cashflow cover shall be tested and the interest cover ratio shall not be tested

- the deletion of certain permitted payments on equity and to shareholders. This included deleting the ability to (i) pay a EUR 5,000,000 monitoring fee each financial year, (ii) a EUR 35,000,000 dividend, return of capital, capital contribution or other distribution in each financial year and (iii) following the initial public offering, the deletion of the ability to pay any fees to each shareholder and/or each service provider named under any management services agreement. There was an additional amendment to permit a one-off deal fee to be paid to certain shareholders in connection with the arrangement and/or implementation of the initial public offering
- waivers and amendments to permit the Conversion and actions related thereto (including a release of security over the shares in the Issuer (to facilitate the listing)).

A consent fee will be paid to lenders who consented simultaneously with the closing of the Offering.

Consents for the above amendments were obtained, and the Senior Facilities Agreement was amended and restated on June 14, 2017.

Senior PIK Toggle Notes

On March 22, 2017, Impera Holdings S.A., the indirect 100% shareholder of Play Communications S.A. as of the end of June 2017, has issued EUR 500,000,000 in the aggregate principal amount of 5.375%/6.125% Senior PIK Toggle Notes („Senior PIK Toggle Notes”) due 2022. Impera Holdings S.A. used the net proceeds from the issuance of Senior PIK Toggle Notes towards a shareholder distribution. According to the best knowledge of the Company, Impera Holdings S.A. has redeemed the Senior PIK Toggle notes in July 2017.

Key Performance Indicators

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

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

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

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

Reported and active subscriber base

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

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

	As of June 30,		
	2016	2017	Change
Reported subscribers (thousands)	14,617.4	14,484.4	(0.9%)
Contract	7,629.0	8,942.2	17.2%
Prepaid	6,988.3	5,542.2	(20.7%)
Active subscribers (thousands)	11,551.3	12,195.0	5.6%
Contract	7,411.4	8,335.5	12.5%
Prepaid	4,139.9	3,859.6	(6.8%)

As of June 30, 2017, the total number of our reported subscriber base was approximately 14.5 million, of which 61.7% were contract subscribers. Our reported subscriber base represents approximately 28.0% of the total number of reported subscribers in the Polish mobile market compared to 25.6% as of the end of June 2016. The decrease of reported subscriber base is a result of the mandatory prepaid registration due to the ATO Act. On July 25, 2016, we began the registration of prepaid SIM cards in compliance with the ATO Act. The process of registration ended on February 1, 2017, after which date unregistered subscribers' SIM cards were blocked until those customers registered. As a result, there was high volatility in our prepaid base. As of February 1, 2017, we had registered approximately 90% of our active prepaid base. According to CSO, there was a total of 51.7 million subscribers at the end of June, in 2017 meaning, the total number of subscribers on Polish market decreased by 5.5 million (at the end of June 2016, there were 57.2 million subscribers). During the periods described herein, 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 7.6 million as of June 30, 2016, to 8.9 million as of June 30, 2017. This increase the share of contract subscribers as a proportion of our total reported subscriber base from 52.2% as of June 30, 2016, to 61.7% as of June 30, 2017.

As of June 2017, the total number of our active subscriber base was approximately 12.2 million, of which 68.4% were contract subscribers. It increased from 7.4 million as of June 30, 2016 to 8.3 million as of June 30, 2017. 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.

Net additions and Churn

For the three months ended June 30, 2017, contract net additions were 260.1 thousand, representing a decrease of 9.8% relative to the comparable period in 2016.

For the last six months ended June, 2017, contract net additions were 575.8 thousands, which represented an increase of 2.9% relative to the comparable period in 2016.

In the three months ended June 30, 2017, we continued experiencing an increase in contract net additions. We believe that the growth in contract net additions was driven by the “family” plans and “duo” offers whereby groups of two or more individuals can enjoy discounts on mobile telephones, mobile data and other benefits. These offerings have been successful since their introduction. Additionally, we experienced the impact of the ATO, which partially shifted net additions from prepaid to contract.

Total net additions in the three months ended June 30, 2017, were negative due to the prepaid registration required under the ATO which led to the deregistration of prepaid subscribers, and made the addition of new subscribers more onerous. The effect of prepaid registration influenced all MNOs negatively. However, we believe this is a one-off event.

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

	Three-month period ended			Six-month period ended		
	June 30, 2016	June 30, 2017	Change	June 30, 2016	June 30, 2017	Change
Net additions (thousands)	197.4	142.0	(28.1%)	467.1	69.8	(85.0%)
Contract	288.4	260.1	(9.8%)	559.4	575.8	2.9%
Prepaid	(90.9)	(118.0)	29.8%	(92.3)	(505.9)	448.3%
Churn (%)⁽¹⁾	3.5%	2.1%		3.4%	2.6%	
Contract	0.7%	0.7%		0.7%	0.7%	
Prepaid	6.4%	4.4%		6.3%	5.6%	

(1) We present our churn on an average monthly basis.

Average monthly contract churn rate has remained stable at the level of 0.7% in the three month period ended June 30, 2017, and remained stable versus comparable period ended June 30, 2016. Due to the nature of prepaid offerings and prepaid registration event, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

ARPU and Contract/Prepaid ARPU

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

In the three-month period ended June 30, 2017, our ARPU was PLN 32.3, 4.1% higher relative to the comparable period in 2016.

Contract ARPU for the three-month period ended June 30, 2017, amounted to PLN 38.6, a decrease of 1.2% compared to the same period in 2016, while prepaid ARPU for the three-month period ended June 30, 2017, amounted to PLN 18.7, an increase of 9.3% compared to the same period in 2016. The overall ARPU increase was driven by a growth in prepaid ARPU which resulted from high increase in data usage. The slight decrease of contract ARPU was an effect of growing number of customers using family and duo offers which were introduced in Q2 2014 and Q2 2016 respectively. While selling these packages the number of subscribers increased, however, these tariffs were sold for slightly lower prices than if they had been sold separately.

The following table presents ARPU during the periods under review:

	Three-month period ended			Six-month period ended		
	June 30, 2016	June 30, 2017	Change	June 30, 2016	June 30, 2017	Change
ARPU (PLN)⁽¹⁾	31.0	32.3	4.1%	30.7	31.6	2.9%
Contract	39.0	38.6	(1.2%)	39.0	38.4	(1.6%)
Prepaid	17.1	18.7	9.3%	16.8	17.5	4.3%

(1) We present our ARPU on an average monthly basis and for active subscribers only.

Data traffic

Data usage per subscriber increased from 2,522.7 MB monthly in the three-month period ended June 30, 2016, to 3,909.0 MB in the three-month period ended June 30, 2017, representing a growth of 55.0%. 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.

The following table presents a breakdown of data transmission usage:

	Three-month period ended			Six-month period ended		
	June 30, 2016	June 30, 2017	Change	June 30, 2016	June 30, 2017	Change
Data usage per subscriber (MB)⁽¹⁾	2,522.7	3,909.0	55.0%	2,499.7	3,755.8	50.3%
Contract	3,240.6	4,746.4	46.5%	3,227.4	4,577.0	41.8%
Prepaid	1,274.9	2,094.9	64.3%	1,266.0	2,025.7	60.0%

(1) We present our data usage per subscriber on an average monthly basis.

Unit SAC cash and unit SRC cash

We present unit SAC cash and unit SRC cash as metrics for the operating analysis of acquisition and retention, as the most meaningful performance indicator versus unit SAC and unit SRC that have been prepared before IFRS 15 adoption (distorted by instalment sales impact) or unit SAC and unit SRC that would be prepared using data after IFRS 15 adjustment, which would not present clearly the relevant level of subsidies, sales / retention commissions or other costs related to acquisition and retention activities of the Group. In the three month period ended June 30, 2017, our unit contract SAC cash amounted to PLN 338.0, a decrease of 10.7% compared to the three month period ended June 30, 2016. In the three-month period ended June 30, 2017, our unit prepaid SAC cash amounted to PLN 5.2, comparable to the same period of 2016. In the six months ended June 30, 2017, our unit contract SAC cash amounted to PLN 324.6, a decrease by 14.1% compared to PLN 378.1 in the six months ended June 30, 2016.

Our unit SRC cash for the three-month period ended June 30, 2017, amounted to PLN 323.6, a decrease of 12.2% compared to the three-month period ended June 30, 2016.

The decrease in unit SAC cash and unit SRC cash resulted from more favorable market situation in terms of subsidizing acquisition and retention offers as well as different split of handsets in acquisition and retention processes between the periods.

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

	Three-month period ended			Six-month period ended		
	June 30, 2016	June 30, 2017	Change	June 30, 2016	June 30, 2017	Change
unit SAC cash (PLN)						
Contract	378.6	338.0	(10.7%)	378.1	324.6	(14.1%)
Prepaid	3.6	5.2	46.9%	3.5	4.3	22.3%
unit SRC cash (PLN)	368.5	323.6	(12.2%)	386.2	323.7	(16.2%)
unit SAC (PLN)						
Contract	272.9	319.8	17.2%	297.4	305.5	2.7%
Prepaid	3.6	5.2	46.9%	3.5	4.3	22.3%
unit SRC (PLN)	293.1	319.8	9.1%	283.2	319.5	12.8%

Explanation of Key Items from the Interim Condensed Consolidated Statement of Comprehensive Income

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

Operating revenue

Operating revenue includes the following:

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

Service revenue

Usage revenue is generated mainly from:

- Revenues related to contract subscribers – consisting of subscription fees, charges for recurring voice and non-voice services rendered by us to our contract subscribers which originate on our network and fees for any traffic generated by our subscribers in foreign mobile networks under the international roaming agreements that we have entered into.

For bundled packages, including e.g. mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct – *i.e.*, if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the adjusted contract term (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). The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. For mix contracts the stand-alone selling prices for telecommunications services are set based on prices for prepaid offers.

Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual airtime or data usage, or is made upon the expiration of the Group's obligation to provide the services. International roaming revenues are recognized in the profit or loss in the period in which the services were rendered.

- Revenues related to prepaid subscribers – consisting of sale of prepaid offerings (starter packs, scratch cards, top-ups); telecommunications revenue on the sale of prepaid offerings is recognized at the face value of a prepaid offering sold, net of VAT. The difference between the face value of a prepaid offering and the value for which an offering is sold by us to our distributors, constitutes commission earned by the distributors, who act as agents. The Group acts as a principal in such agreements. The costs of prepaid commissions are treated as other service costs. The revenue from the sale of prepaid products is deferred until an end-user commences using the product, and recognized in the profit or loss as telecommunication services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the service. Revenues from the value added services (e.g. music and video streaming or sales of applications) are recognized in the amount of full consideration if the Group acts as principal in the relation with the customer or in the amount of the commission earned if the Group acts as agent.
- Other usage revenue – consisting mainly of revenues from MVNOs to which we provide telecommunication services and revenues generated by subscribers of foreign mobile operators that have entered into international roaming agreements with us for using our network.

Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but which terminate on our network. The Group receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the statement of comprehensive income in the period in which the services were rendered.

Sales of goods and other revenues

Sales of goods and other revenues comprise mainly revenues from devices sold to subscribers. Revenues from sales of goods are recognized when control of the assets are transferred to the customer (typically upon delivery). The revenues from devices sold via dealers who act as agents are recognized when the device is delivered to the subscriber. The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data. Other revenue comprises primarily revenue from commissions for sale of our partners' offerings through our distribution network.

Operating expenses

- Interconnection costs include costs of termination of voice and non-voice traffic of our customers in other operators' networks under interconnection agreements.
- National roaming/network sharing costs include costs incurred in connection with the traffic generated by our subscribers hosted in networks of our network sharing partners under our national roaming/network sharing agreements.
- 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 content providers in transactions in which we act as a principal. Costs of distribution of prepaid offerings represent commissions paid to dealers. Such commission is the difference between the face value of a prepaid offering (starters, scratch cards, top-ups) and the value for which the offerings are sold by us to dealers. These costs are deferred until the service is provided, *i.e.*, a prepaid offering is delivered to a subscriber, and expensed at that time.
- The Group solely capitalizes the costs of commissions paid to dealers and own salesforce to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized commission fees relating to postpaid contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. The amortization is presented in the statement of comprehensive income in the line item "Contract costs, net".
- Costs of goods sold include our purchasing costs of devices. We recognize cost of goods sold in the statement of comprehensive income in full amount.
- General and administrative expenses consist of the following:

- Employee benefits include remuneration (including all salaries, quarterly, annual and other bonuses), additional employment benefits such as medical care and contributions to corporate social funds, national social security payments as well costs or income resulting from valuation of retention programs for members of the Management Board of P4 Sp. z o.o. and key employees.
 - External services include mainly network maintenance, advertising and promotion expenses, customer relations costs (consisting of costs of outsourcing call center, printing and shipping telecommunication invoices to subscribers), IT costs and other overhead services costs such as office maintenance, finance and legal services, advisory services fees and other personnel costs such as training, company cars maintenance costs and other miscellaneous personnel related costs.
 - 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.
- Depreciation and amortization costs consist mainly of the depreciation of the network system and related equipment and other fixed assets, the amortization of costs of telecommunications licenses and software and other intangible assets as well as the depreciation of the right-of-use assets. Depreciation and amortization charge is calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives.

Other operating income and other operating costs

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

Other operating costs consist primarily of impairment charges of non-current assets, bad debts, gain or loss on sale of receivables, and other miscellaneous items not included in other general and administrative expenses.

Finance income and finance costs

Finance income includes interest receivable on bank deposits, as well as exchange rate gains.

Finance costs include primarily interest on notes, bank loans and overdrafts (not capitalized as part of assets), amortization of transaction costs and exchange rate losses. Finance costs also include the financial costs associated with lease liabilities.

Finance income and costs include also the effect of valuation or de-recognition of the early redemption options, separated from notes, as well as gains and losses on derivatives used to hedge the currency or interest risk (to the extent that such gains or losses are not included in the other comprehensive income or loss).

Income taxes

Income tax expense comprises current and deferred taxes.

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in countries where the Group operates and generates taxable income.

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

Deferred income tax is calculated using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for tax losses. Deferred tax is not recognized when any related deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction (deferred tax), does not affect either the accounting profit or the taxable profit or loss. Currently enacted tax rates are used to determine deferred income tax.

Most of the Play Group's taxable revenue is subject to the Polish tax system. The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Group. Thus, each of the Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed

to inflation. In Luxembourg tax losses can be carried forward for a maximum period of 17 years (tax losses incurred during the period from January 1, 1991 to December, 31, 2016, may be carried forward indefinitely). 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 utilized by the taxpayer, at the earliest, within two years).

Results of Operations: Comparison of the Six-Month Period Ended June 30, 2017, and the Six-Month Period Ended June 30, 2016.

	Six-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited (PLN in millions)	Unaudited (PLN in millions)	
Operating revenue	2,931.4	3,209.5	9.5
Service revenue	2,174.4	2,374.1	9.2
Sales of goods and other revenue	757.0	835.4	10.3
Operating expenses	(2,267.4)	(2,787.6)	22.9
Interconnection, roaming and other service costs	(717.1)	(798.7)	11.4
Contract costs, net	(202.5)	(213.7)	5.5
Cost of goods sold	(664.2)	(639.4)	(3.7)
General and administrative expenses	(385.5)	(726.5)	88.4
Depreciation and amortization	(298.0)	(409.3)	37.3
Other operating income	36.6	46.0	25.7
Other operating costs	(85.6)	(32.6)	(62.0)
Operating profit	615.0	435.4	(29.2)
Finance income	25.8	136.2	427.4
Finance costs	(339.1)	(454.4)	34.0
Profit before income tax	301.8	117.2	(61.2)
Income tax charge	(125.7)	(59.6)	(52.5)
Net profit for the period	176.1	57.5	(67.3)
Other comprehensive loss for the period	-	(4.3)	-
Total comprehensive income for the period	176.1	53.2	(69.8)

Operating revenue

Operating revenue increased by PLN 278.1 million, or 9.5%, from PLN 2,931.4 million for the six-month period ended June 30, 2016, to PLN 3,209.5 million for the six-month period ended June 30, 2017. This increase resulted primarily from growth in retail contract usage revenue, sales of goods and other revenue and interconnection 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		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Service revenue	2,174.4	2,374.1	9.2
Usage revenue	1,661.8	1,786.4	7.5
Retail contract revenue	1,288.1	1,422.8	10.5
Retail prepaid revenue	320.2	298.9	(6.6)
Other revenue	53.6	64.7	20.7
Interconnection revenue	512.5	587.7	14.7
Sales of goods and other revenue	757.0	835.4	10.3
Operating revenue	2,931.4	3,209.5	9.5

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 134.7 million, or 10.5%, from PLN 1,288.1 million for the six-month period ended June 30, 2016, to PLN 1,422.8 million for the six-month period ended June 30, 2017. The increase was primarily due to growth in the reported contract subscriber base of 1.3 million, or 17.2%, from June 30, 2016, to June 30, 2017, due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenue from prepaid usage decreased by PLN 21.3 million, or 6.6%, from PLN 320.2 million for the six-month period ended June 30, 2016, to PLN 298.9 million for the six-month period ended June 30, 2017. The decrease was primarily due to decrease in the reported prepaid subscriber base of 1.4 million, or 20.7%, from June 30, 2016, to June 30, 2017, due to the prepaid registration process in connection with the ATO act and constant migration of customers from prepaid to postpaid offers.

Other usage revenue

Other usage revenue increased by PLN 11.1 million, or 20.7%, from PLN 53.6 million for the six-month period ended June 30, 2016, to PLN 64.7 million for the six-month period ended June 30, 2017. This increase resulted mainly from the increase in traffic generated by the customers of our MVNO partners and from increased sale of other services to our wholesale partners.

Interconnection revenue

Interconnection revenue increased by PLN 75.2 million, or 14.7%, from PLN 512.5 million for the six-month period ended June 30, 2016, to PLN 587.7 million for the six-month period ended June 30, 2017, as a result of growing volume of incoming

traffic to our network from other network operators due to the increase in our subscriber base and increased usage of voice services by subscribers of other MNOs caused by the proliferation of unlimited voice tariffs.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 78.3 million, or 10.3%, from PLN 757.0 million for the six-month period ended June 30, 2016, to PLN 835.4 million for the six-month period ended June 30, 2017. This increase resulted primarily from the increased sales of devices to newly acquired and retained subscribers.

Operating expenses

Operating expenses increased by PLN 520.2 million, or 22.9%, from PLN 2,267.4 million for the six-month period ended June 30, 2016, to PLN 2,787.6 million for the six-month period ended June 30, 2017. This increase resulted primarily from increases in general and administrative expenses, depreciation and amortization charges as well as interconnection, roaming and other services costs partially offset by decrease in cost of goods sold.

Interconnection, roaming and other services costs

	Six-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Interconnection costs	(562.8)	(624.9)	11.0
National roaming/network sharing	(81.4)	(92.4)	13.6
Other service costs	(72.9)	(81.4)	11.7
Interconnection, roaming and other service costs	(717.1)	(798.7)	11.4

Interconnection, roaming and other services costs increased by PLN 81.6 million, or 11.4%, from PLN 717.1 million for the six-month period ended June 30, 2016, to PLN 798.7 million for the six-month period ended June 30, 2017, mainly due to increase of interconnection costs of PLN 62.1 million, or 11.0%, from PLN 562.8 million for the six-month period ended June 30, 2016, to PLN 624.9 million for the six-month period ended June 30, 2017, which resulted from the growth in the volume of traffic terminated on other networks due to the increase in our subscriber base over the period as well as due to a general increase in traffic per user.

Contract costs, net

	Six-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Contract costs incurred	(203.2)	(214.6)	5.6
Contract costs capitalized	183.6	204.2	11.2
Amortization and impairment of contract costs	(182.9)	(203.3)	11.1
Contract costs, net	(202.5)	(213.7)	5.5

Contract costs, net increased by PLN 11.2 million, or 5.5%, from PLN 202.5 million for the six-month period ended June 30, 2016, to PLN 213.7 million for the six-month period ended June 30, 2017, mainly due to continuous growth of the customer base.

Cost of goods sold

Cost of goods sold decreased by PLN 24.8 million, or 3.7%, from PLN 664.2 million for the six-month period ended June 30, 2016, to PLN 639.4 million for the six-month period ended June 30, 2017, mainly due to the decrease of unit cost of goods sold partially offset by increased sales of devices to acquired and retained customers.

General and administrative expenses

	Six-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Salaries and social security	(103.0)	(121.0)	17.5
Special bonuses and retention programs	14.5	(251.9)	-
Employee benefits	(88.5)	(372.9)	321.2
Network maintenance, leased lines and energy	(57.5)	(63.0)	9.7
Advertising and promotion expenses	(98.3)	(94.8)	(3.5)
Customer relations costs	(30.3)	(37.0)	22.0
Office and points of sale maintenance	(7.3)	(7.9)	7.7
IT expenses	(15.2)	(14.1)	(7.8)
People related costs - cars, trainings and other	(8.1)	(9.9)	21.0
Finance and legal services	(8.5)	(21.6)	155.5
Management fees	(16.0)	(34.3)	114.1
Other external services	(23.6)	(36.1)	52.7
External services	(264.9)	(318.6)	20.3
Taxes and fees	(32.1)	(35.0)	9.1
General and administrative expenses	(385.5)	(726.5)	88.4
General and administrative expenses excluding costs of management fees, retention programs valuation and special bonuses and other one-off costs	(381.6)	(409.3)	7.3

Total general and administrative expenses increased by PLN 341.0 million, or 88.4%, from PLN 385.5 million for the six-month period ended June 30, 2016, to PLN 726.5 million for the six-month period ended June 30, 2017, mainly due to increased expenses relating to special bonuses and retention programs, management fees, salaries and social security, finance and legal services as well as other external services.

Excluding the impact of increase in retention programs valuation and costs of special bonuses of PLN 266.3 million, increase in the cost of management fees of PLN 18.3 million and increase in other one-off costs of PLN 28.6 million, general and administrative expenses increased by PLN 27.7 million, or 7.3%, from PLN 381.6 million for the six-month period ended

June 30, 2016, to PLN 409.3 million for the six-month period ended June 30, 2017, mainly as a result of increased costs of salaries and social security, customer relation as well as network maintenance, leased lines and energy.

Salaries and social security

The cost of salaries and social security for the six-month period ended June 30, 2017, increased by PLN 18.0 million, or 17.5%, compared to the six-month period ended June 30, 2016. The increase was mainly due to the increase in the number of employees due to growing scope of Group operations and due to increase in costs of performance-related bonuses.

Special bonuses and retention programs

The valuation of retention programs and special bonuses increased in the six-month period ended June 30, 2017 due to the settlement of certain programs in relation to IPO; for more information see notes 19 and 37 of the Financial Statements included elsewhere in this Report.

External services

External services costs increased by PLN 53.7 million, or 20.3%, from PLN 264.9 million for the six-month period ended June 30, 2016, to PLN 318.6 million for the six-month period ended June 30, 2017. This growth was primarily due to increased costs of management fees of PLN 18.3 million due to additional services provided in connection to the IPO process, increased costs of finance and legal services of PLN 13.1 million due to additional costs related to the IPO process, increased costs of other external services of PLN 12.5 million due to costs of prepaid registration process and strategic projects out of usual scope of the Group's business, increase in costs of network maintenance, leased lines and energy of PLN 5.5 million due to higher number of sites resulting from intensive network rollout as well as increased customer relations costs of PLN 6.7 million mainly due to higher costs of call center services.

Taxes and fees

The cost of taxes and fees comprised mainly of frequency reservation charges and property tax increased by PLN 2.9 million, or 9.1%, from PLN 32.1 million for the six-month period ended June 30, 2016, to PLN 35.0 million for the six-month period ended June 30, 2017, primarily due to higher fees for the use of frequencies due to the purchase of frequencies in the 800 MHz and 2600 MHz bands in the beginning of 2016.

Depreciation and amortization

Depreciation and amortization increased by PLN 111.2 million, or 37.3%, from PLN 298.0 million for the six-month period ended June 30, 2016, to PLN 409.3 million for the six-month period ended June 30, 2017. This increase resulted primarily from an increase in gross book value of assets due to completion of investment projects 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.

Other Operating Income and Other Operating Costs

Other operating income increased by PLN 9.4 million, or 25.7%, from PLN 36.6 million for the six-month period ended June 30, 2016, to PLN 46.0 million for the six-month period ended June 30, 2017. This increase resulted mainly from the reversal of bad debt of PLN 10.0 million in the six-month period ended June 30, 2017 mainly due to improved recoverability of overdue receivables as well as significantly lower allowance for installment receivables due to termination of installment sales in the fourth quarter of 2016, compared to cost of bad debt of PLN 29.6 million for the six-month period ended June 30, 2016, mainly resulting from one-off write-off of disputed interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling.

Other operating costs decreased by PLN 53.0 million, or 62.0%, for the same period under review. This decrease resulted primarily from the fact that the Group recorded cost of bad debt in the six-month period ended June 30, 2016 and income from the reversal of bad debt in the six-month period ended June 30, 2017 (please see above) as well as from increased costs of provisions of PLN 20.6 million, mainly for early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million for the six-month period ended June 30, 2016.

Finance Income and Costs

	Six-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Interest income	8.7	41.4	375.3
Interest expense	(172.2)	(284.6)	65.3
Exchange rate gains/(losses)	(166.9)	94.7	-
Net gain/(loss) on finance instruments at fair value	17.1	(169.8)	-
Finance income and costs	(313.3)	(318.2)	1.6

Interest income

Interest income increased by PLN 32.7 million, from PLN 8.7 million for the six-month period ended June 30, 2016, to PLN 41.4 million for the six-month period ended June 30, 2017. This increase resulted mainly from higher amount of interest on notes issued by Impera Holdings S.A. to the Group due to increased outstanding balance of the notes receivables. The notes issued by Impera Holdings S.A. were redeemed on July 26, 2017 against the Company's share premium.

Interest expense

Interest expense increased by PLN 112.4 million, or 65.3%, from PLN 172.2 million for the six-month period ended June 30, 2016, to PLN 284.6 million for the six-month period ended June 30, 2017. Higher interest expense in the six-month period ended June 30, 2017, resulted mainly from redemption costs in the total amount of PLN 78.7 million related to repayment in March 2017 of the EUR 725,000,000 5 1/4% fixed rate senior secured notes due 2019 ("Senior Secured Notes") comprising the initial fixed rate senior secured notes issued on January 31, 2014 ("Initial Fixed Rate Senior Secured Notes"), and additional fixed rate senior secured notes issued on March 19, 2015 ("Additional Fixed Rate Senior Secured Notes"), as well as the EUR 270,000,000 1/2% senior notes due 2019 issued on January 31, 2014 ("Senior Notes").

Exchange rate gains or losses

Results on exchange rate differences changed from exchange rate losses of PLN 166.9 million for the six-month period ended June 30, 2016, to exchange rate gains of PLN 94.7 million for the six-month period ended June 30, 2017. This change resulted mainly from the valuation of the EUR-denominated debt due to appreciation of PLN against EUR in the period from January 1, 2017 to the date of repayment of the EUR-denominated notes, compared to depreciation of PLN against EUR in the six-month period ended June 30, 2016.

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

In the six-month period ended June 30, 2016, net gain on finance instruments at fair value through profit or loss resulted from the valuation of early redemption options embedded in the Initial Fixed Rate Senior Secured Notes indenture and Senior Notes indenture of PLN 17.1 million. In the six-month period ended June 30, 2017, net loss on finance instruments at fair value through profit or loss comprised primarily loss on the de-recognition of the early redemption options asset of PLN 134.2 million as well as losses of PLN 32.6 million on derivatives used to hedge the currency risk. During the six-month period ended June 30, 2017, the Group had entered among others into several forward foreign exchange contracts which were used to

exchange PLN into EUR for the purpose of the repayment of the EUR-denominated notes with the proceeds from PLN-denominated bank loans - see Note 17.1.1 to our Financial Statements included elsewhere in this Report (forward contracts for the purchase of EUR 940.0 million) and for the purpose of purchase of EUR-denominated Notes of Impera Holdings S.A. – see Note 8 to our Financial Statements included elsewhere in this Report (forward contracts for the purchase of EUR 520.0 million).

Liquidity and Capital Resources

Liquidity

Our historical liquidity needs have arisen primarily from the need to finance capital expenditures for the expansion of our operations, including the deployment of new technologies, the expansion of network coverage and efforts to maintain our quality of service. We have invested in the development of our network over the last several years, in particular in connection with the roll-out of our 4G LTE network and use of our most recent frequency reservations. The Group has historically been financed through equity capital (including contributions in kind), cash from operations, and borrowings under bank loans and notes. In connection with the Refinancing and Recapitalization, the Group entered into the Senior Facilities Agreement, which provides for a Revolving Credit Facility in the amount of PLN 400 million. In addition, the Group has PLN 150 million available for drawing under Bank Zachodni WBK Overdraft Facility until May 31, 2018 and PLN 50 million available for drawing under Millennium Overdraft Facility until November 12, 2017.

In March 2017, the Group drew PLN 6,443.0 million under the Senior Facilities Agreement with Alior Bank Spółka Akcyjna, 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 Bank Zachodni WBK S.A. as an agent.

Cash flows

The following table summarizes net cash flows from operating, investing and financing activities for the six-month period ended June 30, 2017 and for the six-month period ended June 30, 2016.

	Six-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited (PLN in millions)	Unaudited (PLN in millions)	
Profit before income tax	301.8	117.2	(61.2)
Depreciation and amortization	298.0	409.3	37.3
Change in contract costs	(0.7)	(0.9)	25.3
Interest expense (net)	163.5	243.2	48.8
(Gain)/Loss on finance instruments at fair value	(17.1)	169.5	-
Foreign exchange (gains)/losses	166.9	(94.6)	-
Gain on disposal of non-current assets	(4.4)	(2.2)	(49.4)
Impairment of non-current assets	2.0	3.0	52.7
Change in provisions and retention programs liabilities	(16.0)	109.8	-
Changes in working capital and other	(310.5)	77.1	-
Change in contract assets	1.0	(161.7)	-
Change in contract liabilities	(1.3)	(11.1)	776.4
Interest received	0.1	-	(100.0)
Income tax paid	(51.5)	(172.2)	234.5
Net cash provided by operating activities	531.9	686.3	29.0
Proceeds from sale of non-current assets	3.7	1.1	(71.4)
Proceeds from loans given	-	18.3	-
Proceeds from debt securities (Repayment of notes by Impera Holdings S.A.)	-	388.3	-
Purchase of fixed assets and intangibles and prepayments for assets under construction	(1,926.3)	(368.0)	(80.9)
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	(69.7)	(68.9)	(1.2)
Net cash used in investing activities	(1,992.3)	(29.3)	(98.5)
Proceeds from finance liabilities	365.0	6,443.0	1,665.2
Repaid finance liabilities and paid costs relating to finance liabilities	(594.0)	(4,943.0)	732.2
Purchase of notes issued by Impera Holdings S.A.	-	(2,227.0)	-
Net cash used in financing activities	(229.0)	(727.0)	217.5
Net change in cash and cash equivalents	(1,689.4)	(70.0)	(95.9)
Effect of exchange rate change on cash and cash equivalents	0.0	(0.2)	-
Cash and cash equivalents at the beginning of the period	1,556.8	341.0	(78.1)
Cash and cash equivalents at the end of the period	(132.6)	270.8	-

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 154.4 million, or 29.0%, from PLN 531.9 million for the six-month period ended June 30, 2016, to PLN 686.3 million for the six-month period ended June 30, 2017.

Cash flows from changes in working capital and other, change in contract costs and contract assets and contract liabilities comprised a negative change of PLN 96.6 million for the six-month period ended June 30, 2017. Following significant reduction in the volume of installment sales after October 2016, we reported a decreasing amount of receivables (our trade receivables balance was reduced by PLN 158.4 million for the six-month period ended June 30, 2017, generating positive cash flows), which was partially offset by growing contract assets (contract assets increased by PLN 161.7 million for the six-month period ended June 30, 2017). Having largely terminated the installment sales in the fourth quarter of 2016, we expect installment receivables to decline over the next few quarters, benefiting the change in working capital dynamics.

Cash flows from changes in working capital and other, change in contract costs and contract assets and contract liabilities for the six-month period ended June 30, 2017 were also impacted by the decrease of balance of payables excluding investment payables of PLN 74.0 million for the six-month period ended June 30, 2017, resulting mainly from significant interconnect payables, which are invoiced and paid on an irregular basis what causes unstable balance of the payables, and by the increase in deferred income balance of PLN 27.4 million for the six-month period ended June 30, 2017 due to stable increase of prepaid top-ups resulting from new attractive offers.

The increase of income tax paid of PLN 120.7 million from PLN 51.5 million for the six-month period ended June 30, 2016 to PLN 172.2 million for the six-month period ended June 30, 2017, resulted from an increase in taxes paid for the respective fiscal years preceding the analyzed period. The taxable profit for 2016 was higher than for 2015 mainly due to the lower amount of utilized tax losses as substantial portion of prior years' losses had already been utilized before.

Net cash used in investing activities

Net cash used in investing activities decreased from PLN 1,992.3 million for the six-month period ended June 30, 2016, to PLN 29.3 million for the six-month period ended June 30, 2017. This decrease resulted primarily from payments to UKE for new frequencies in the 800 MHz and 2600 MHz spectrum in the amount of PLN 1,704.4 million in the six-month period ended June 30, 2016, and proceeds from repayment of notes issued by Impera Holdings S.A. of PLN 388.3 million in the six-month period ended June 30, 2017. Cash capital expenditures excluding cash outflows in relation to frequency reservation acquisition increased from PLN 218.1 million for the six-month period ended June 30, 2016, or 65.3%, to PLN 360.5 million for the six-month period ended June 30, 2017, mainly due to increase in fixed assets and intangibles purchases relating to 800 MHz and 2600 MHz network rollout.

Net cash used in financing activities

Net cash used in financing activities increased from PLN 229.0 million for the six-month period ended June 30, 2016 to a net cash outflow of PLN 727.0 million for the six-month period ended June 30, 2017. This increase resulted primarily from the purchase of notes issued by Impera Holdings S.A. in the amount of PLN 2,227.0 million, repayment of Senior Secured Notes and Senior Notes in the amount of PLN 4,660.7 million partially offset by proceeds from Senior Facilities Agreement of PLN 6,443.0 million in the six-month period ended June 30, 2017.

Results of Operations: Comparison of the Three-Month Period Ended June 30, 2017 and the Three-Month Period Ended June 30, 2016

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Operating revenue	1,488.8	1,628.7	9.4
Service revenue	1,107.3	1,212.8	9.5
Sales of goods and other revenue	381.5	416.0	9.0
Operating expenses	(1,167.4)	(1,505.1)	28.9
Interconnection, roaming and other service costs	(368.1)	(409.5)	11.2
Contract costs, net	(103.1)	(105.8)	2.7
Cost of goods sold	(330.7)	(312.2)	(5.6)
General and administrative expenses	(208.5)	(458.9)	120.1
Depreciation and amortization	(157.0)	(218.7)	39.3
Other operating income	18.1	21.5	18.8
Other operating costs	(49.8)	(23.1)	(53.7)
Operating profit	289.6	122.0	(57.9)
Finance income	33.6	34.9	3.7
Finance costs	(242.4)	(101.0)	(58.3)
Profit before income tax	80.9	55.9	(30.9)
Income tax charge	(41.6)	(16.8)	(59.5)
Net profit for the period	39.2	39.0	(0.5)
Other comprehensive loss for the period	-	(4.3)	-
Total comprehensive income for the period	39.2	34.7	(11.5)

Operating revenue

Operating revenue increased by PLN 139.9 million, or 9.4%, from PLN 1,488.8 million for the three-month period ended June 30, 2016 to PLN 1,628.7 million for the three-month period ended June 30, 2017. This increase resulted from growth in most of the categories of revenue, primarily in retail contract usage revenue, interconnection revenue and sales of goods and other revenue.

The following table presents a breakdown of operating revenue for the periods under review along with the percentage change over the periods.

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Service revenue	1,107.3	1,212.8	9.5
Usage revenue	843.5	914.2	8.4
Retail contract revenue	652.1	720.7	10.5
Retail prepaid revenue	162.0	159.8	(1.4)
Other revenue	29.4	33.7	14.9
Interconnection revenue	263.8	298.6	13.2
Sales of goods and other revenue	381.5	416.0	9.0
Operating revenue	1,488.8	1,628.7	9.4

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 68.6 million, or 10.5%, from PLN 652.1 million for the three-month period ended June 30, 2016 to PLN 720.7 million for the three-month period ended June 30, 2017. The increase was primarily due to growth in the reported contract subscriber base of 1.3 million, or 17.2%, from June 30, 2016 to June 30, 2017 due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenue from retail prepaid usage decreased by PLN 2.2 million, or 1.4%, from PLN 162.0 million for the three-month period ended June 30, 2016 to PLN 159.8 million for the three-month period ended June 30, 2017. This decrease resulted primarily from the decrease in the reported prepaid subscriber base of 1.4 million, or 20.7%, due to the prepaid registration process in connection with the ATO act and constant migration of customers from prepaid to postpaid offers.

Other usage revenue

Other usage revenue increased by PLN 4.4 million, or 14.9%, from PLN 29.4 million for the three-month period ended June 30, 2016 to PLN 33.7 million for the three-month period ended June 30, 2017. This increase resulted primarily from the increase in traffic generated by the customers of our MVNO partners and from increased sale of other services to our wholesale partners.

Interconnection revenue

Interconnection revenue increased by PLN 34.7 million, or 13.2%, from PLN 263.8 million for the three-month period ended June 30, 2016 to PLN 298.6 million for the three-month period ended June 30, 2017, as a result of growing volume of incoming traffic to our network from other network operators due to the increase in our subscriber base and increased usage of voice services by subscribers of other MNOs caused by the proliferation of unlimited voice tariffs.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 34.4 million, or 9.0%, from PLN 381.5 million for the three-month period ended June 30, 2016 to PLN 416.0 million for the three-month period ended June 30, 2017. This increase resulted primarily from the increase in sales of devices to newly acquired and retained subscribers.

Operating expenses

Operating expenses increased by PLN 337.7 million, or 28.9%, from PLN 1,167.4 million for the three-month period ended June 30, 2016 to PLN 1,505.1 million for the three-month period ended June 30, 2017. This increase resulted primarily from increase in general and administrative expenses, depreciation and amortization charges as well as interconnection, roaming and other services costs partially offset by decrease in cost of goods sold.

Interconnection, roaming and other services costs

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Interconnection costs	(286.9)	(318.3)	10.9
National roaming/network sharing	(42.1)	(47.5)	12.6
Other service costs	(39.0)	(43.7)	12.0
Interconnection, roaming and other service costs	(368.1)	(409.5)	11.2

Interconnection, roaming and other services costs increased by PLN 41.4 million, or 11.2%, from PLN 368.1 million for the three-month period ended June 30, 2016 to PLN 409.5 million for the three-month period ended June 30, 2017 mainly due to increase of interconnection costs of PLN 31.4 million, or 10.9%, from PLN 286.9 million for the three-month period ended June 30, 2016 to PLN 318.3 million for the three-month period ended June 30, 2017, which resulted from the growth in the volume of traffic terminated on other networks due to the increase in our subscriber base over the period as well as due to a general increase in traffic per user.

Contract costs, net

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Contract costs incurred	(105.2)	(104.0)	(1.1)
Contract costs capitalized	91.6	99.9	9.0
Amortization and impairment of contract costs	(89.5)	(101.7)	13.7
Contract costs, net	(103.1)	(105.8)	2.7

Contract costs, net amounted to PLN 105.8 million for the three-month period ended June 30, 2017 and remained stable in comparison to the three-month period ended June 30, 2016.

Cost of goods sold

Cost of goods sold decreased by PLN 18.5 million, or 5.6%, from PLN 330.7 million for the three-month period ended June 30, 2016, to PLN 312.2 million for the three-month period ended June 30, 2017, mainly due to the decrease of unit cost of goods sold partially offset by increased sales of devices to acquired and retained customers.

General and administrative expenses

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Salaries and social security	(51.3)	(59.7)	16.5
Special bonuses and retention programs	(8.9)	(215.5)	2,322.8
Employee benefits	(60.2)	(275.2)	357.4
Network maintenance, leased lines and energy	(29.0)	(31.5)	8.6
Advertising and promotion expenses	(49.1)	(45.3)	(7.7)
Customer relations costs	(15.0)	(18.0)	19.6
Office and points of sale maintenance	(3.8)	(4.1)	7.9
IT expenses	(7.4)	(7.2)	(2.4)
People related costs - cars, trainings and other	(4.9)	(6.1)	26.7
Finance and legal services	(3.6)	(17.8)	391.2
Management fees	(8.2)	(26.8)	225.9
Other external services	(11.7)	(10.3)	(12.0)
External services	(132.7)	(167.1)	26.0
Taxes and fees	(15.7)	(16.5)	5.4
General and administrative expenses	(208.5)	(458.9)	120.1
General and administrative expenses excluding costs of management fees, retention programs valuation and special bonuses and other one-off costs	(190.6)	(204.3)	7.2

Total general and administrative expenses increased by PLN 250.4 million, or 120.1%, from PLN 208.5 million for the three-month period ended June 30, 2016 to PLN 458.9 million for the three-month period ended June 30, 2017, mainly due to increased expenses relating to special bonuses and retention programs, management fees, finance and legal services and costs of salaries and social security.

Excluding the impact of increase in retention programs valuation and costs of special bonuses of PLN 206.6 million, increase in cost of management fees of PLN 18.6 million and increase in other one-off costs of PLN 11.5 million, general and administrative expenses increased by PLN 13.7 million, or 7.2%, from PLN 190.6 million for the three-month period ended June 30, 2016 to PLN 204.3 million for the three-month period ended June 30, 2017, mainly as a result of increased costs of salaries and social security as well as customer relations costs.

Salaries and social security

The cost of salaries and social security for the three-month period ended June 30, 2017, increased by PLN 8.5 million, or 16.5%, compared to the three-month period ended June 30, 2016. The increase was mainly due to the increase in the number of employees due to growing scope of Group operations and due to increase in costs of performance-related bonuses.

Special bonuses and retention programs

The valuation of retention programs and special bonuses increased in the three-month period ended June 30, 2017 due to the settlement of certain programs in relation to IPO; for more information see notes 19 and 37 of the Financial Statements included elsewhere in this Report.

External services

External services costs increased by PLN 34.5 million, or 26.0%, from PLN 132.7 million for the three-month period ended June 30, 2016 to PLN 167.1 million for the three-month period ended June 30, 2017. This growth was primarily due to increased costs of management fees of PLN 18.6 million due to additional services provided in connection to the IPO process, increased costs of finance and legal services of PLN 14.2 million due to additional costs related to the IPO process, increase in costs of network maintenance, leased lines and energy of PLN 2.5 million due to higher number of sites resulting from intensive network rollout as well as increased customer relations costs of PLN 2.9 million mainly due to higher costs of call center services.

Taxes and fees

The cost of taxes and fees comprising mainly frequency reservation charges and property tax amounted to PLN 16.5 million for the three-month period ended June 30, 2017, and remained stable in comparison to the three-month period ended June 30, 2016.

Depreciation and amortization

Depreciation and amortization increased by PLN 61.7 million, or 39.3%, from PLN 157.0 million for the three-month period ended June 30, 2016 to PLN 218.7 million for the three-month period ended June 30, 2017. This increase resulted primarily from an increase in gross book value of assets due to completion of investment projects 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.

Other Operating Income and Other Operating Costs

Other operating income increased by PLN 3.4 million, or 18.8%, from PLN 18.1 million for the three-month period ended June 30, 2016 to PLN 21.5 million for the three-month period ended June 30, 2017. This increase resulted mainly from the reversal of bad debt of PLN 6.5 million in the three-month period ended June 30, 2017 mainly due to improved recoverability of overdue receivables as well as significantly lower allowance for installment receivables due to termination of installment sales in the fourth quarter of 2016, compared to cost of bad debt of PLN 9.0 million for the three-month period ended June 30, 2016.

Other operating costs decreased by PLN 26.8 million, or 53.7%, for the same period under review. This decrease resulted primarily from the fact that the Group recorded cost of bad debt for the three-month period ended June 30, 2016, and income from reversal of bad debt for the three-month period ended June 30, 2017 (please see above), as well as significantly lower allowance for installment receivables due to termination of installment sales in the fourth quarter of 2016, and increased cost of provision mainly for early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million for the three-month period ended June 30, 2016.

Finance Income and Cost

The following table presents a breakdown of financial income and financial costs:

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Interest income	5.1	32.4	537.8
Interest expense	(85.3)	(97.9)	14.7
Exchange rate gains/(losses)	(157.1)	2.5	-
Net gain/(loss) on finance instruments at fair value	28.5	(3.2)	-
Finance income and costs	(208.8)	(66.1)	(68.3)

Interest income

Interest income increased by PLN 27.3 million from PLN 5.1 million for the three-month period ended June 30, 2016 to PLN 32.4 million for the three-month period ended June 30, 2017. This increase resulted mainly from higher amount of interest on notes issued by Impera Holdings S.A. to the Group due to increased outstanding balance of the notes receivables.

Interest expense

Interest expense increased by PLN 12.5 million, or 14.7%, from PLN 85.3 million for the three-month period ended June 30, 2016 to PLN 97.9 million for the three-month period ended June 30, 2017. This increase resulted from higher average indebtedness.

Exchange rate gains or losses

Exchange rate differences changed from exchange rate losses of PLN 157.1 million for the three-month period ended June 30, 2016 to exchange rate gains of PLN 2.5 million for the three-month period ended June 30, 2017 as a result of valuation of EUR-denominated debt due to depreciation of PLN against EUR in the three-month period ended June 30, 2016, which was repaid in the first quarter of 2017.

Net gain or loss on finance instruments at fair value

In the three-month period ended June 30, 2016, net gain on finance instruments at fair value through profit or loss resulted from the valuation of early redemption options embedded in the Initial Fixed Rate Senior Secured Notes indenture and Senior Notes indenture of PLN 28.5 million. In the three-month period ended June 30, 2017, net loss on finance instruments at fair value through profit or loss related primarily to ineffective portion of hedging instruments used to hedge the interest rate risk.

Liquidity and Capital Resources

Cash flows

The following table summarizes net cash flows from operating, investing and financing activities for the for the three-month period ended June 30, 2017 and for the three-month period ended June 30, 2016.

	Three-month period ended		Change %
	June 30, 2016	June 30, 2017	
	Unaudited	Unaudited	
	(PLN in millions)	(PLN in millions)	
Profit before income tax	80.9	55.9	(30.9)
Depreciation and amortization	157.0	218.7	39.3
Change in contract costs	(2.1)	1.9	-
Interest expense (net)	80.6	65.5	(18.7)
(Gain)/Loss on finance instruments at fair value	(28.5)	2.9	-
Foreign exchange (gains)/losses	157.1	(2.6)	-
Gain on disposal of non-current assets	(3.4)	0.3	-
Impairment of non-current assets	0.2	3.1	1,746.7
Change in provisions and retention programs liabilities	8.9	88.8	897.1
Changes in working capital and other	(111.1)	112.7	-
Change in contract assets	2.5	(80.2)	-
Change in contract liabilities	(8.7)	(11.3)	30.3
Interest received	0.1	-	(100.0)
Income tax paid	(0.2)	(12.8)	6,562.5
Net cash provided by operating activities	333.2	443.0	33.0
Proceeds from sale of non-current assets	1.1	0.4	(65.6)
Purchase of fixed assets and intangibles and prepayments for assets under construction	(97.6)	(156.8)	60.6
Net cash used in investing activities	(96.5)	(156.4)	62.1
Proceeds from finance liabilities	175.0	-	(100.0)
Repaid finance liabilities and paid costs relating to finance liabilities	(417.9)	(132.0)	(68.4)
Net cash used in financing activities	(242.9)	(132.0)	(45.6)
Net change in cash and cash equivalents	(6.2)	154.5	-
Effect of exchange rate change on cash and cash equivalents	0.0	0.1	39.0
Cash and cash equivalents at the beginning of the period	(126.4)	116.3	-
Cash and cash equivalents at the end of the period	(132.6)	270.8	-

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 109.8 million, or 33.0%, from PLN 333.2 million for the three-month period ended June 30, 2016 to PLN 443.0 million for the three-month period ended June 30, 2017.

Cash flows from changes in working capital and other, change in contract costs and contract assets and contract liabilities comprised a positive change of PLN 23.1 million for the three-month period ended June 30, 2017. Following significant reduction in the volume of installment sales after October 2016, we reported a decreasing amount of receivables (our trade receivables balance was reduced by PLN 60.6 million for the three-month period ended June 30, 2017, generating positive cash flows), which was partially offset by growing contract assets (contract assets increased by PLN 80.2 million for the three-month period ended June 30, 2017). Having largely terminated the installment sales in the fourth quarter of 2016, we expect installment receivables to decline over the next few quarters, benefiting the change in working capital dynamics.

Cash flows from changes in working capital and other, change in contract costs and contract assets and contract liabilities for the three-month period ended June 30, 2017 were also impacted by the increase of balance of payables excluding investment payables of PLN 6.9 million for the three-month period ended June 30, 2017, resulted mainly from significant interconnect payables, which are invoiced and paid on an irregular basis what causes unstable balance of the payables.

Net cash used in investing activities

Net cash used in investing activities increased by PLN 60.0 million, or 62.1%, from PLN 96.5 million for the three-month period ended June 30, 2016 to PLN 156.4 million for the three-month period ended June 30, 2017, mainly due to increase in fixed assets and intangibles purchases by PLN 59.2 million relating to 800 MHz and 2600 MHz network rollout.

Net cash used in financing activities

Net cash used in financing activities decreased by PLN 110.8 million, or 45.6%, from PLN 242.9 million for the three-month period ended June 30, 2016 to PLN 132.0 million for the three-month period ended June 30, 2017, mainly due to higher repayment of finance liabilities and relating finance costs for the three-month period ended June 30, 2016, primarily because of repayment of a multi-currency revolving credit facility in the amount of PLN 365.0 million partially offset by increase in proceeds from finance liabilities of PLN 175.0 million due to funds drawn from this multi-currency revolving credit facility in the amount of 175.0 million.

Certain other contractual commitments

Leases

Under the current accounting policies lease liabilities resulting from contracts for long-term rentals of points of sale, office space, space for base stations, space for telecommunications cabinets at the collocation centers and dark fibers are presented as finance liabilities in the statement of financial position.

Frequency licenses

We have certain investment obligations in relation to our licenses which are discussed in Note 34 to our Financial Statements included elsewhere in this Report.

Contingent liabilities

We have certain contingent liabilities which are discussed in Note 35 to our Financial Statements included elsewhere in this Report.

Off-Balance Sheet Arrangements

As of June 30, 2017, we had no off-balance sheet arrangements.

Qualitative and Quantitative Information on Market Risks

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

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

Currency risk

A significant portion of the Group's borrowings had been historically denominated in EUR, which had exposed the Group to currency risk. In March 2017, the EUR-denominated borrowings have been replaced with PLN-denominated borrowings under the SFA – see Note 17.1.1 to our Financial Statements included elsewhere in this Report. This has significantly reduced the currency risk.

Nevertheless, the exposure to currency risk still exists because while most of the Group's revenue is earned in PLN, some operating costs are born in foreign currencies, mainly EUR. Also international roaming costs and revenue are recorded in foreign currencies, including XDR.

Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (in respect of PLN) arising from fluctuations in the exchange rate of the PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (in respect of PLN).

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

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

None of the derivatives were used during the six-month period ended June 30, 2016. During the six-month period ended June 30, 2017, the Group had entered among others into several forward foreign exchange contracts which were used to exchange PLN into EUR for the purpose of the repayment of the EUR-denominated notes with the proceeds from PLN-denominated bank loans - see Note 17.1.1 to our Financial Statements included elsewhere in this Report (forward contracts for the purchase of EUR 940 million) and for the purpose of purchase of EUR-denominated Notes of Impera Holdings S.A. – see Note 8 to our Financial Statements included elsewhere in this Report (forward contracts for the purchase of EUR 520 million).

Interest rate risk

Historically the Group financing had comprised mainly fixed-rate borrowings and the exposure on interest rate risk had related primarily to the PLN 130,000,000 floating rate senior secured notes due 2019 ("Floating Rate Senior Secured Notes") and leases with floating interest rates. In March 2017, the fixed-rate borrowings have been replaced with floating rate borrowings – see Note 17.1.1 to our Financial Statements included elsewhere in this Report. This has increased the interest risk going forward. The risk has been partially mitigated by interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount for a three-year period.

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

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

None of the derivatives were used during the six-month period ended June 30, 2016. The Group entered into interest rate swaps in the six-month period ended June 30, 2017.

Credit risk

A substantial part of the Group's receivables consists of billing receivables. The Group follows certain principles and procedures to limit the risks connected with billing receivables. These procedures include: verification of the credit quality of potential subscribers before signing the contract, payment monitoring, sending payment reminders, credit limits and debt collection.

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

However, as of June 30, 2017, the Group had a substantial finance receivable from Impera Holdings S.A. in the amount of PLN 2,216,951 thousand. This receivable, including further accrued interest, was redeemed on July 26, 2017. See Note 8 to our Financial Statements included elsewhere in this Report.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and managing guaranteed equity increases. Going forward, our main sources of liquidity will be cash generated through operations as well as amounts available under our Senior Facilities Agreement (PLN 400.0 million revolving credit facility) and other working capital facilities which we currently have (Bank Zachodni WBK Overdraft Facility and Millennium Overdraft Facility) or may enter into as permitted by Senior Facilities Agreement.

The table below presents the maturity of bank loans, notes, leases and other debt in contractual values (i.e. excluding the impact of nominal expenses incurred in relation to the loan and the liability), increased by projected value of interest payments. Values are not discounted. The amounts of bank loans which are not drawn, are not shown below.

June 30, 2017, unaudited PLN in millions

	Liabilities (including projected interest) payable within:			Total
	1 year	2 to 5 years	over 5 years	
Bank loans	503.6	3,259.0	4,079.1	7,841.7
Lease	180.5	540.8	510.3	1,231.6
Other debt	8.9	13.2	-	22.1
	693.0	3,813.0	4,589.4	9,095.4

December 31, 2016 PLN in millions

	Liabilities (including projected interest) payable within:			Total
	1 year	2 to 5 years	over 5 years	
Notes	252.9	4,948.3	-	5,201.3
Lease	179.0	530.2	466.0	1,175.3
Other debt	1.2	1.5	-	2.7
	433.1	5,480.1	466.0	6,379.2

All trade payables are due within one year from the end of the reporting period. All other non-current liabilities are due within over 5 years from the end of the reporting period.

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide benefits for shareholders and other stakeholders as well as to maintain an optimal capital structure to reduce the cost of capital.

Critical Accounting Policies, Estimates and Judgments

General

The preparation of consolidated financial statements in conformity with IFRS with early adoption of IFRS 15 and IFRS 16 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised as well as in any future periods affected.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial year are discussed in Note 2.7 to our Financial Statements included elsewhere in this Report.

ANNEX A
GLOSSARY OF TECHNICAL TERMS

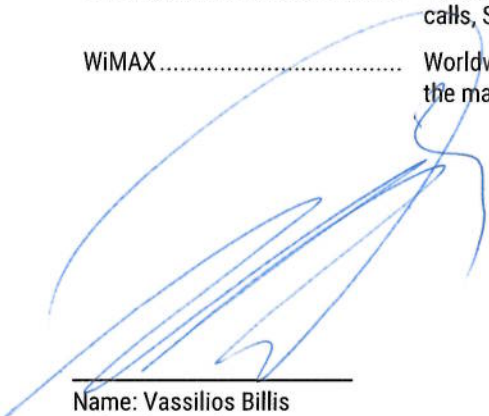
Unless otherwise required by the context, the following definitions shall apply throughout the document:

1800 MHz.....	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 2G and 4G LTE mobile network technologies.
2100 MHz.....	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 3G mobile network technologies.
2G.....	Second generation cellular telecom networks commercially launched on the GSM standard in Europe.
3G.....	Third generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies at top speeds varying from 384 Kbps (UMTS) to 42 Mbps (HSPA+).
4G.....	Fourth generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies (these speeds exceed those available for 3G).
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.



Name: Vassilios Billis
Title: Class B director



Name: Graham Bruce McInroy
Title: Class C director

Play Communications S.A. (formerly Play Holdings 2 S.à r.l.)
Société anonyme
4/6, rue du Fort Bourbon, L-1249 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 183.803
(the **Company**)

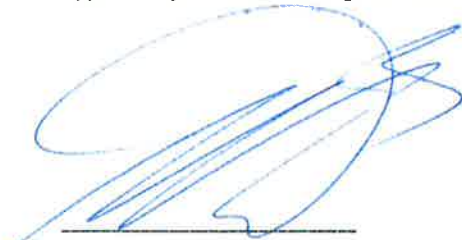
RESPONSIBILITY STATEMENT

August 21, 2017

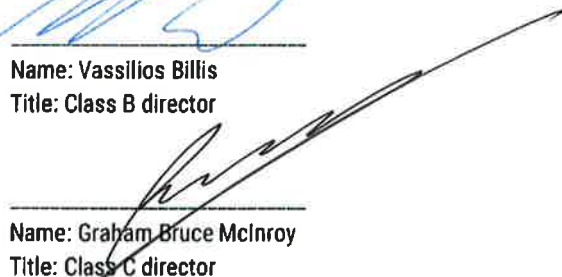
The board of directors of the Company (the **Board**) confirms that, to the best of its knowledge:

- the interim condensed consolidated financial statements of the Company and its subsidiaries prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16 as at and for the six-month period ended June 30, 2017 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, 2017 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



Name: Vassilios Billis
Title: Class B director



Name: Graham Bruce McInroy
Title: Class C 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 2017 and the related interim condensed consolidated statement of financial position as at 30 June 2017, 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' ('IAS 34'), with the early adoption of IFRS 15 and IFRS 16. 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, with the early adoption of IFRS 15 and IFRS 16. This Standard also requires us to comply with relevant ethical requirements.

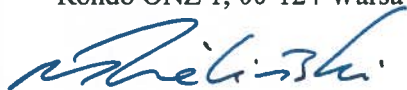
A review of the interim condensed consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement, primarily consisting of performing procedures by making inquiries of the Management and others within the Group, as appropriate, applying analytical procedures 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 2017, and its financial performance and cash flows for the six-month period then ended, in accordance with IAS 34, with the early adoption of IFRS 15 and IFRS 16.

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



Marcin Zieliński
Partner

Warsaw, 21 August 2017

Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością
spółka komandytowa
Rondo ONZ 1, 00-124 Warszawa

Play Communications S.A.
(formerly Play Holdings 2 S. à r. l.)
and its subsidiaries

Interim condensed
consolidated financial statements

Prepared in accordance with IAS 34
with early adoption of IFRS 15 and IFRS 16

As at and for the six-month period
ended June 30, 2017

PLAY

Index to the interim condensed consolidated financial statements

Interim condensed consolidated statement of financial position	F-4
Interim condensed consolidated statement of comprehensive income	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. Summary of significant accounting policies.....	F-9
2.1 Basis of preparation	F-9
2.2 New accounting policies	F-11
2.3 Consolidation.....	F-12
2.4 Foreign currency translation.....	F-12
2.4.1 Functional and presentation currency.....	F-12
2.4.2 Transactions and balances.....	F-12
2.5 Financial risk management.....	F-13
2.5.1 Currency risk.....	F-13
2.5.2 Interest rate risk	F-14
2.5.3 Credit risk	F-14
2.5.4 Liquidity risk.....	F-14
2.6 Fair value estimation	F-15
2.7 Critical accounting estimates and judgments.....	F-15
2.7.1 Valuation of the liabilities relating to retention programs	F-15
2.7.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date.....	F-16
2.7.3 Valuation of early redemption options	F-16
2.7.4 Valuation of the assets retirement obligation provision.....	F-17
2.7.5 Deferred tax	F-17
2.7.6 Impairment of Play Group's long-lived assets.....	F-17
2.7.7 Deferred charges - distribution costs of prepaid products	F-18
2.7.8 Impairment of billing receivables	F-18
2.7.9 Significant judgments and estimates relating to application of IFRS 15.....	F-18
2.7.10 Significant judgments and estimates relating to application of IFRS 16.....	F-19
2.8 Segment reporting	F-19
3. Property, plant and equipment	F-21
4. Right-of-use assets	F-23
5. Intangible assets.....	F-25
6. Assets under construction	F-27
7. Contract costs	F-27
8. Finance receivables.....	F-28
9. Other long-term receivables	F-29
10. Other finance assets and other finance liabilities	F-30
11. Inventories.....	F-32
12. Trade and other receivables.....	F-32
13. Contract assets.....	F-33
14. Prepaid expenses.....	F-33
15. Cash and cash equivalents	F-34
16. Shareholders' equity.....	F-34
17. Finance liabilities	F-35
17.1 Bank loans.....	F-35
17.1.1 Senior Facilities Agreement (SFA).....	F-35
17.1.2 Revolving Credit Facility	F-36
17.1.3 Bank Zachodni WBK loan.....	F-36
17.1.4 Millennium Bank loan.....	F-36
17.2 Notes	F-36
17.2.1 EUR 5.25% Senior Secured Notes due 2019.....	F-37
17.2.2 PLN Floating Rate Senior Secured Notes due 2019.....	F-37
17.2.3 EUR 6.50% Senior Notes due 2019	F-37

Index to the interim condensed consolidated financial statements

17.2.4	EUR 5.25% Senior Secured Notes due 2019 issued in March 2015	F-38
17.3	Leases.....	F-38
17.4	Assets pledged as security for finance liabilities.....	F-38
18.	Provisions.....	F-40
19.	Retention programs liabilities	F-40
20.	Trade and other payables	F-42
21.	Accruals	F-42
22.	Deferred income	F-42
23.	Operating revenue	F-42
24.	Interconnection, roaming and other service costs	F-44
25.	Contract costs, net	F-44
26.	General and administrative expenses	F-45
27.	Depreciation and amortization	F-46
28.	Other operating income and other operating costs	F-46
29.	Finance income and finance costs	F-47
30.	Taxation	F-47
31.	Cash and cash equivalents presented in statement of cash flows	F-49
32.	Changes in working capital and other	F-50
33.	Cash flows relating to finance liabilities	F-50
34.	Commitments	F-51
34.1	2100 MHz and 900 MHz license requirements	F-51
34.2	1800 MHz license requirements.....	F-51
34.3	800 MHz license requirements	F-51
34.4	2600 MHz license requirements.....	F-51
35.	Contingencies and legal proceedings	F-51
35.1	Tax contingent liability.....	F-51
35.2	Universal service liability to Orange Polska S.A.....	F-52
35.3	Contingent liability in relation to purchase of new frequency reservation.....	F-53
35.4	Legal and regulatory proceedings	F-53
36.	Related party transactions	F-54
36.1	Transactions with Shareholders and with entities related via Shareholders	F-54
36.2	Remuneration of Management and Supervisory Board	F-55
37.	Events after the reporting period	F-55

Interim condensed consolidated statement of financial position

	Notes	June 30, 2017 Unaudited	December 31, 2016
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,215,587	1,089,437
Right-of-use assets	4	776,754	745,509
Intangible assets	5	2,683,288	2,628,786
Assets under construction	6	291,201	540,416
Contract costs	7	351,573	350,681
Long-term finance receivables	8	-	341,001
Other long-term receivables	9	12,526	12,164
Other long-term finance assets	10	952	134,246
Deferred tax asset	30	68,318	134,446
Total non-current assets		5,400,199	5,976,686
Current assets			
Inventories	11	188,015	149,685
Short-term finance receivables	8	2,216,951	274
Trade and other receivables	12	1,100,413	1,259,939
Contract assets	13	1,159,473	997,780
Current income tax receivables		21,944	-
Prepaid expenses	14	22,378	21,239
Cash and cash equivalents	15	270,839	340,994
Total current assets		4,980,013	2,769,911
TOTAL ASSETS		10,380,212	8,746,597
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	16	126	52
Share premium		5,644,191	5,644,191
Other reserves	10	(4,346)	-
Retained losses		(4,244,099)	(4,301,631)
Total equity		1,395,872	1,342,612
Non-current liabilities			
Long-term finance liabilities - debt	17	6,870,104	5,176,417
Long-term provisions	18	53,270	47,520
Long-term retention programs liabilities	19	8,559	150,064
Deferred tax liability	30	456	314
Other non-current liabilities		10,401	10,873
Total non-current liabilities		6,942,790	5,385,188
Current liabilities			
Short-term finance liabilities - debt	17	375,523	277,150
Other short-term finance liabilities	10	8,207	-
Trade and other payables	20	978,048	1,177,581
Contract liabilities		33,838	44,933
Current income tax payable		15,866	173,759
Accruals	21	59,999	54,429
Short-term provisions	18	50	1,006
Short-term retention programs liabilities	19	270,374	17,740
Deferred income	22	299,645	272,199
Total current liabilities		2,041,550	2,018,797
TOTAL LIABILITIES AND EQUITY		10,380,212	8,746,597

Interim condensed consolidated statement of comprehensive income

	Notes	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Operating revenue	23	3,209,503	1,628,737	2,931,413	1,488,797
Service revenue		2,374,118	1,212,786	2,174,376	1,107,285
Sales of goods and other revenue		835,385	415,951	757,037	381,512
Operating expenses		(2,787,584)	(1,505,110)	(2,267,376)	(1,167,393)
Interconnection, roaming and other service costs	24	(798,708)	(409,460)	(717,076)	(368,090)
Contract costs, net	25	(213,729)	(105,827)	(202,516)	(103,062)
Cost of goods sold		(639,403)	(312,219)	(664,202)	(330,718)
General and administrative expenses	26	(726,492)	(458,866)	(385,536)	(208,515)
Depreciation and amortization	27	(409,252)	(218,738)	(298,046)	(157,008)
Other operating income	28	46,022	21,481	36,610	18,079
Other operating costs	28	(32,570)	(23,076)	(85,617)	(49,838)
Operating profit		435,371	122,032	615,030	289,645
Finance income	29	136,162	34,876	25,819	33,621
Finance costs	29	(454,353)	(101,020)	(339,082)	(242,407)
Profit before income tax		117,180	55,888	301,767	80,859
Income tax charge	30	(59,648)	(16,847)	(125,668)	(41,635)
Net profit for the period		57,532	39,041	176,099	39,224
Other comprehensive loss for the period	10	(4,346)	(4,346)	-	-
Total comprehensive income for the period		53,186	34,695	176,099	39,224
Earnings per share (in PLN) (basic equals diluted)		0.23	0.16	0.70	0.16
Weighted average number of shares (in thousands) (basic equals diluted) ⁽¹⁾		250,538	250,538	250,538	250,538

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.

(1) Weighted average number of shares (basic equals diluted) is calculated as sum of (i) 250,000,000 shares issued till June 30, 2017 and (ii) 538,325 shares issued without consideration under Value Development Plan 4 after the reporting date but before these interim condensed consolidated financial statements were authorized for issuance. The shares under the new Performance Incentive Plans for the Management Board of P4 issued after the reporting date in exchange for consideration will be included in the weighted average number of shares starting from the period in which the consideration was paid.

Interim condensed consolidated statement of changes in equity

	Attributable to the Company's shareholders					Notes
	Share capital	Share premium	Other reserves	Retained losses	Total equity	
As at January 1, 2017	52	5,644,191	-	(4,301,631)	1,342,612	
Issue of shares	74	-	-	-	74	
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	-	-	(4,346)	-	(4,346)	10
Net profit for the period	-	-	-	57,532	57,532	
As at June 30, 2017, unaudited	126	5,644,191	(4,346)	(4,244,099)	1,395,872	16

	Attributable to the Company's shareholders					Notes
	Share capital	Share premium	Other reserves	Retained losses	Total equity	
As at January 1, 2016	52	5,644,191	-	(5,013,619)	630,624	
Net profit for the period	-	-	-	176,099	176,099	
As at June 30, 2016, unaudited	52	5,644,191	-	(4,837,520)	806,723	16

Interim condensed consolidated statement of cash flows

	Notes	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Profit before income tax		117,180	55,888	301,767	80,859
Depreciation and amortization		409,252	218,738	298,046	157,008
Change in contract costs		(892)	1,857	(712)	(2,114)
Interest expense (net)		243,155	65,478	163,455	80,588
(Gain)/Loss on finance instruments at fair value		169,529	2,909	(17,105)	(28,544)
Foreign exchange (gains)/losses		(94,591)	(2,554)	166,898	157,055
(Gain)/Loss on disposal of non-current assets		(2,202)	306	(4,352)	(3,395)
Impairment of non-current assets		3,029	3,121	1,984	169
Change in provisions and retention programs liabilities		109,783	88,796	(15,951)	8,905
Changes in working capital and other	32	77,066	112,718	(310,481)	(111,102)
Change in contract assets		(161,693)	(80,206)	1,017	2,533
Change in contract liabilities		(11,095)	(11,278)	(1,266)	(8,655)
Cash provided by operating activities		858,521	455,773	583,300	333,307
Interest received		-	-	77	77
Income tax paid		(172,190)	(12,792)	(51,472)	(192)
Net cash provided by operating activities		686,331	442,981	531,905	333,192
Proceeds from sale of non-current assets		1,063	395	3,719	1,147
Proceeds from loans given	8	18,335	-	-	-
Proceeds from debt securities (Repayment of notes by Impera Holdings S.A.)	8	388,250	-	-	-
Purchase of fixed assets and intangibles and prepayments for assets under construction		(368,020)	(156,836)	(1,926,290)	(97,638)
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	8	(68,922)	-	(69,733)	-
Net cash used in investing activities		(29,294)	(156,441)	(1,992,304)	(96,491)
Proceeds from finance liabilities	33	6,443,000	-	365,000	175,000
Repaid finance liabilities and paid costs relating to finance liabilities	33	(4,943,043)	(132,039)	(593,995)	(417,872)
Purchase of notes issued by Impera Holdings S.A.	8, 33	(2,226,993)	-	-	-
Net cash used in financing activities		(727,036)	(132,039)	(228,995)	(242,872)
Net change in cash and cash equivalents		(69,999)	154,501	(1,689,394)	(6,171)
Effect of exchange rate change on cash and cash equivalents		(156)	57	15	41
Cash and cash equivalents at the beginning of the period		340,994	116,281	1,556,801	(126,448)
Cash and cash equivalents at the end of the period	31	270,839	270,839	(132,578)	(132,578)

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 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 and managing a distribution network of mobile telecommunications products under the brand "PLAY".

As at June 30, 2017, the Company's immediate parent was Play Holdings 1 S. à r. l., wholly owned by Impera Holdings S.A. (formerly Play Topco S.A.), which was controlled by Tollerton Investments Limited, owning 50.3% of Impera Holdings S.A. shares.

As at June 30, 2017, 49.7% of Impera Holdings S.A. shares were owned by Telco Holdings S.à r.l.

Before the date of these interim condensed consolidated financial statements, following the Initial Public Offering ("IPO"), the shareholders' structure has changed. Please see Note 16.

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, 2017, further "consolidated financial statements".

The consolidated financial statements include the accounts of the Company and the following subsidiaries held directly and indirectly:

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at June 30, 2017	As at December 31, 2016
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%
Play Finance 2 S.A.	Luxembourg	Financing	100%	100%
P4 Sp. z o.o.	Poland	Operating	100%	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	100%	100%
Tonhil Investments S.A.	Poland	Holding	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. Summary of significant accounting policies

2.1 Basis of preparation

These interim condensed consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" endorsed by the European Union. The accounting policies applied in these interim condensed consolidated financial statements are consistent with the policies applied in the consolidated financial statements of the Group as at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 and described therein, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2017 as described below. For the purpose of these interim condensed consolidated financial statements the Group has adopted the following standards, amendments to standards and interpretations issued and effective as at June 30, 2017:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 19, 2016	January 1, 2017	Not endorsed yet	-	Fully implemented
Amendments to IAS 7 Disclosure Initiative	January 29, 2016	January 1, 2017	Not endorsed yet	-	Fully implemented
IFRS 15: 'Revenue from Contracts with Customers', including amendments and clarifications	May 28, 2014; September 11, 2015	January 1, 2018	January 1, 2018	Permitted	Fully implemented; early adopted
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 12, 2016	January 1, 2018	Not endorsed yet	-	Fully implemented; early adopted
IFRS 16: 'Leases'	January 13, 2016	January 1, 2019	Not endorsed yet	Permitted	Fully implemented; early adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective for the six-month period ended June 30, 2017 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
IFRS 14 'Regulatory Deferral Accounts'	January 30, 2014	January 1, 2016	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard	-	Assessment postponed
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 11, 2014	Deferred indefinitely by IASB	Endorsement process postponed by the EU	-	Assessment postponed
IFRS 9: 'Financial Instruments'	July 24, 2014	January 1, 2018	January 1, 2018	Permitted	Assessment in progress - please see below
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	June 20, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 12, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress
Annual Improvements to IFRS Standards 2014-2016 Cycle	December 8, 2016	January 1, 2018 (Amendments to IFRS 1 and IAS 28) / January 1, 2017 (Amendments to IFRS 12)	Not endorsed yet	-	Assessment in progress
IFRIC 22 Foreign Currency Transactions and Advance Consideration	December 8, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress
Amendments to IAS 40: Transfers of Investments Property	December 8, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress
IFRIC 23 Uncertainty over Income Tax Treatments	June 17, 2017	January 1, 2019	Not endorsed yet		Assessment in progress
IFRS 17 'Insurance contracts'	May 18, 2017	January 1, 2021	Not endorsed yet	Permitted if IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' are applied at the adoption date or earlier	Assessment in progress

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16, issued on January 31, 2017 and included in the Prospectus approved by Luxembourg Financial Supervision Authority (*Commission de Surveillance du Secteur Financier*) on June 30, 2017.

These interim condensed consolidated financial statements were approved for issuance by the Board of Directors of the Company on August 21, 2017.

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

The consolidated financial statements are prepared under the historical cost convention except for liabilities relating to retention programs and derivatives which are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below and in Note 2.7.

Going concern

The consolidated financial statements disclose all matters of which the Group is aware and which are relevant to the Group's ability to continue as a going concern, including all significant events, mitigating factors and the Group's plans. The Group generates positive operating cash flows and has secured financing of further development of telecommunications infrastructure. Accordingly, the consolidated financial statements have been prepared on a

basis which assumes that the Group will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

Assessment of impact of IFRS 9

The Group plans to adopt IFRS 9 'Financial Instruments' on the required effective date. So far the Group has performed a high-level assessment of the impact of all three aspects of IFRS 9: classification and measurement, impairment, hedge accounting. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information which might be available to the Group in the future. Overall, the Group expects no significant impact on its statement of financial position or equity except for the effect of applying the impairment requirements of IFRS 9.

2.2 New accounting policies

Derivative instruments designated as hedges

Derivative financial instruments designated as hedging instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value.

On the date a derivative contract is entered into, the Group designates certain derivatives as either
(i) a hedge of the fair value of a recognized assets or liabilities (fair value hedge), or
(ii) a hedge of a highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking hedge transaction. This process includes linking all derivatives designed as hedges to specific firm commitments or forecast transaction. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transaction are highly effective in offsetting changes in fair values or cash flow hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement.

When a hedging instruments expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is immediately transferred to the income statement.

The fair values of interest rate swaps used for cash flow hedge are disclosed in Note 10. Movements of the reserve capital are disclosed in Interim condensed consolidated statement of changes in equity.

The fair value of a hedging derivative is classified as non-current assets or non-current liabilities if the remaining maturity of the hedged item is more than twelve months and as current assets or current liabilities, if the maturity of the hedged items is less than twelve months.

The fair values of the interest rate swaps are calculated by discounting the future cash flows of both the fixed rate and variable rate interest payments. The inputs used in determining the fair value fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities).

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 have been changed where necessary to ensure consistency with the policies adopted by the Play Group.

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Play Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Złoty ("PLN"), which is the Company's presentation and functional currency, due to the fact that the operating activities of the Group are conducted 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 average spot exchange rate for a given currency as determined by the National Bank of Poland as at the date preceding the date of transaction – in case of settlements of receivables and payables and other transactions,
- the actual spot rate applied as at this date resulting from the type of transaction - in case of foreign currency purchases and sales.

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, 2017	December 31, 2016
EUR	4.2265	4.4240
GBP	4.8132	5.1445
USD	3.7062	4.1793
XDR	5.1498	5.6716

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.

2.5.1 Currency risk

A significant portion of the Group's borrowings had been historically denominated in EUR, which had exposed the Group to currency risk. In March 2017, the EUR-denominated borrowings have been replaced with PLN-denominated borrowings – see Note 17.1.1. This has significantly reduced the currency risk.

Nevertheless, the exposure to currency risk still exists because while most of the Group's revenue is earned in PLN, some operating costs are born in foreign currencies, mainly EUR. Also international roaming costs and revenue are recorded in foreign currencies, including XDR.

Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (in respect of PLN) arising from fluctuations in the exchange rate of the PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (in respect of PLN).

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

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

None of the derivatives were used during the six-month period ended June 30, 2016. During the six-month period ended June 30, 2017, the Group had entered among others into several forward foreign exchange contracts which were used to exchange PLN into EUR for the purpose of the repayment of the EUR-denominated notes with the proceeds from PLN-denominated bank loans - see Note 17.1.1 (forward contracts for the purchase of EUR 940,000 thousand) and for the purpose of purchase of EUR-denominated Notes of Impera Holdings S.A. – see Note 8 (forward contracts for the purchase of EUR 520,000 thousand).

2.5.2 Interest rate risk

Historically the Group financing had comprised mainly fixed-rate borrowings and the exposure on interest rate risk had related primarily to the Floating Rate Senior Secured Notes and leases with floating interest rates. In March 2017, the fixed-rate borrowings have been replaced with floating rate borrowings – see Note 17.1.1. This has increased the interest risk going forward. The risk has been partially mitigated by interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount for a three-year period. See also Note 10.

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

	Increase / decrease in basis points (WIBOR 1M, 3M)	Effect on result before tax
Six-month period ended June 30, 2017	+50	(9,122)
	-50	9,122
Six-month period ended June 30, 2016	+50	(329)
	-50	329

The result is more sensitive to changes in interest rates in 2017 than in 2016 because of higher amount of floating rate debt after the Group had refinanced its fixed rate notes with floating rate bank loans in March 2017. Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

The sensitivity analysis assumes that a 50 basis points change in the 3M WIBOR PLN and a 50 basis points change in the 1M WIBOR PLN interest rates had occurred during the whole period and had been applied to the appropriate floating rate liabilities during the six-month period ended June 30, 2017 and six-month period ended June 30, 2016.

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

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

None of the derivatives were used during the six-month period ended June 30, 2016. The Group entered into interest rate swaps in the six-month period ended June 30, 2017.

2.5.3 Credit risk

The exposure to credit risk has not changed significantly in comparison to the year ended December 31, 2016. The Group has no significant concentrations of credit risk because the Group has an extensive portfolio of trade and other receivables of low individual amounts.

However, as of June 30, 2017, the Group had a substantial finance receivable from Impera Holdings S.A. in the amount of PLN 2,216,951 thousand. This receivable, including further accrued interest, was redeemed on July 26, 2017. See Note 8.

2.5.4 Liquidity risk

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

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

June 30, 2017, unaudited

	Liabilities (including projected interest) payable within:			
	1 year	2 to 5 years	over 5 years	Total
Bank loans	503,616	3,259,000	4,079,099	7,841,715
Lease	180,516	540,801	510,285	1,231,602
Other debt	8,896	13,216	-	22,112
	693,028	3,813,017	4,589,384	9,095,429

December 31, 2016

	Liabilities (including projected interest) payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	252,910	4,948,341	-	5,201,251
Lease	179,033	530,224	466,007	1,175,264
Other debt	1,150	1,522	-	2,672
	433,093	5,480,087	466,007	6,379,187

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

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

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 methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 2.7.1 as well as 2.7.3 and 2.2 respectively.

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 year are discussed below.

2.7.1 Valuation of the liabilities relating to retention programs

The main input used for the valuation of retention programs liabilities is the fair value of the Group. The fair value of the Group as at December 31, 2016 was established using the multiply method on the basis of business projections for years 2017–2019. Other inputs used for the valuation as at December 31, 2016 were the expected liquidity event date and the probability that the liquidity event would not occur until this date.

In July 2017 the Company's shares were listed on the Warsaw Stock Exchange. The IPO was considered an event triggering the payouts under retention programs granted to Management Board Members: EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans (for detailed descriptions of the plans please see the Group's annual consolidated financial

statements as at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16, issued on January 31, 2017). The fair value of liabilities relating to these programs as at June 30, 2017 was established using the share price offered at the IPO. On July 27, 2017 the payouts from these programs were exercised.

As at June 30, 2017, apart from the retention programs granted to Management Board Members, the Group operated also a program granted to key employees – Value Development Program 3 (“VDP 3”). As the IPO did not result in a change of control under VDP 3 agreements, the IPO was not considered an event triggering the payouts from VDP 3. Due to certain lock-up arrangements the Group does not expect a change of control before December 31, 2017, therefore the potential payouts from VDP 3 will depend on achievement of certain key performance indicators by the Group and the fair value of the liabilities relating to the VDP 3 was estimated based on business projections for the year 2017.

2.7.2 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date

The Group has assessed, that for Fixed Rate Senior Secured Notes and Senior Notes issued in January 2014 the respective early redemption options require separate recognition due to differences between option’s exercise price and Notes’ value at amortized cost and due to the fact that implied fee for early redemption to be paid to the lender reimburses the lender for an amount higher than the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015, as well as with respect to Senior Facilities Agreement signed in March 2017 it was concluded that option’s exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of liabilities. Thus close relation between embedded derivative and host contract was confirmed. Therefore this early redemption option was not separated from host debt contract of Floating Rate Senior Secured Notes issued in January 2014, Fixed Rate Senior Secured Notes issued in March 2015 and Senior Facilities Agreement signed in March 2017 for accounting and valuation purposes.

2.7.3 Valuation of early redemption options

For purposes of historical valuation of early redemption options to fair value (please see Note 10) the Group applied valuation model which was designed based on Black-Derman-Toy model (BDT) framework. BDT model is a one-factor model and is one of the most used yield-based models to value notes and interest rate (American-style) options.

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

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

Thus critical valuation inputs of the option were as follows:

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

The above inputs were unobservable inputs.

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

2.7.4 Valuation of the assets retirement obligation provision

As at June 30, 2017 the assets retirement obligation provision was calculated using discount rate of 3.08% (3.62% as at December 31, 2016), representing interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the right-of-use assets that will be subject to retirement obligation. There were no significant changes of the discount period or other assumptions in comparison to the period applied for the calculation in the year ended December 31, 2016.

2.7.5 Deferred tax

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Play Group's income taxes. This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

The deferred income tax calculation is based on the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The calculation is based upon long-term financial projections, which contain a considerable amount of uncertainty and the actual outcome may differ. These projections may be altered to reflect changes in the economic, technological and competitive environment in which the Play Group operates.

The Group is required to assess the likelihood of deferred income tax assets being recovered from future taxable income, and deferred tax assets are recognized to the extent to which such recovery is probable. Significant Group's estimates are required in the valuation of the Play Group's deferred income tax assets. These estimates take into consideration future taxable income projections, the potential volatility of those projections, historical results and ongoing tax planning strategies. Factors as: the nature of the business and industry, the economic environment in which the Play Group operates and the stability of local legislation are also considered.

2.7.6 Impairment of Play Group's long-lived assets

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at June 30, 2017, 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, 2016. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2017-2021.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2016. As a result no impairment loss has been recognized.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. Play Group's business model is based on a combination of operating an extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network of its own and providing nation-wide coverage to its customers via national roaming/network sharing agreements with other mobile telecommunications operators.

The future success of this business model is dependent on many factors. The macroeconomic conditions of Poland and the European Union, the overall level of competition in the market, including market prices for voice and data services, the future take-up of new mobile data services, including demand for 4G LTE technology, access to sufficient distribution channels and the impact of possible new entrants in the form of mobile network operators (MNOs) and mobile virtual network operators (MVNOs), as well as over-the-top (OTT) service providers, may all impact the Group's ability to generate revenues. Risks associated with rapidly growing demand for radio network capacity, and uncertainties over the market regulator's approach to new entrants relative to market incumbents, the rate of decrease in unit costs of mobile devices and market levels of mobile devices subsidies, all generate uncertainties over achievable profit margins.

The mobile telecommunications industry is subject to significant governmental regulation and supervision and future changes in such regulations or telecommunications law may have an adverse impact on Play Group's revenues, require the Group to make additional expenditures and otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.

As no impairment indicators were identified as at June 30, 2017, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were not tested for impairment as at this date.

2.7.7 Deferred charges - distribution costs of prepaid products

Costs of distribution of prepaid products are deferred until the service is provided, i.e. a prepaid product is delivered to an end-user, and expensed at that time. However, as Play Group has no means of knowing the exact moment at which the prepaid products are delivered to end-users, due to the vast majority of sales being through independent third party channels, it is estimated that the distribution services are rendered when prepaid products are first activated in Play Group's billing system. The distribution costs of prepaid products that were not activated after a pre-determined period from the date of delivering the products to the distributors are treated as incurred and expensed at that time.

2.7.8 Impairment of billing receivables

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. The collectability ratio used for calculation as at June 30, 2017 is higher than in comparative period.

2.7.9 Significant judgments and estimates relating to application of IFRS 15

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. 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 determined based on the standard list prices at which the Group sells them separately (without a service contract). 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 post-paid services (including these bundled with handsets) and prepaid services. The Group has assessed that the dealers act as agents 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 airtime services to the end-customer and organizes the process of repairs of the equipment within the guarantee period;
- b) prices of services and prices of equipment 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.

2.7.10 Significant judgments and estimates relating to application of IFRS 16

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

For lease contracts with indefinite term or with option to extend the lease on the same commercial terms the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it (e.g. economic useful life of foundations of telecommunications towers in case of lease of land on which the tower is located) or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the interest rate swap rate 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.

2.8 Segment reporting

The Group's business activity embraces the provision of mobile telecommunications services and managing a distribution network of mobile telecommunications products.

An operating segment is a distinguishable component of an enterprise that is engaged in business activities from which it may earn revenues and incur expenses and operating results of which are regularly reviewed to make decisions about resources to be allocated and to assess its performance. The whole Play Group was determined as one operating segment, as its performance is assessed based on revenue and adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA – see table below), only from the perspective of the Group as a whole.

Data in the table below are presented in zloty 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, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Operating profit	435	122	615	290
Add depreciation and amortization	409	219	298	157
Add management fees	34	27	16	8
Add valuation of retention programs and special bonuses	252	215	(14)	9
Add other one-off costs	32	16	43	27
Adjusted EBITDA	1,163	599	958	491

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

For more details on depreciation and amortization please see Note 27.

The valuation of retention programs and special bonuses increased in six-month period ended June 30, 2017 due to the settlement of certain programs in relation to the refinancing concluded in March 2017 as well as in relation to the IPO; for more information see notes 19 and 37.

Costs of management fees increased in the six-month period ended June 30, 2017 due to one-off fees incurred in connection with the IPO. The Group expects inter alia further PLN 11.7 million management fees in connection with the IPO to be incurred after the reporting period.

Other one-off costs for the six-month period ended June 30, 2017 comprised: (i) one-off costs of PLN 12.2 million related to prepaid registration process to comply with new regulations introduced by the Act dated June 10, 2016 on Anti-terrorist Operations, which came into force in Poland on July 25, 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards; (ii) one-off costs of strategic projects out of usual scope of our business of PLN 4.6 million; (iii) costs of the IPO in the amount of PLN 14.7 million and other one-off costs of PLN 0.6 million. The Group expects further costs in connection with the IPO in the amount of at least PLN 10.5 million to be incurred after the reporting period.

Other one-off costs for the six-month period ended June 30, 2016 comprised: (i) cost of provision for early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million; (ii) one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling; (iii) one-off costs of strategic projects out of usual scope of our business of PLN 2.3 million and other one-off costs of PLN 7.4 million.

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

3. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2017	46	858,585	125,567	1,066,942	345	122,018	2,173,503
Additions	-	-	41	-	-	-	41
Transfers and reclassifications	-	39,402	99,832	190,574	28	(36,902)	292,934
Disposals	-	(6,220)	(4,159)	(40,975)	(54)	(3,475)	(54,883)
As at June 30, 2017, unaudited	46	891,767	221,281	1,216,541	319	81,641	2,411,595
Accumulated depreciation							
As at January 1, 2017	4	390,861	96,046	548,752	323	47,894	1,083,880
Charge	-	22,223	17,317	99,576	26	9,947	149,089
Transfers and reclassifications	-	(13,585)	17,482	20,706	-	(7,121)	17,482
Disposals	-	(6,165)	(4,156)	(40,789)	(52)	(3,281)	(54,443)
As at June 30, 2017, unaudited	4	393,334	126,689	628,245	297	47,439	1,196,008
Accumulated impairment							
As at January 1, 2017	-	-	34	-	-	152	186
Reversal of impairment charge	-	-	(32)	-	-	(55)	(87)
Utilization of impairment charge	-	-	(2)	-	-	(97)	(99)
As at June 30, 2017, unaudited	-	-	-	-	-	-	-
Net book value as at June 30, 2017, unaudited	42	498,433	94,592	588,296	22	34,202	1,215,587

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.

During the six-month period ended June 30, 2017 the Group has not capitalized any interest expense or exchange rate differences.

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2016	46	796,404	101,546	905,081	-	60,098	1,863,175
Transfers and reclassifications	-	21,258	17,568	137,604	345	6,824	183,599
Disposals	-	(2,616)	(2,892)	(60,355)	-	(697)	(66,560)
As at June 30, 2016, unaudited	46	815,046	116,222	982,330	345	66,225	1,980,214
Accumulated depreciation							
As at January 1, 2016	4	360,362	88,999	471,981	-	34,082	955,428
Charge	-	14,169	6,275	70,951	-	4,610	96,005
Transfers and reclassifications	-	-	(297)	3,061	296	(609)	2,451
Disposals	-	(1,368)	(2,849)	(60,037)	-	(655)	(64,909)
As at June 30, 2016, unaudited	4	373,163	92,128	485,956	296	37,428	988,975
Net book value as at June 30, 2016, unaudited	42	441,883	24,094	496,374	49	28,797	991,239

During the six-month period ended June 30, 2016 the Group has not capitalized any interest expense or exchange rate differences.

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

4. 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 fixed assets	Total
Cost							
As at January 1, 2017	132,530	1,174,013	82,525	74,056	25,767	718	1,489,609
Additions	18,249	85,329	-	1,312	-	-	104,890
Asset retirement obligation	-	5,723	-	-	-	-	5,723
Transfers and reclassifications	(7,513)	7,513	(22,624)	-	1,398	-	(21,226)
Disposals	(358)	(20,121)	(1,419)	(2,025)	(1,011)	-	(24,934)
As at June 30, 2017, unaudited	142,908	1,252,457	58,482	73,343	26,154	718	1,554,062
Accumulated depreciation							
As at January 1, 2017	44,524	572,474	58,716	54,518	13,203	665	744,100
Charge	5,098	50,146	7,510	4,792	3,699	6	71,251
Charge from asset retirement obligation	-	1,217	-	-	-	-	1,217
Charge correction	144	(4,786)	-	-	-	-	(4,642)
Transfers and reclassifications	(377)	377	(17,482)	-	-	-	(17,482)
Disposals	(183)	(14,230)	(1,415)	(320)	(988)	-	(17,136)
As at June 30, 2017, unaudited	49,206	605,198	47,329	58,990	15,914	671	777,308
Net book value as at June 30, 2017, unaudited	93,702	647,259	11,153	14,353	10,240	47	776,754

Charge correction represents the amount of adjustment of depreciation of right-of-use assets which had been recognized in prior periods. The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil in current period. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed. The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected not to apply exemptions for short-term leases (excluding short-term leases of billboards) or leases for which the underlying asset is of low value. 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 5,063 thousand in current period.

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(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 fixed assets	Total
Cost							
As at January 1, 2016	113,374	1,104,525	89,116	92,219	26,097	-	1,425,331
Additions	4,273	34,469	-	2,835	-	-	41,577
Asset retirement obligation	-	3,190	-	-	-	-	3,190
Transfers and reclassifications	-	-	(8,893)	(6,257)	2,654	718	(11,778)
Disposals	(709)	(24,267)	(554)	(4,484)	(3,874)	-	(33,888)
As at June 30, 2016, unaudited	116,938	1,117,917	79,669	84,313	24,877	718	1,424,432
Accumulated depreciation							
As at January 1, 2016	35,875	501,646	44,821	61,681	13,384	-	657,407
Charge	4,596	48,529	9,904	5,515	3,539	32	72,115
Charge from asset retirement obligation	-	1,061	-	-	-	-	1,061
Transfers and reclassifications	-	-	297	(3,061)	(296)	609	(2,451)
Disposals	(220)	(13,777)	(537)	(4,465)	(3,861)	-	(22,860)
As at June 30, 2016, unaudited	40,251	537,459	54,485	59,670	12,766	641	705,272
Net book value as at June 30, 2016, unaudited	76,687	580,458	25,184	24,643	12,111	77	719,160

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 1,722 thousand in comparative period.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected not to apply exemptions for short-term leases (excluding short-term leases of billboards) or leases for which the underlying asset is of low value.

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 5,064 thousand in comparative period.

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

5. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2017	2,779,955	830,955	238,301	29,904	3,879,115
Transfers and reclassifications	-	239,349	-	2,720	242,069
Disposals	-	(4,928)	-	-	(4,928)
As at June 30, 2017, unaudited	2,779,955	1,065,376	238,301	32,624	4,116,256
Accumulated amortization					
As at January 1, 2017	557,879	672,922	-	14,931	1,245,732
Charge	92,568	93,192	-	1,935	187,695
Disposals	-	(459)	-	-	(459)
As at June 30, 2017, unaudited	650,447	765,655	-	16,866	1,432,968
Accumulated impairment					
As at January 1, 2017	-	-	-	4,597	4,597
Impairment charge	-	-	-	(128)	(128)
Transfers and reclassifications	-	4,469	-	(4,469)	-
Utilization of impairment charge	-	(4,469)	-	-	(4,469)
As at June 30, 2017, unaudited	-	-	-	-	-
Net book value as at June 30, 2017, unaudited	2,129,508	299,721	238,301	15,758	2,683,288

The transfers recorded during six-month period ended June 30, 2017 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software and other intangible assets.

On August 23, 2005 P4 was granted by UKE a reservation of the 2100 MHz frequency for the period from July 1, 2006 to December 31, 2022. On March 16, 2007 P4 started providing mobile telecommunications services and started to amortize the 2100 MHz license from March 1, 2007. The license is amortized over the period for which it was granted. As at June 30, 2017 the carrying value of the 2100 MHz license was PLN 120,128 thousand.

On December 9, 2008 P4 was granted a reservation of the 900 MHz frequency for the period from December 9, 2008 to December 31, 2023. P4 started to amortize the 900 MHz license from January 2009. The license is amortized over the period for which it was granted. As at June 30, 2017 the carrying value of the 900 MHz license was PLN 94,336 thousand.

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

On February 13, 2013, P4 was granted a reservation of the 1800 MHz frequency for the period from February 13, 2013 to December 31, 2027. The license is amortized over the period for which it was granted. As at June 30, 2017 the carrying value of the 1800 MHz license was PLN 360,621 thousand.

On January 25, 2016, P4 was granted a reservation of the 800 MHz frequency. On June 23, 2016, the UKE President issued new decisions on reservation of 800 MHz frequency and changed the allocation of the frequency blocks among operators (P4 was allocated the Block C instead of the Block D). The reservation is granted till June 22, 2031. The license is amortized over the period for which it was granted. As at June 30, 2017 the carrying value of the 800 MHz license was PLN 1,353,291 thousand.

On January 25, 2016, P4 was granted a reservation of the 2600 MHz frequency for the period from January 25, 2016 to January 24, 2031. The license is amortized over the period for which it was granted. As at June 30, 2017 the carrying value of the 2600 MHz license was PLN 201,132 thousand.

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

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2016	1,061,522	781,608	238,301	21,626	2,103,057
Additions	1,718,433	-	-	-	1,718,433
Transfers and reclassifications	-	11,932	-	4,160	16,092
Disposals	-	(3)	-	-	(3)
As at June 30, 2016, unaudited	2,779,955	793,537	238,301	25,786	3,837,579
Accumulated amortization					
As at January 1, 2016	380,388	582,856	-	13,041	976,285
Charge	84,924	42,535	-	1,493	128,952
Disposals	-	(3)	-	-	(3)
As at June 30, 2016, unaudited	465,312	625,388	-	14,534	1,105,234
Accumulated impairment					
As at January 1, 2016	-	-	-	-	-
Impairment charge	-	-	-	1,832	1,832
As at June 30, 2016, unaudited	-	-	-	1,832	1,832
Net book value as at June 30, 2016, unaudited	2,314,643	168,149	238,301	9,420	2,730,513

6. Assets under construction

Cost	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	Unaudited	Unaudited
As at January 1	543,114	395,385
Additions	267,823	292,698
Radio network	185,695	205,221
Core network and network operations center	8,140	31,415
IT	60,905	42,449
Other capital expenditures	13,083	13,613
Transfers and reclassifications	(513,777)	(187,913)
Disposals	(16)	(684)
As at June 30	297,144	499,486
Accumulated impairment		
As at January 1	2,698	1,849
Impairment charge	3,245	151
Utilization of impairment provision	-	(592)
As at June 30	5,943	1,408
Net book value as at June 30	291,201	498,078

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 under construction which amounted to PLN 14,739 thousand as at June 30, 2017, PLN 10,140 as at December 31, 2016 and nil as at June 30, 2016.

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

7. Contract costs

Cost	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	Unaudited	Unaudited
As at January 1	703,567	605,668
Additions	204,195	183,649
Disposals	(188,472)	(176,893)
As at June 30	719,290	612,424
Accumulated amortization		
As at January 1	352,886	295,724
Charge (including impairment)	203,302	182,937
Disposals (including impairment)	(188,471)	(176,893)
As at June 30	367,717	301,768
Net book value as at June 30	351,573	310,656

8. Finance receivables

	June 30, 2017 Unaudited	December 31, 2016
Long-term finance receivables		
EUR 8.22% Senior Notes due in 2020, tranche A, B, C	-	249,788
EUR 6.11% Senior Notes due in 2020, tranche D	-	72,853
Loans given	-	18,360
	-	341,001
Short-term finance receivables		
EUR Notes due in 2023	2,216,951	-
Loans given	-	274
	2,216,951	274

Debt securities

EUR Senior Notes tranche A, B, C, D and E, due in 2020 from Impera Holdings S.A.

On February 26, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Notes issued by Impera Holdings S.A. On August 26, 2015, the Group purchased EUR 16,260 thousand in aggregate principal amount of B Series Notes issued by Impera Holdings S.A. On February 25, 2016, the Group purchased EUR 15,950 thousand in aggregate principal amount of C Series Notes issued by Impera Holdings S.A. On August 26, 2016, the Group purchased EUR 16,550 thousand in aggregate principal amount of D Series Notes issued by Impera Holdings S.A. On February 24, 2017, the Group purchased EUR 16,000 thousand in aggregate principal amount of E Series Notes issued by Impera Holdings S.A. The purpose of the notes was to facilitate the interest payments on the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Impera Holdings S.A. The initial maturity date of A, B, C, D and E Series Notes was February 28, 2020 (Repurchase Date). Interest on the A, B and C Series Notes was calculated at the rate of 8.22% per annum, interest on the D Series was calculated at the rate of 6.11% per annum and interest on the E Series was calculated at the rate of 6.36% per annum. Interest accrued on all tranches was to be paid on the Notes Repurchase Date.

The notes receivables were measured at amortized cost using the effective interest rate. As at December 31, 2016 the effective interest rate on tranches A, B and C amounted to 8.23%, on tranche D amounted to 6.12% and on tranche E amounted to 6.36%.

The A, B, C, D and E Series Notes were repaid by Impera Holdings S.A. on March 20, 2017.

EUR Notes due in 2023 from Impera Holdings S.A.

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

The notes receivables were measured at amortized cost using the effective interest rate. Fees received in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 29,423 thousand as at June 30, 2017. The effective interest rate was 47.82% as at June 30, 2017 due to the fact that the Notes were redeemed early and the Group recovered substantial early redemption fee.

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

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

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

Loans given

On September 5, 2016, the Group granted a loan to Impera Holdings S.A. in the total available amount of EUR 5,000 thousand. The actual amount drawn totaled EUR 4,150 thousand. Interest on the loan was calculated at the rate of 6M EURIBOR plus margin. The loan was to be repaid in 2019.

The loan was repaid by Impera Holdings S.A. on March 20, 2017.

9. Other long-term receivables

	June 30, 2017	December 31, 2016
	Unaudited	
Long-term receivables	12,934	12,572
Impairment of long-term receivables	(408)	(408)
	<u>12,526</u>	<u>12,164</u>

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

10. Other finance assets and other finance liabilities

	June 30, 2017 Unaudited	December 31, 2016
Other finance assets		
Early redemption option embedded in Senior Secured Notes	-	83,522
Early redemption option embedded in Senior Notes	-	50,724
Finance assets at fair value through profit or loss	-	134,246
Interest rate swaps	952	-
Finance assets at fair value through other comprehensive income	952	-
Other long-term finance assets	952	134,246
Other finance liabilities		
Interest rate swaps	8,207	-
Finance liabilities at fair value through other comprehensive income	8,207	-
Other short-term finance liabilities	8,207	-

Finance assets and finance liabilities at fair value through other comprehensive income

Finance assets and finance liabilities at fair value through other comprehensive income comprised interest rate swaps designated as cash flow hedges.

Drawings under the Senior Facilities Agreement (please see Note 17.1.1) bear interest at floating rates tied to WIBOR plus margin. In May 2017, the Group entered into interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount (i.e. PLN 2,150,000 thousand) for a three-year period starting from July 1, 2017. The cash flows are expected to occur on the last days of quarters within this period whereas the interest cost are recognized in the statement of comprehensive income using the amortized cost method. Please see also Note 2.5.2.

Finance assets at fair value through profit or loss

Finance assets at fair value through profit or loss comprised early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 2.7.2 and Note 2.7.3).

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

- a) for Senior Secured Notes:
 - (i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem:
 - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 105.25% of the principal amount, or

- during each twelve-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount at a redemption price equal to 103% of the principal amount, or
 - all or a portion of principal amount at a redemption price equal to 100% of the principal amount plus the applicable premium as of redemption date. The premium was determined as maximum of 1% of the principal amount or excess of the present value of sum of 102.625% and interests payments due through February 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Fixed Rate Senior Secured Notes.
- (ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
- 102.625% - in period from February 1, 2016 to February 1, 2017,
 - 101.313% - in period from February 1, 2017 to February 1, 2018,
 - 100.000% - in period from February 1, 2018 to February 1, 2019.
- b) for Senior Notes:
- (i) at any time prior to August 1, 2016 the Senior Notes Issuer was entitled to redeem:
- on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 106.50% of the principal amount, or
 - all or a portion of principal amount at a redemption price equal to 100.00% of the principal amount plus the applicable premium as of redemption date. The premium was determined as maximum of 1% of the principle amount or excess of the present value of sum of 103.25% and interests payments due through August 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Senior Notes.
- (ii) at any time on or after August 1, 2016 the Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
- 103.250% - in period from August 1, 2016 to August 1, 2017,
 - 101.625% - in period from August 1, 2017 to August 1, 2018,
 - 100.000% - in period from August 1, 2018 to August 1, 2019.

In each of the above cases the redemption price was additionally increased by the amount of accrued and unpaid interests as to redemption date.

Change in fair value of early redemption options impacted profit or loss. The table below presents reconciliation of change in fair value in the reporting periods.

	Early redemption option embedded in Senior Secured Notes	Early redemption option embedded in Senior Notes	Total
Valuation as at January 1, 2017	83,522	50,724	134,246
Valuation as at June 30, 2017, unaudited	-	-	-
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2017, unaudited	(83,522)	(50,724)	(134,246)
Valuation as at January 1, 2016	8,580	10,639	19,219
Valuation as at June 30, 2016, unaudited	20,563	15,761	36,324
Impact of change in fair value on profit or loss for the six-month period ended June 30, 2016, unaudited	11,983	5,122	17,105

The Senior Secured Notes liability and Senior Notes liability had been fully repaid in March 2017, using proceeds from Senior Facilities Agreement drawn down in March 2017 (see Note 17.2). Therefore the early redemption option assets were derecognized in the six-month period ended June 30, 2017.

11. Inventories

	June 30, 2017	December 31, 2016
	Unaudited	
Goods for resale	162,204	121,686
Goods in dealers' premises	38,587	39,619
Prepaid deliveries	-	2
Impairment of goods for resale	(12,776)	(11,622)
	<u>188,015</u>	<u>149,685</u>

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

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

	Six-month period ended	Six-month period ended
	June 30, 2017	June 30, 2016
	Unaudited	Unaudited
Beginning of period	11,622	7,203
- charged to income statement	1,154	3,835
- utilized	-	(1,558)
End of period	<u>12,776</u>	<u>9,480</u>

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

12. Trade and other receivables

	June 30, 2017	December 31, 2016
	Unaudited	
Trade receivables	1,222,381	1,400,747
Impairment of trade receivables	(125,345)	(143,191)
Trade receivables (net)	<u>1,097,036</u>	<u>1,257,556</u>
VAT and other government receivables	2,982	2,127
Other receivables	395	256
Other receivables (net)	<u>3,377</u>	<u>2,383</u>
	<u>1,100,413</u>	<u>1,259,939</u>

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

Trade receivables include installment receivables relating to sales of handsets and mobile computing devices. The balance of trade receivables decreased following the significant reduction in the volume of installment sales after October 2016.

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

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

	Six-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited
Beginning of period	143,191	92,970
- charged/(credited) to income statement	(17,637)	27,277
- write-downs applied	(209)	-
End of period	125,345	120,247

The amount charged to income statement in the six-month period ended June 30, 2016 comprises among others a one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12,735 thousand due to unfavorable court ruling and impairment allowance for receivables from installments sales resulting from increased sales volumes in installment model. In the six-month period ended June 30, 2017 the decrease in provision for impairment of trade receivables results from decreased volume of installments sales as well as improved collectability of receivables.

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

13. Contract assets

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.

Impairment of contract assets results from disconnecting the customer due to breach of the contract (see Note 28).

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.

The balance of contract assets increased following the significant reduction in the volume of installment sales after October 2016. Contract assets resulting from individual non-installment sales contracts are higher than from installment sales contracts.

14. Prepaid expenses

	June 30, 2017 Unaudited	December 31, 2016
Distribution and selling costs	9,735	8,815
Network and IT maintenance	4,195	2,626
Other	8,448	9,798
	22,378	21,239

As of June 30, 2017, other prepaid expenses include mainly advance payments for services.

15. Cash and cash equivalents

	June 30, 2017	December 31, 2016
	Unaudited	
Petty cash	545	702
Balances deposited with banks	270,142	339,336
Other cash assets	152	956
	<u>270,839</u>	<u>340,994</u>

16. Shareholders' equity

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

As at December 31, 2016, the Company's share capital consisted of 12,501 shares issued, paid and authorized with a par value of EUR 1 per share.

As at June 30, 2017, following the transformation to a public limited liability company, the Company's share capital was increased to PLN 126 thousand and consisted of 250,000,000 shares issued, paid and authorized with a par value of EUR 0.00012 per share.

As at June 30, 2017, Play Holdings 1 S. à r. l. was the owner of 250,000,000 shares, constituting 100% of the Company's share capital.

In July 2017 the Company's shares (i.e. 250,000,000 shares) were listed on the Warsaw Stock Exchange ("WSE"). The first day of listing and trading of the Company's existing ordinary shares on the WSE was 27 July 2017. The offering included 121,572,621 shares. The number of shares in the free float might change due to the stabilization activities.

The final number of shares offered to retail investors and authorized employees has been set to 6,137,616 (ca. 5.0% of the offer shares); this includes 5,980,249 shares (ca. 4.9% of the offer shares) offered to retail investors and 157,367 shares (ca. 0.1% of the offer shares) offered to authorized employees; the remaining 115,435,005 shares (including over-allotment shares) have been offered to institutional investors (ca. 95.0% of the offer shares).

Additionally, on July 27, 2017 3,170,119 new shares under new Performance Incentive Plans for the Management Board of P4 have been issued. The Management Board of P4 subscribed for these shares at the price of PLN 36,0 per share. Also, on July 27, 2017 538,325 shares were issued for no consideration to 84 managers and key employees in relation to Value Development Program 4. In addition, 222,222 new shares will be authorized and available for issuance under future incentive programs dedicated to new managers and key employees joining Play Group or to add new participants or increase the value of the existing incentive programs dedicated to the managers and key employees.

On August 1, 2017 Impera Holdings S.A. acquired 128,427,379 shares from Play Holdings 1 S. à r. l. constituting 50.62% of the Company's share capital. On August 8, 2017 Telco Holdings S. à r. l. acquired 63,828,407 shares from Impera Holdings S.A. constituting 25.16% of the Company's share capital. On August 11, 2017 Tollerton Investments Limited acquired 64,598,972 shares from Impera Holdings S.A. constituting 25.46% of the Company's share capital.

17. Finance liabilities

	June 30, 2017 Unaudited	December 31, 2016
Long-term finance liabilities		
Long-term bank loans	6,158,514	-
Long-term notes liabilities	-	4,505,269
Long-term lease liabilities	698,740	669,635
Other debt	12,850	1,513
	6,870,104	5,176,417
Short-term finance liabilities		
Short-term bank loans	192,735	-
Short-term notes liabilities	-	102,941
Lease liabilities	174,411	173,079
Other debt	8,377	1,130
	375,523	277,150
	7,245,627	5,453,567

17.1 Bank loans

	June 30, 2017 Unaudited	December 31, 2016
Long-term bank loans		
SFA	6,158,514	-
	6,158,514	-
Short-term bank loans		
SFA	192,735	-
	192,735	-

17.1.1 Senior Facilities Agreement (SFA)

On March 7, 2017 the Play Group entered into PLN 7,000,000 thousand Senior Facilities Agreement with Alior Bank Spółka Akcyjna, 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 Bank Zachodni WBK S.A. as an agent. The amount includes PLN 6,600,000 term loan facilities and PLN 400,000 thousand revolving credit facility.

During the six-month period ended June 30, 2017 the Group has drawn down the amount of PLN 6,443,000 thousand under the above facility agreement and the remaining amounts under term loan facilities were cancelled. Additionally, under the SFA, the Group can use PLN 400,000 thousand revolving credit facility, which was undrawn as at June 30, 2017.

The funds were used to repay EUR 5.25% Senior Security Notes due 2019, PLN Floating Rate Senior Security Notes due 2019 and EUR 6.5% Senior Notes due 2019 issued by the Group and to cover all costs related to repayment of the notes as well as to purchase A Series Notes issued by Impera Holdings S.A. on March 20, 2017 (see Note 8).

The loan drawn down under Facility A in the amount of PLN 2,443,000 thousand is repayable in quarterly installments. The first installment is due in March 2018, the last installment is due in March 2022. The loan drawn down under Facility B in the amount of PLN 2,732,000 thousand is repayable in full on September 20, 2022. The loan drawn down under Facility C in the amount of PLN 1,268,000 thousand is repayable in full on March 20, 2023.

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

The loan is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the loan are included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 91,751 thousand as at June 30, 2017. The effective interest rate was 4.84% for Facility A, 5.14% for Facility B and 5.91% for Facility C as at June 30, 2017.

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

17.1.2 Revolving Credit Facility

Historically, the Play Group had a multi-currency revolving facility with Alior Bank S.A. as a lender, and Bank Zachodni WBK S.A. as a lender and facility agent for the amount of PLN 400,000 thousand. The funds could be used to finance general corporate and working capital purposes of the Group (including the acquisition of telecommunications licenses or capital expenditure relating thereto, as well as other capital expenditure). The bank loan was to be repaid until January 31, 2018. Interest was calculated based on relevant LIBOR, EURIBOR or WIBOR rate (depending on the currency drawn and the interest period) plus margin. The agreement was terminated on March 20, 2017.

17.1.3 Bank Zachodni WBK loan

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

The facility in the amount of PLN 150,000 thousand is available until May 31, 2018. Interest is calculated based on 1M WIBOR rate plus margin.

As at June 30, 2017, the overdraft line in Bank Zachodni WBK S.A. was fully available.

17.1.4 Millennium Bank loan

The Play Group has an overdraft agreement with Bank Millennium S.A. for the amount of PLN 50,000 thousand. The funds can be used to finance working capital needs.

The facility is available until November 12, 2017. Interest is calculated based on 1M WIBOR rate plus margin.

As at June 30, 2017, the overdraft line in Bank Millennium S.A. was fully available.

17.2 Notes

	June 30, 2017	December 31, 2016
	Unaudited	
Long-term notes liabilities		
EUR 5.25% Senior Secured Notes due 2019	-	2,631,938
PLN Floating Rate Senior Secured Notes due 2019	-	129,297
EUR 6.5% Senior Notes due 2019	-	1,183,033
2015 EUR 5.25% Senior Secured Notes due 2019	-	561,001
	<u>-</u>	<u>4,505,269</u>
Short-term notes liabilities		
Accrued interest related to notes	-	102,941
	<u>-</u>	<u>102,941</u>

17.2.1 EUR 5.25% Senior Secured Notes due 2019

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

The notes liability was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 22,462 thousand as at December 31, 2016. The effective interest rate was 5.77% as at December 31, 2016.

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

17.2.2 PLN Floating Rate Senior Secured Notes due 2019

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

The notes liability was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 703 thousand as at December 31, 2016. The effective interest rate was 5.70% as at December 31, 2016.

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

17.2.3 EUR 6.50% Senior Notes due 2019

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

Proceeds from Senior Notes of EUR 170,000 thousand were initially deposited into escrow account and on July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction. The proceeds were used for distribution of share premium.

The notes liability was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 11,447 thousand as at December 31, 2016. The effective interest rate was 7.04% as at December 31, 2016.

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

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

On March 19, 2015, the Group issued EUR 125,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes mature on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes was calculated at the rate of 5.25% per annum and was payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2015.

The notes liability was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes, adjusted by the value of premium, were included in the calculation of the effective interest rate. As a result of the purchase of notes at a premium the balance of unamortized expenses was negative and amounted to PLN 8,001 as at December 31, 2016. The effective interest rate was 4.57% as at December 31, 2016.

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

The notes liability was fully repaid in March 2017, using proceeds from Senior Facilities Agreement drawn down in March 2017.

17.3 Leases

	June 30, 2017 Unaudited	December 31, 2016
Long-term lease liabilities		
Telecommunications sites	599,796	564,680
Points of sale	44,151	33,390
Dark fiber optic cable	6,061	10,581
Collocation centers	14,627	16,931
Offices and warehouse	24,742	29,813
IT equipment and telecommunications equipment	6,136	9,803
Motor vehicles	3,227	4,437
	698,740	669,635
Short-term lease liabilities		
Telecommunications sites	112,317	109,607
Points of sale	24,500	22,290
Dark fiber optic cable	8,535	9,162
Collocation centers	6,302	6,234
Offices and warehouse	6,600	4,766
IT equipment and telecommunications equipment	10,912	15,136
Motor vehicles	5,245	5,884
	174,411	173,079

17.4 Assets pledged as security for finance liabilities

Until June 16, 2017 the Senior Facilities were secured by pledge over the shares in Play Communications S.A. (formerly Play Holdings 2 S.à r.l.) established by Play Holdings 1 S.à r.l. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee. On June 16, 2017 the pledge over the shares was released by virtue of the amendment to the Senior Facilities Agreement.

The Senior Facilities are currently secured by:

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

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

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

The Senior Notes were secured by:

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

18. Provisions

	June 30, 2017 Unaudited	December 31, 2016
Assets retirement provision	45,039	38,902
Other long-term provisions	8,231	8,618
Short-term provisions	50	1,006
	53,320	48,526

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2017	38,902	8,618	1,006	48,526
Increase	6,355	159	-	6,514
Decrease:	(218)	(546)	(956)	(1,720)
- reversal of provisions	(218)	(216)	(175)	(609)
- utilization	-	(330)	(781)	(1,111)
As at June 30, 2017, unaudited	45,039	8,231	50	53,320

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2016	38,255	8,217	996	47,468
Increase	3,714	480	20,433	24,627
Transfers	-	-	-	-
Decrease:	(115)	(219)	(20,471)	(20,805)
- reversal of provisions	(115)	(219)	(38)	(372)
- utilization	-	-	(20,433)	(20,433)
As at June 30, 2016, unaudited	41,854	8,478	958	51,290

19. Retention programs liabilities

During the six-month period ended June 30, 2017 and during the comparative period, the Play Group operated following cash-settled share-based retention programs:

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

A detailed description of these retention programs is disclosed in the Group's annual consolidated financial statements as at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 issued on January 31, 2017.

The agreements relating to SF 1 and SF 2 Plans were terminated in the six-month period ended June 30, 2017. The member of the program received a payout based on the agreed liquidity option.

The agreement relating to one member of PSA 1, PSA 2 and PSA 3 Plans was transformed into EGA MB Plan in the six-month period ended June 30, 2017.

The following table illustrates the number of, and movements in VDP 3 share appreciation rights (not in thousands) during the periods:

	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	VDP Plan 3	VDP Plan 3
As at January 1	19,707,094	20,443,338
Granted during the period	-	228,334
Forfeited during the period	(38,328)	(964,578)
As at June 30	19,668,766	19,707,094
Exercisable at June 30	-	-

Fair value of the programs:

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

	Long-term retention programs liabilities	Short-term retention programs liabilities
As at January 1, 2017	150,064	17,740
Exercised during the period	-	(117,709)
Changes in valuation during the period	228,838	-
Transferred during the period	(370,343)	370,343
As at June 30, 2017, unaudited	8,559	270,374
Vested at June 30, 2017	150	261,886

The amounts exercised during the six-month period ended June 30, 2017 comprise the amounts paid under EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans in March 2017 and April 2017, amounts paid under SF 1 and SF 2 Plans in March 2017 as well as advance payments under VDP 3 in June 2017.

Upon the IPO, on July 27, 2017 the Group settled the liabilities towards the members of the Management Board of P4 resulting from the retention programs. The members of the Management Board of P4 and Key Employees have entered into new equity-settled Performance Incentive Plans and Value Development Plan 4 respectively.

	Long-term retention programs liabilities	Short-term retention programs liabilities
As at January 1, 2016	163,040	22,294
Exercised during the period	-	(1,709)
Changes in valuation during the period	(14,465)	-
Transferred during the period	(11,083)	11,083
As at June 30, 2016, unaudited	137,492	31,668
Vested at June 30, 2016	118,687	31,495

20. Trade and other payables

	June 30, 2017 Unaudited	December 31, 2016
Trade payables	716,288	761,621
Investment payables	163,628	320,617
Government payables	92,427	89,991
Employee payables	152	104
Other	5,553	5,248
	978,048	1,177,581

21. Accruals

Accruals include accruals for employee bonuses, special bonuses and unused holidays.

22. Deferred income

	June 30, 2017 Unaudited	December 31, 2016
Airtime from prepaid products	141,408	133,276
Fees related to post-paid contracts	158,237	138,923
	299,645	272,199

23. Operating revenue

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

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Service revenue	2,374,118	1,212,786	2,174,376	1,107,285
Usage revenue	1,786,406	914,215	1,661,848	843,463
Interconnection revenue	587,712	298,571	512,528	263,822
Sales of goods and other revenue	835,385	415,951	757,037	381,512
	3,209,503	1,628,737	2,931,413	1,488,797

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Usage revenue by category				
Retail contract revenue	1,422,790	720,686	1,288,064	652,077
Retail prepaid revenue	298,910	159,801	320,166	162,023
Other revenue	64,707	33,728	53,618	29,363
	1,786,406	914,215	1,661,848	843,463

Other usage revenue consists mainly of revenues from MVNOs to which we provide telecommunications services and revenues generated by subscribers of foreign mobile operators that have entered into international roaming agreements with us for using our network.

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Revenue recognized in the reporting periods that was included in the contract liability balance at the beginning of the period	44,211	4,836	13,786	2,572

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, 2017 Unaudited	December 31, 2016
Transaction price allocated to the remaining performance obligation within:		
1 year	1,575,984	1,512,888
later than 1 year and not later than 2 years	511,308	460,961
later than 2 years and not later than 3 years	102,385	77,923
later than 3 years	143	99
	2,189,820	2,051,871

24. Interconnection, roaming and other service costs

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Interconnection costs	(624,870)	(318,322)	(562,811)	(286,948)
National roaming/network sharing	(92,427)	(47,474)	(81,360)	(42,145)
Other service costs	(81,411)	(43,664)	(72,905)	(38,997)
	(798,708)	(409,460)	(717,076)	(368,090)

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 content providers in transactions in which we act as a principal.

25. Contract costs, net

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Contract costs incurred	(214,622)	(103,971)	(203,228)	(105,176)
Contract costs capitalized	204,195	99,873	183,649	91,604
Amortization and impairment of contract costs	(203,302)	(101,729)	(182,937)	(89,490)
	(213,729)	(105,827)	(202,516)	(103,062)

26. General and administrative expenses

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Employee benefits	(372,857)	(275,220)	(88,514)	(60,176)
Salaries	(105,266)	(52,235)	(89,844)	(44,923)
Social security	(15,716)	(7,500)	(13,135)	(6,359)
Special bonuses	(23,037)	(23,037)	-	50
Retention programs	(228,838)	(192,448)	14,465	(8,944)
External services	(318,619)	(167,136)	(264,920)	(132,680)
Network maintenance, leased lines and energy	(63,041)	(31,486)	(57,492)	(28,982)
Advertising and promotion expenses	(94,794)	(45,331)	(98,283)	(49,119)
Customer relations costs	(37,016)	(17,992)	(30,336)	(15,044)
Office and points of sale maintenance	(7,878)	(4,078)	(7,316)	(3,778)
IT expenses	(14,053)	(7,185)	(15,243)	(7,359)
People related costs - cars, trainings and other	(9,860)	(6,147)	(8,149)	(4,850)
Finance and legal services	(21,595)	(17,832)	(8,451)	(3,630)
Management fees	(34,295)	(26,795)	(16,020)	(8,222)
Other external services	(36,087)	(10,290)	(23,630)	(11,696)
Taxes and fees	(35,016)	(16,510)	(32,102)	(15,659)
	(726,492)	(458,866)	(385,536)	(208,515)

The increase in costs of other external services was primarily caused by costs of preparation for the IPO, costs of prepaid registration process and strategic projects out of usual scope of the Group's business. The increase in costs of salaries and social securities was mainly due to the increase of the number of employees due to growing scope of Group operations and due to increase in costs of performance-related bonuses. The increase in costs of special bonuses and retention programs result from the settlement of the Management Board retention plans triggered by the IPO.

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. During the six-month period ended June 30, 2017 and the six-month period ended June 30, 2016, the rate of social security contributions amounted to 9.76% of gross salaries for the employees in Poland and 8% of gross salaries for the employees in Luxembourg. The Group is not required to make any contributions in excess of this statutory rate.

27. Depreciation and amortization

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Depreciation and amortization				
Depreciation of property, plant and equipment	(149,089)	(83,438)	(96,005)	(51,812)
Amortization of intangibles	(187,695)	(98,683)	(128,952)	(68,161)
Depreciation of right-of-use assets	(72,468)	(36,617)	(73,089)	(37,035)
	(409,252)	(218,738)	(298,046)	(157,008)

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.

28. Other operating income and other operating costs

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Other operating income				
Income from early contract termination	15,311	7,130	15,594	6,466
Gain on disposal of non-current assets	1,984	-	4,352	3,395
Reversal of bad debt	10,014	6,544	-	-
Reversal of provisions	337	31	-	-
Exchange rate gains	1,739	-	-	-
Income from subleasing of right-of-use assets	4,008	2,068	3,806	1,925
Interest income on trade receivables and cash	4,376	1,935	4,839	1,555
Other miscellaneous operating income	8,253	3,773	8,019	4,738
	46,022	21,481	36,610	18,079
Other operating costs				
Impairment of contract assets	(27,359)	(15,998)	(24,604)	(11,633)
Impairment of other non-current assets	(3,029)	(3,121)	(1,984)	(169)
Bad debt	-	-	(29,596)	(9,004)
Loss on disposal of non-current assets	-	(421)	-	-
Exchange rate losses	-	(783)	(2,679)	(2,644)
Other miscellaneous operating costs	(2,182)	(2,753)	(26,754)	(26,388)
	(32,570)	(23,076)	(85,617)	(49,838)

29. Finance income and finance costs

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Finance income				
Interest income	41,415	32,379	8,714	5,077
Net gain on finance instruments at fair value	-	-	17,105	28,544
Exchange rate gains	94,747	2,497	-	-
	136,162	34,876	25,819	33,621
Finance costs				
Interest expense, including:	(284,570)	(97,857)	(172,169)	(85,311)
- on lease liabilities	(30,856)	(15,479)	(30,667)	(15,029)
Net loss on finance instruments at fair value	(169,783)	(3,163)	-	-
- early redemption options	(134,246)	-	-	-
- hedging instruments at fair value through profit or loss	(32,628)	(254)	-	-
- loss relating to ineffective portion of hedging instruments at fair value through other comprehensive income	(2,909)	(2,909)	-	-
Exchange rate losses	-	-	(166,913)	(157,096)
	(454,353)	(101,020)	(339,082)	(242,407)

The increase in interest expense resulted mainly from redemption costs in the amount of PLN 78,689 thousand related to repayment of Senior Notes liabilities in March 2017. Please see Note 17.2.

The loss on finance assets at fair value through profit or loss in the six-month period ended June 30, 2017 resulted from the de-recognition of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture (please see also Note 10) as a result of the repayment of the Notes, as well as losses on derivatives used to hedge the currency risk related to repayment of the EUR-denominated Notes (please see also Note 2.5.1).

30. Taxation

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Current tax benefit/(charge)	6,622	-	(69,837)	(65,551)
Deferred tax benefit/(charge)	(66,270)	(16,847)	(55,831)	23,916
Income tax charge	(59,648)	(16,847)	(125,668)	(41,635)

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

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Profit before income tax	117,180	55,888	301,767	80,859
Tax calculated at tax rates applicable to profit (19%)	(22,264)	(10,619)	(57,336)	(15,363)
Effect of difference between tax rates in Luxembourg and in Poland	8,071	1,134	(2,381)	(3,271)
Expenses not subject to tax	(7,507)	(3,029)	(40,957)	(33,011)
Income not subject to tax	4,431	1,907	9,094	7,020
Adjustments relating to previous tax years	6,622	-	(28,373)	-
Change in unrecognized deferred tax asset arising from tax losses	(49,001)	(6,240)	(425)	2,170
Taxable income not included in accounting profit	-	-	(5,290)	820
Income tax charge	(59,648)	(16,847)	(125,668)	(41,635)

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg was 22.80% as at June 30, 2017 and 29.22% as at June 30, 2016 and as at December 31, 2016.

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, 2017 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

Deferred income tax

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

As at June 30, 2017 deferred income tax was recognized according to the Group's estimation which assumes that the Group will achieve taxable profits in the future. The estimation is based upon long-term financial projections and the budget for the year 2017.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Therefore Play Group offset deferred income tax assets and liabilities on the level of the standalone financial statements of consolidated entities.

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

	June 30, 2017 Unaudited	December 31, 2016
Temporary differences:		
net deductible timing differences	217,461	705,167
unutilized tax loss carry-forwards	313,955	10,861
	531,416	716,028
Potential deferred income tax net asset arising from:		
net deductible timing differences	50,751	133,894
unutilized tax loss carry-forwards	68,160	3,045
	118,911	136,939
Recognized deferred income tax assets	68,318	134,446
Recognized deferred income tax liability	(456)	(314)
Not recognized deferred income tax assets	51,049	2,807

As at June 30, 2017 and December 31, 2016 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation.

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 utilized by a taxpayer within 2 years at the earliest).

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

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

	June 30, 2017 Unaudited	June 30, 2016 Unaudited
Cash and cash equivalents in statement of financial position	270,839	29,869
Bank overdrafts	-	(162,447)
Cash and cash equivalents in statement of cash flows	270,839	(132,578)

32. Changes in working capital and other

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
(Increase)/decrease of inventories	(38,330)	(12,166)	(58,580)	(7,505)
(Increase)/decrease of receivables	158,389	60,644	(173,357)	(76,453)
(Increase)/decrease of prepaid expenses	(1,139)	(2,241)	4,178	6,615
Increase/(decrease) of payables excluding investment payables	(74,036)	6,861	(36,968)	(57,798)
Increase/(decrease) of accruals	5,570	31,870	(37,497)	5,826
Increase/(decrease) of deferred income	27,446	27,801	(7,675)	17,790
(Increase)/decrease of long-term receivables	(362)	(45)	(193)	(172)
Increase/(decrease) of other non-current liabilities	(472)	(6)	(389)	595
	77,066	112,718	(310,481)	(111,102)

33. Cash flows relating to finance liabilities

	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2017 Unaudited	Six-month period ended June 30, 2016 Unaudited	Three-month period ended June 30, 2016 Unaudited
Proceeds from finance liabilities				
loans	6,443,000	-	365,000	175,000
	6,443,000	-	365,000	175,000
Repaid finance liabilities and paid costs relating to finance liabilities				
loans	(182,140)	(81,880)	(369,989)	(368,421)
- principal	-	-	(365,000)	(365,000)
- interests	(83,313)	(74,653)	(3,416)	(2,497)
- other	(98,827)	(7,227)	(1,573)	(924)
notes	(4,660,706)	-	(127,447)	(1,746)
- principal	(4,425,794)	-	-	-
- interests	(156,223)	-	(127,447)	(1,746)
- other	(78,689)	-	-	-
leases	(98,218)	(48,732)	(96,559)	(47,705)
other debt	(1,979)	(1,427)	-	-
- principal	(1,876)	(1,335)	-	-
- interests	(103)	(92)	-	-
	(4,943,043)	(132,039)	(593,995)	(417,872)

Other payments relating to loans represent the loan origination fees incurred in relation with the Senior Facilities Agreement signed in March 2017 – please see also Note 17.1.1. Other payments relating to Notes represent the early redemption fees paid in relation to repayment of the Notes – please see also Note 17.2.

The Group presents cash outflows in the amount of PLN 2,226,993 thousands relating to purchase of notes issued by Impera Holdings S.A. in March 2017 (see Note 8) in cash flows from financing activities in the six-month period ended June 30, 2017. The purpose of the notes was to facilitate the repayment by Impera Holdings S.A. of the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014, proceeds of which had been used to finance distribution of share premium to Impera Holdings S.A. shareholders.

34. Commitments

34.1 2100 MHz and 900 MHz license requirements

As of the date of issuance of these consolidated financial statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums. The Group is not aware of any circumstances which may currently give rise to a potential claim in this respect.

34.2 1800 MHz license requirements

The 1800 MHz frequency reservation decision granted to P4 on June 14, 2013 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment must be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, P4 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 these consolidated financial statements, the Group has fulfilled all these obligations.

34.3 800 MHz license requirements

The 800 MHz frequency reservation decision granted to P4 on January 25, 2016 and replaced by decision granted to P4 on June 23, 2016 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network covering 84% 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, P4 had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation.

34.4 2600 MHz license requirements

4 reservation decisions in the 2600 MHz spectrum granted to P4 on January 25, 2016 require that P4 must commence provision of services which utilize 2600 MHz frequencies no later than in 36 months from the date of the frequency reservation.

35. Contingencies and legal proceedings

35.1 Tax contingent liability

Play Group conducts its operations mainly in the area of Polish tax jurisdiction. Regulations relating to value-added tax, corporate income tax, and payroll (social) taxes change often. The lack of reference to well-established 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.

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 this respect.

35.2 Universal service liability to Orange Polska S.A.

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

On May 9, 2011, the decision of the President of UKE imposing a universal service obligation on Orange Polska S.A. expired, and since then Orange Polska S.A. is not required to provide this service. The President of UKE for the moment has not initiated a procedure for the designation of the entrepreneur or entrepreneurs required to provide universal service.

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

On May 24, 2011 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 66,994 thousand (the total amount requested by Orange Polska S.A. was PLN 803,653 thousand).

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

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008 - on November 30, 2011, for the year 2009 - on December 9, 2011, for the year 2010 - on May 22, 2012, for the year 2011 - on October 14, 2013. In December 2016 and on January 18, 2017 and on February 2, 2017, the President of UKE issued Decisions setting the list of operators and the level of their contribution to the universal service for the years 2007, 2008, 2009 and 2010. On March 30, 2017, the President of UKE issued the decision determining the exact amount of Play Group's contribution for 2007, which was PLN 6 thousand. On April 14, 2017 the President of UKE issued Decision in the proceedings of a request for

reconsideration of a case and setting the list of operators and the level of their contribution to the universal service for the year 2008. On May 25, 2017, the President of UKE commenced the proceedings to determine the exact amount of Play Group's contribution for the year 2008. On June 22, 2017 the President of UKE issued Decision setting the list of operators and the level of their contribution to the universal service for the year 2011. On June 27, 2017 the President of UKE issued Decision in the proceedings of a request for reconsideration of a case and setting the list of operators and the level of their contribution to the universal service for the year 2009. On June 29, 2017 the President of UKE issued Decision in the proceedings of a request for reconsideration of a case and setting the list of operators and the level of their contribution to the universal service for the year 2010. Decisions relating to Play Group's contribution to universal service for the years 2008 -2011 are expected in the second half of 2017. The Play Group has created a provision in the consolidated financial statements for P4's share in the universal service contributions based on the UKE decisions and on estimates prepared for the years 2008, 2009, 2010 and 2011.

35.3 Contingent liability in relation to purchase of new frequency reservation

In the six-month period ended June 30, 2017 the Group has entered into an agreement with an owner of a certain frequency spectrum. The Group has recognized a contingent liability in relation to this agreement as of June 30, 2017. According to the agreement the Group would acquire the spectrum and would be obliged to pay the agreed price if it received a positive decision of the President of UKE in this respect. Information regarding the price and spectrum type has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of potential negotiations of further frequency acquisitions.

35.4 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 Group assesses the risk of the outcome that would be unfavorable for P4 as low.

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender is finalized. 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. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

President of the Office of Competition and Consumer Protection (UOKiK) in its decision of November 23, 2011 imposed a fine of PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info-TV-FM's wholesale offer and agreeing public questioning the said offer. 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.

In November 2015, Polkomtel, T-Mobile and 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 tender initiated administrative proceeding before the UKE President. 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 may be appealed against at the Supreme Administrative Court. It is difficult to assess the legal risk at this stage.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at June 30, 2017, the Group recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of the pending cases.

36. Related party transactions

36.1 Transactions with Shareholders and with entities related via Shareholders

	June 30, 2017	December 31, 2016		
	Unaudited			
Loans given	-	18,634		
Long-term receivables - debt securities	2,216,951	322,641		
Other long-term receivables	36	25		
Trade and other receivables	1,368	59		
Trade and other payables	39,223	4,928		
	Six-month period ended June 30, 2017	Three-month period ended June 30, 2017	Six-month period ended June 30, 2016	Three-month period ended June 30, 2016
	Unaudited			
Management fees	(34,295)	(26,795)	(16,020)	(8,222)
Other operating income	51	6	373	108
Recharge of operating and finance costs	2,519	(177)	70	25
Other operating costs	(34)	(77)	(46)	(19)
Interest income	36,871	28,556	8,638	5,048

For more information regarding repayment or purchase of intercompany notes please see Note 8. Costs of management fees increased in the six-month period ended June 30, 2017 due to one-off fees incurred in connection with the IPO.

36.2 Remuneration of Management and Supervisory Board

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, 2017 amounted to PLN 28,216 thousand (PLN 4,449 thousand for the six-month period ended June 30, 2016).

Cost of remuneration of members of Supervisory Board of P4 incurred during the six-month period ended June 30, 2017 amounted to PLN 1,663 thousand (for the six-month period ended June 30, 2016 PLN 1,254 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 19). The valuation of the programs resulted in cost of PLN 223,860 thousand for the six-month period ended June 30, 2017 and income of PLN 21,154 thousand for the six-month period ended June 30, 2016. Relating costs and income are included in general and administrative expenses in the consolidated statement of comprehensive income.

Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Supervisory Board or the Management Board of P4, Play Communications S.A. or supervisory or management bodies of any other entities within the Group.

37. Events after the reporting period


In July 2017 the Company's shares were listed on the WSE. The offering included 121,572,621 shares. The first day of listing and trading of the Company's existing ordinary shares on WSE was 27 July 2017. Please see Note 16. After the reporting period the Group incurred certain costs of external services in relation to the IPO, as referred to in Note 2.8.

Upon the IPO the Group settled the liabilities towards the members of the Management Board of P4 resulting from the retention programs, using the proceeds from share premium injected by the selling shareholder. Please see Note 19. The Management Board of P4 and Key Employees of the Group have entered into new Performance Incentive Plans and Value Development Plan 4 respectively. For the description of new shares issued in connection with these plans please see Note 16.

In August 2017 the Company received the major holdings notifications. Please see Note 16 for description of transactions related to major shareholdings.

On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium.

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



Name: Vassilios Billis
Title: Class B director

Play Communications S.A. (formerly Play Holdings 2 S. à r. l.) and its subsidiaries
Interim condensed consolidated financial statements prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16
As at and for the six-month period ended June 30, 2017
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)



Name: Graham Bruce McInroy
Title: Class C director