

**PLAY**

# REPORT

**ON THE ACTIVITY  
IN THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2018**



**Play Communications S.A. and its subsidiaries**

August 13, 2018

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## DEFINITIONS

Unless otherwise required by the context or explicitly stated, the following definitions shall apply throughout the document. Certain terms relating to Play and industry-specific terms are defined in the Glossary of Technical Terms attached hereto beginning on page 40.

"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 100 million.
"EC" .....	European Commission.
"EU" .....	European Union.
"euro," "EUR" or "€" .....	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
"Group," "we," "us," "our" or "ourselves" .....	Refers to the Company and its consolidated subsidiaries.
"IFRS" .....	International Financial Reporting Standards, as adopted by the EU.
"IFRS 15" .....	International Financial Reporting Standard 15 'Revenue from contracts with customers'.
"IFRS 16" .....	International Financial Reporting Standard 16 'Leases'.
"IPO" .....	Initial Public Offering of shares of the Play Communications S.A. on the Warsaw Stock Exchange
„Millennium Overdraft Facility" .....	Overdraft agreement between the Group and Millennium S.A. in an aggregate principal amount of PLN 50 million.
„mBank Overdraft Facility" .....	Overdraft agreement between the Group and mBank 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, 2018"
"Revolving Credit Facility" .....	The PLN 400 million 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.

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

- The Statistical Office of the European Communities (“Eurostat”); unless otherwise indicated, historical GDP, historical real GDP growth rate and harmonized unemployment and inflation rate refer to data retrieved from the Eurostat website. Real GDP growth rate forecast refers to the Winter 2018 European Economic Forecast;
- The Central Statistical Office of Poland (the “CSO”), Poland’s chief government executive agency charged with collecting and publishing statistics related to Poland’s economy, population and society, at both national and local levels;
- The Polish Office of Electronic Communications (the “UKE”), the Polish regulatory authority for the telecommunications and postal services markets focusing on, among other things, stimulating competition, consumer protection, developing new offerings and technologies, reducing prices and increasing availability of services in Poland;
- The National Bank of Poland (the “NBP”), the central bank of Poland;
- The European Commission (the “EC”), the EU’s executive body, which publishes the Digital Agenda Scoreboard; unless otherwise indicated, the EC’s data should be read as references to the EC’s thematic portal, European Commission Information Society, and;
- SMARTSCOPE S.C. (“Smartscope”), the company, which provides with marketing research, customer satisfaction research, organizational culture and employee satisfaction research and research projects for cultural and public institutions.

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

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

## Key Performance Indicators

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

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

## Certain industry, market and subscriber terms used by the Group

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

<u>Term</u>	<u>Usage by Play</u>
<b>Terms related to subscribers</b>	
<b>subscriber</b>	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.
<b>contract subscribers</b>	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.
<b>active contract subscribers</b>	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 <b>do not</b> include inactive (not used within the last 90 calendar days) technical SIMs and inactive SIM cards which are used in ‘Play Elastyczny’ promotion.

<b>technical SIM (techSIM)</b>	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.
<b>prepaid subscribers</b>	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.
<b>active prepaid subscribers</b>	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)).
<b>reported subscriber base</b>	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.
<b>active subscriber base</b>	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.
<b>average subscriber base (reported or active)</b>	<p>We define average subscriber base in a reporting period as follows:</p> <ul style="list-style-type: none"><li>• 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</li><li>• 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).</li></ul> <p>The above methodology is used to calculate our average reported subscriber base or average active subscriber base.</p>
<b>retained subscribers</b>	We define retained subscribers as every contract subscriber who renewed their contract (by signing a contract extension) in a given period.
<b>net additions</b>	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.
<b>total gross additions</b>	We define total gross additions as the sum of contract gross additions and prepaid gross additions.

Term

Usage by Play

**contract gross additions**

We define contract gross additions as every new contract subscriber added to the subscriber base in a given period (in a standard acquisition or through mobile number portability (“MNP”) as well as through migrations from prepaid tariff plans to contract tariff plans). Other migrations (e.g., between different contract plans) are not recognized as gross additions.

**prepaid gross additions**

We define prepaid gross additions as every new prepaid subscriber added to the subscriber base (through making a “first call,” defined as the first-time usage of any outgoing voice call, SMS or MMS sent or data transmission). Migrations from contract tariff plans to prepaid tariff plans as well as other migrations (e.g., between different prepaid tariff plans) are not recognized as gross additions.

**churn**

We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period.

Contract subscribers are recognized as churned when they voluntarily applied to terminate their agreement with us (voluntary churn), where we disconnect them due to a lack of payment (collection churn) or due to certain other events such as the non-renewal of contracts by new subscribers who subscribed for services on a trial basis, or extraordinary events (such as the death of a subscriber).

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

Migration of a subscriber:

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

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.

Term

Usage by Play

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**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.

## **1. INTRODUCTION**

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

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

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

As of August 13, 2018, 54.98% of the outstanding shares are controlled by former shareholders Tollerton Investments Limited and Telco Holdings S.à r.l. The remaining 45.02% 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.

## **2. FORWARD-LOOKING STATEMENTS**

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

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

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

### **3. DIRECTORS' REPORT**

#### **Group performance**

Operating revenue increased by PLN 115.8 million, or 3.6% from PLN 3,209.5 million for the six-month period ended June 30, 2017, to PLN 3,325.4 million for the six-month period ended June 30, 2018. This increase resulted primarily from growth in retail contract usage revenue and interconnection revenue.

Operating expenses decreased by PLN 148.2 million, or 5.3%, from PLN 2,787.6 million for the six-month period ended June 30, 2017, to PLN 2,639.4 million for the six-month period ended June 30, 2018. This change resulted primarily from a decrease in general and administrative expenses, mainly triggered by the valuation of the retention programs upon the IPO, partially off-set by an increase in interconnection, roaming and other services costs, mainly due to the new international roaming regulations (RLAH) introduced since June 15, 2017.

Our operating profit amounted to PLN 687.4 million, or a margin of 20.7%.

Net financial expenses amounted to PLN 194.0 million for the six-month period ended June 30, 2018 and have decreased by PLN 124.1 compared to PLN 318.2 million for the six-month period ended June 30, 2017 that included higher interest expenses, mainly due to early redemption fees related to repayment of notes in 2017.

Profit before income tax amounted to PLN 493.3 million and included the effect of the decrease in operating expenses and finance costs.

The Group tax charge amounted to PLN 140.7 million leaving a net profit for the six-month period ended June 30, 2018 of PLN 352.6 million compared to PLN 57.5 million for the six-month period ended June 30, 2017.

#### **Share capital**

The Company's share capital currently amounts to EUR 30,445 and is comprised of 253,708,444 bearer shares with a nominal value of EUR 0.00012 each.

On May 10, 2018 the Group distributed a gross interim dividend of PLN 2.57 per ordinary share to its shareholders, in total PLN 652,0 million.

At June 30, 2018, no treasury shares were held by the Company.

#### **Risks and uncertainty factors**

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

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

The Group faces strong competition for subscribers from established competitors, including, in particular, the other mobile operators operating under following brands: Plus, Orange and T-Mobile, which along with the Group, as of June 30, 2018, based on the CSO's most recent analysis regarding SIM cards in the Polish market, together held over 98% of reported subscriber market share in the Polish market.

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

Further information on these and other key risks as well as our risk management framework are set out in Risk Factors – 13 section of the Annual Report.

### **Financial risk management objectives and policies**

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

Internal controls and risk management over the preparation of the consolidated financial statements are set out in the Risk Factors section as well as in the Organization and Corporate Governance section pages of the Annual Report.

### **Research and development**

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

### **Non-financial information**

Non-financial information, such as environmental, social, human rights and the fight against corruption are set out in the Corporate Responsibility – 14 section of the Annual Report.

### **Outlook for the Group**

For the year 2018, the Directors expect:

- Operating revenue – 2 - 3% growth, driven by service revenue growth;
- Adjusted EBITDA is expected to be at the level of PLN 2.1 - 2.2 billion due to the transition costs (in the six-month period ended June 30, 2018 the transition costs amounted to PLN 117 million);
- Cash capex is expected to amount up to PLN 800 million, including financing for accelerated network roll-out and upgrading FY 2018 target from 6,750 to ~7,000 sites;
- FCFE (post lease payments) is expected at the level of PLN 750 - 800 million.

Distribution to Shareholders and deleveraging – between 40 - 50% of FCFE (post lease payments) and Net debt/Adjusted EBITDA in mid-term 2.5x. Modified distribution policy to support: (1) financing further accelerated network roll-out (upgraded target to ~7,000 sites by the end of the year 2018 and ~9,000 by the end of the year 2020); (2) faster deleveraging down to a Net Debt/ Adjusted EBITDA ratio of 2.5x; the Directors expect to revert to distribution policy of 65 - 75% of FCFE (post lease payments) thereafter.

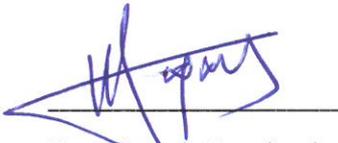
### Subsequent events

Jørgen Bang-Jensen had decided to step down from his position as Chief Executive Officer of P4 sp. z o.o., a wholly owned subsidiary of the Company. Jean-Marc Harion succeeded Jørgen Bang-Jensen and commenced his role as the new Chief Executive Officer of P4 sp. z o.o. on 1 July 2018. Jean-Marc Harion participates in a new Performance Incentive Plan 2. The valuation of this program will be reflected in the financial statements for the nine-month period ended September 30, 2018.

Georgios Xirouchakis has submitted his resignation from the office of class B director of the Board of Directors of the Company effective as of July 25th, 2018. Tollerton Investment Limited proposed the nominee - Rouben Bourlas who was temporarily appointed by the remaining Board of Directors members until the next General Meeting of the Company, which shall resolve on his permanent appointment.

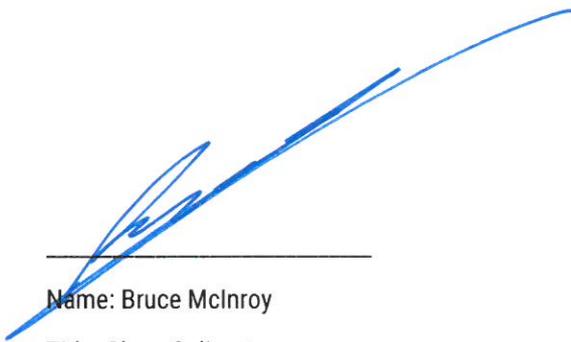
Play selected a second vendor, Ericsson Polska sp. z o.o. ("Ericsson"), to accelerate nationwide mobile network expansion in Poland. On July 24, 2018, P4 sp. z o.o. and Ericsson have entered into contracts for supply and maintenance of radio access network. Agreements are effective as of the date of signature.

Luxembourg, August 13, 2018



Name: Ioannis Karagiannis

Title: Class B director



Name: Bruce McInroy

Title: Class C director

#### 4. PRESENTATION OF FINANCIAL INFORMATION

##### General

The consolidated financial information presented herein has been prepared in accordance with IFRS - as presented in the Company and its subsidiaries unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34 as at and for the six-month period ended June 30, 2018 (the “**Financial Statements**”) issued by the Group, included elsewhere in this Report.

The Financial Statements were prepared on a basis consistent with the Company and its subsidiaries audited consolidated financial statements prepared in accordance with IFRS as adopted by the European Union as at and for the year ended December 31, 2017 (the “**Annual Financial Statements**”).

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

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

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

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

##### Non-IFRS Measures

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

Under our presentation:

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

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

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

- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin and Pro-forma Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Free cash flow to equity (post lease payments) do not reflect our future requirements, for capital expenditures or contractual commitments;
- EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Pro-forma Adjusted EBITDA 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 Pro-forma Adjusted EBITDA do not reflect the significant interest expense, income taxes, or the cash requirements necessary to service interest or principal payments, on our debts;
- 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 and Pro-forma Adjusted EBITDA do not reflect any cash requirements for such replacements;
- EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Pro-forma Adjusted EBITDA and Free cash flow to equity (post lease payments) do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Pro-forma Adjusted EBITDA and Free cash flow to equity (post lease payments) differently than we do, limiting its usefulness as a comparative measure.

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

## 5. CONSOLIDATED FINANCIAL AND OTHER INFORMATION

### Interim Condensed Consolidated Statement of Comprehensive Income

	Six-month period ended		Three-month period ended		Notes to the Financial Statements
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	
<b>Operating revenue</b>	<b>3,325.4</b>	<b>3,209.5</b>	<b>1,688.1</b>	<b>1,628.7</b>	22
Service revenue	2,499.4	2,374.1	1,263.5	1,212.8	
Sales of goods and other revenue	826.0	835.4	424.6	416.0	
<b>Operating expenses</b>	<b>(2,639.4)</b>	<b>(2,787.6)</b>	<b>(1,329.8)</b>	<b>(1,505.1)</b>	
Interconnection, roaming and other services costs	(951.2)	(798.7)	(471.4)	(409.5)	23
Contract costs, net	(216.4)	(213.7)	(104.4)	(105.8)	24
Cost of goods sold	(665.4)	(639.4)	(346.5)	(312.2)	
General and administrative expenses	(420.2)	(726.5)	(209.7)	(458.9)	25
Depreciation and amortization	(386.3)	(409.3)	(197.8)	(218.7)	26
Other operating income	58.0	46.0	40.9	21.5	27
Other operating costs	(56.5)	(32.6)	(33.5)	(23.1)	27
<b>Operating profit</b>	<b>687.4</b>	<b>435.4</b>	<b>365.7</b>	<b>122.0</b>	
Finance income	1.6	136.2	0.3	34.9	28
Finance costs	(195.6)	(454.4)	(99.2)	(101.0)	28
<b>Profit before income tax</b>	<b>493.3</b>	<b>117.2</b>	<b>266.8</b>	<b>55.9</b>	
Income tax charge	(140.7)	(59.6)	(67.1)	(16.8)	29
<b>Net profit</b>	<b>352.6</b>	<b>57.5</b>	<b>199.7</b>	<b>39.0</b>	
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>(7.8)</b>	<b>(4.3)</b>	<b>2.3</b>	<b>(4.3)</b>	9
<b>Total comprehensive income</b>	<b>344.8</b>	<b>53.2</b>	<b>202.0</b>	<b>34.7</b>	
Earnings per share (in PLN) (basic equals diluted)	1.39	0.23	0.79	0.16	30
Weighted average number of shares (in millions) (basic equals diluted) <sup>(1)</sup>	253.7	250.5	253.7	250.5	30

- (1) Basic earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares are Award shares which will potentially be issued under the PIP and VDP4 retention programs – please see Note 19 to the Annual Financial Statements. As at June 30, 2018 the number of potential PIP and VDP4 Award shares, estimated based on historical performance of the Company's shares in comparison to peer companies for the period from the IPO date to June 30, 2018, amounts to 0.

## Interim Condensed Consolidated Statement of Financial Position

	June 30, 2018	December 31, 2017	
	Unaudited		Notes to the
	(PLN m)	(PLN m)	Financial
			Statements
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,348.6	1,282.3	3
Right-of-use assets	814.8	855.9	4
Intangible assets	2,582.3	2,683.9	5
Assets under construction	351.6	303.4	6
Contract costs	354.9	361.0	7
Other long-term receivables	14.2	13.8	8
Other long-term finance assets	-	4.3	9
<b>Total non-current assets</b>	<b>5,466.3</b>	<b>5,504.5</b>	
<b>Current assets</b>			
Inventories	243.2	159.3	10
Trade and other receivables	944.5	1,100.5	11
Contract assets	1,334.8	1,366.9	12
Current income tax receivables	-	47.5	
Prepaid expenses	22.8	23.5	13
Cash and cash equivalents	180.0	628.7	14
<b>Total current assets</b>	<b>2,725.3</b>	<b>3,326.4</b>	
<b>TOTAL ASSETS</b>	<b>8,191.7</b>	<b>8,831.0</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	0.1	0.1	15
Share premium	3,673.4	3,673.4	-
Other reserves	25.9	28.2	9, 18
Retained losses	(4,295.5)	(3,914.3)	
<b>Total equity</b>	<b>(596.1)</b>	<b>(212.6)</b>	
<b>Non-current liabilities</b>			
Long-term finance liabilities - debt	6,452.2	6,752.9	16
Other long-term finance liabilities	2.5	-	9
Long-term provisions	36.9	58.3	17
Deferred tax liability	145.5	117.1	29
Other non-current liabilities	9.8	10.1	
<b>Total non-current liabilities</b>	<b>6,647.0</b>	<b>6,938.4</b>	
<b>Current liabilities</b>			
Short-term finance liabilities - debt	704.1	586.0	16
Other short-term finance liabilities	8.1	6.9	9
Trade and other payables	995.8	1,106.5	19
Contract liabilities	78.6	87.0	
Current income tax payable	50.9	10.3	
Accruals	37.6	59.5	20
Short-term provisions	0.1	0.1	17
Short-term retention programs liabilities	8.4	17.7	18
Deferred income	257.2	231.2	21
<b>Total current liabilities</b>	<b>2,140.8</b>	<b>2,105.1</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,191.7</b>	<b>8,831.0</b>	

## Interim Condensed Consolidated Statement of Cash Flows

	Six-month period ended		Three-month period ended		Notes to the Financial Statements
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	
<b>Profit before income tax</b>	<b>493.3</b>	<b>117.2</b>	<b>266.8</b>	<b>55.9</b>	
Depreciation and amortization	386.3	409.3	197.8	218.7	
Change in contract costs	6.1	(0.9)	(7.9)	1.9	
Interest expense (net)	185.4	243.2	91.6	65.5	
Loss on finance instruments at fair value	0.2	169.5	-	2.9	
Foreign exchange (gains)/losses	8.1	(94.6)	7.0	(2.6)	
(Gain)/Loss on disposal of non-current assets	(6.9)	(2.2)	(4.0)	0.3	
Impairment of non-current assets	0.6	3.0	(0.1)	3.1	
Change in provisions and liabilities or equity related to retention programs	(7.5)	109.8	(9.3)	88.8	
Changes in working capital and other	44.5	78.4	105.9	114.7	32
Change in contract assets	(67.0)	(161.7)	(41.9)	(80.2)	32
Change in contract liabilities	(8.3)	(12.4)	(12.7)	(13.2)	
<b>Cash provided by operating activities</b>	<b>1,034.6</b>	<b>858.5</b>	<b>593.1</b>	<b>455.8</b>	
Interest received	1.4	-	0.1	-	
Income tax paid	(67.5)	(172.2)	(37.9)	(12.8)	
<b>Net cash provided by operating activities</b>	<b>968.5</b>	<b>686.3</b>	<b>555.3</b>	<b>443.0</b>	
Proceeds from sale of non-current assets	4.8	1.1	0.4	0.4	
Proceeds from loans given	-	18.3	-	-	-
Proceeds from finance receivables (Repayment of notes by Impera Holdings S.A.)	-	388.3	-	-	-
Purchase of fixed assets and intangibles and prepayments for assets under construction	(312.6)	(361.6)	(126.9)	(150.4)	
Purchase of frequency reservation acquisition	(8.5)	(6.5)	(7.0)	(6.5)	
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	-	(68.9)	-	-	-
<b>Net cash used in investing activities</b>	<b>(316.3)</b>	<b>(29.3)</b>	<b>(133.5)</b>	<b>(156.4)</b>	
Proceeds from finance liabilities	-	6,443.0	-	-	33
Dividends (paid)	(652.5)	-	(652.5)	-	
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(449.1)	(4,943.0)	(127.8)	(132.0)	33
Purchase of notes issued by Impera Holdings S.A.	-	(2,227.0)	-	-	33
<b>Net cash used in financing activities</b>	<b>(1,101.6)</b>	<b>(727.0)</b>	<b>(780.3)</b>	<b>(132.0)</b>	
<b>Net change in cash and cash equivalents</b>	<b>(449.4)</b>	<b>(70.0)</b>	<b>(358.5)</b>	<b>154.5</b>	
Effect of exchange rate change on cash and cash equivalents	0.8	(0.2)	0.5	0.1	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>628.5</b>	<b>341.0</b>	<b>537.9</b>	<b>116.3</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>180.0</b>	<b>270.8</b>	<b>180.0</b>	<b>270.8</b>	31

## Other Operating and Financial Information

	Six-month period ended		Three-month period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	(PLN m, except %)	(PLN m, except %)	(PLN m, except %)	(PLN m, except %)
Adjusted EBITDA <sup>(1)</sup>	1,068.5	1,163.0	550.1	598.7
Adjusted EBITDA margin <sup>(1)</sup>	32.1%	36.2%	32.6%	36.8%
Pro-forma Adjusted EBITDA <sup>(1)(2)</sup>	1,186.1	1,163.0	608.2	598.7
Total cash capital expenditures <sup>(3)</sup>	316.3	367.0	133.5	156.4
of which cash outflows in relation to frequency reservation acquisition	8.5	6.5	7.0	6.5
Adjusted EBITDA less total cash capital expenditures (excl. cash outflows in relation to frequency reservation acquisition)	760.7	802.5	423.7	448.8
Free cash flow to equity (post lease payments) <sup>(1)(4)</sup>	422.3	195.8	305.3	335.6

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- (1) The measures presented are not comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not rely on a single financial measure. See "Presentation of Financial Information—Non-IFRS Measures" for an explanation of certain limitations to the use of these measures. For a reconciliation of Adjusted EBITDA to operating profit, see "EBITDA, Adjusted EBITDA and Pro-forma Adjusted EBITDA reconciliation".
- (2) Pro-forma Adjusted EBITDA presented as Adjusted EBITDA excluding transition costs related with national roaming, Roam-Like-At-Home and start-up costs (please refer to (d) in the section "EBITDA, Adjusted EBITDA and Pro-forma Adjusted EBITDA reconciliation").
- (3) "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.
- (4) 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, Adjusted EBITDA and Pro-forma Adjusted EBITDA reconciliation

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

	Six-month period ended		Three-month period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	(PLN m)	(PLN m)	(PLN m)	(PLN m)
<b>Operating profit</b>	<b>687.4</b>	<b>435.4</b>	<b>365.7</b>	<b>122.0</b>
Add depreciation and amortization	386.3	409.3	197.8	218.7
<b>EBITDA</b>	<b>1,073.7</b>	<b>844.6</b>	<b>563.5</b>	<b>340.8</b>
Add management fees <sup>(a)</sup>	0.1	34.3	-	26.8
Add valuation of retention programs and special bonuses <sup>(b)</sup>	5.1	251.9	(0.9)	215.5
Add other non-recurring costs/(income) <sup>(c)</sup>	(10.4)	32.2	(12.4)	15.7
<b>Adjusted EBITDA</b>	<b>1,068.5</b>	<b>1,163.0</b>	<b>550.1</b>	<b>598.7</b>
Add higher national roaming costs	30.0	-	15.0	-
Add higher negative impact of Roam-Like-At-Home	66.9	-	32.8	-
Add start up costs and higher opex because of national network roll-out	20.6	-	10.3	-
<b>Pro-forma Adjusted EBITDA<sup>(d)</sup></b>	<b>1,186.1</b>	<b>1,163.0</b>	<b>608.2</b>	<b>598.7</b>

(a) Costs of management fees historically comprised: costs in relation to regular advisory services agreements entered into by the Group with Novator Partners LLP and Tollerton Investments Limited for the six-month period ended June 30, 2017, and expenses incurred in connection with the provision of additional advisory services related to the initial public offering of the Company rendered by Novator Partners LLP and Tollerton Investments Limited for the three-month period ended June 30, 2017. Regular advisory services agreements with all partners were terminated on completion of IPO. The additional IPO advisory services agreement with Novator Partners LLP and Tollerton Investments Limited was still in place as at June 30, 2018 but did not generate more costs for the Group except for potential foreign exchange differences on the outstanding trade and other payables balance. The outstanding trade and other payables balance as at December 31, 2017 and as at June 30, 2018 resulted mainly from the fact that settlement of payables resulting from the IPO advisory service agreement was due in two instalments – the first was payable within 6 months from the IPO and the second was payable within 12 months from the IPO.

(b) We estimate the value of our management and employee retention programs based on the triggers affecting the programs and the amounts which may be required to be paid to beneficiaries under cash-settled programs or the value of additional shares which may be required to be awarded to beneficiaries under equity-settled programs. The respective charge/benefit is added back to our Adjusted EBITDA; for more information see Note 18 of the Financial Statements included elsewhere in this Report as well as Note 19 of the Annual Financial Statements.

(c) Other non-recurring income for the six-month period ended June 30, 2018 resulted mainly from the reversal of the bad debt provision for interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to favorable court ruling, partially off-set by the cost of non-deductible VAT relating to the management fee invoices received in connection with the IPO.

Other non-recurring 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.

(d) The Pro-forma adjusted EBITDA for the six-month period ended June 30, 2018 is adjusted by the costs of national roaming and Roam-Like-At-Home and start-up costs. The higher national roaming costs are driven by the annex signed in July 2017 with Orange (there is a certain step down mechanism in terms of payments in next years). The

year 2018 is a first year of full Roam-Like-At-Home impact. We took certain action to counteract the negative impact which will have increasing offsetting effect over time. Additionally, we have higher network maintenance and sites related costs due to the fast roll-out of our network which doesn't immediately pay-off by lower national roaming costs. Further, we had start-up cost related with number of initiatives we launch this year, like TV VOD extension, etc.

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

### Free cash flow to equity (post lease payments) scheme

The following table 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, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)
Adjusted EBITDA	1,068.5	1,163.0	550.1	598.7
Total cash capital expenditures <sup>(1)</sup>	(307.8)	(360.5)	(126.5)	(150.0)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs <sup>(2)</sup>	(24.8)	(96.6)	43.4	23.1
Cash interest <sup>(3)</sup>	(143.6)	(239.6)	(72.3)	(74.7)
Income tax paid	(67.5)	(172.2)	(37.9)	(12.8)
Lease payments	(102.5)	(98.2)	(51.5)	(48.7)
<b>Free cash flow to equity (post lease payments)</b>	<b>422.3</b>	<b>195.8</b>	<b>305.3</b>	<b>335.6</b>

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

(2) In the six-month period ended June 30, 2018 the Group had a receivable in the amount of PLN 62.3 million resulting from the fact that Play paid tax advances in the year 2017 whereas the final tax return presented a tax loss. This receivable was netted off against the VAT payables. Due to the non-cash nature of this settlement the corresponding decrease of payables is not included in the change in net working capital and other and no cash inflow resulting from the settlement of the income tax receivable is included in the table above.

(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, 2018, unaudited

	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>
Senior Facilities <sup>(2)</sup>	6,248.3	2.84x
Leases	933.6	0.42x
Other debt	45.1	0.02x
<b>Total debt</b>	<b>7,227.1</b>	<b>3.28x</b>
Cash and cash equivalents	180.0	0.08x
<b>Net debt</b>	<b>7,047.2</b>	<b>3.20x</b>

On May 10, 2018 the Company paid a gross interim dividend of PLN 2.57 per ordinary share to its shareholders, resulting in total cash outflow of PLN 652.5 million.

As of March 31, 2018, unaudited

	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>
Senior Facilities <sup>(2)</sup>	6,249.9	2.78x
Leases	921.2	0.41x
Other debt	27.1	0.01x
<b>Total debt</b>	<b>7,198.2</b>	<b>3.20x</b>
Cash and cash equivalents	537.9	0.24x
<b>Net debt</b>	<b>6,660.3</b>	<b>2.96x</b>

(1) LTM Adjusted EBITDA amounted to PLN 2,203.3 million as of June 30, 2018, and PLN 2,251.9 million as of March 31, 2018. For the purpose of this Report, we define LTM Adjusted EBITDA as the sum of Adjusted EBITDA for the last four quarters preceding the reporting date.

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

## Summary of Key Performance Indicators<sup>(1)</sup>

	Six months ended June 30,		Three months ended June 30,	
	2017	2018	2017	2018
<b>Reported subscribers (thousands)</b>	<b>14,484.4</b>	<b>15,034.6</b>	<b>14,484.4</b>	<b>15,034.6</b>
Contract	8,942.2	9,710.7	8,942.2	9,710.7
Prepaid	5,542.2	5,323.9	5,542.2	5,323.9
<b>Active subscribers (thousands)</b>	<b>12,195.0</b>	<b>12,467.2</b>	<b>12,195.0</b>	<b>12,467.2</b>
Contract	8,335.5	8,837.8	8,335.5	8,837.8
Prepaid	3,859.6	3,629.4	3,859.6	3,629.4
<b>Net additions (thousands)</b>	<b>69.8</b>	<b>-185.1</b>	<b>142.0</b>	<b>-141.0</b>
Contract	575.8	280.3	260.1	120.8
Prepaid	-505.9	-465.5	-118.0	-261.8
<b>Churn (%)<sup>(2)</sup></b>	<b>2.6%</b>	<b>2.3%</b>	<b>2.1%</b>	<b>2.4%</b>
Contract	0.7%	0.8%	0.7%	0.8%
Prepaid	5.6%	4.8%	4.4%	5.2%
<b>ARPU (PLN)<sup>(3)</sup></b>	<b>31.6</b>	<b>32.1</b>	<b>32.3</b>	<b>32.4</b>
Contract	38.4	37.6	38.5	37.7
Prepaid	17.5	19.1	18.7	19.8
<b>Data usage per subscriber (MB)<sup>(3)</sup></b>	<b>3,755.8</b>	<b>5,094.3</b>	<b>3,909.0</b>	<b>5,128.9</b>
Contract	4,577.0	6,110.3	4,746.4	6,097.9
Prepaid	2,025.7	2,672.5	2,094.9	2,786.4
<b>unit SAC cash (PLN)</b>				
Contract	324.6	376.7	338.0	413.4
Prepaid	4.3	6.9	5.2	6.8
<b>unit SRC cash (PLN)</b>	<b>323.7</b>	<b>328.0</b>	<b>323.6</b>	<b>349.7</b>
<b>unit SAC (PLN)</b>				
Contract	305.5	356.9	319.8	397.1
Prepaid	4.3	6.9	5.2	6.8
<b>unit SRC (PLN)</b>	<b>319.5</b>	<b>325.3</b>	<b>319.8</b>	<b>347.0</b>

(1) See "Industry, market and subscriber terms used by the Group" for definitions of our Key Performance Indicators. We believe that each of our competitors calculates these metrics differently and this may affect comparability.

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

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

## 6. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF JUNE 30, 2018**

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 six-month period ended June 30, 2018, and June 30, 2017, which have been derived from the Financial Statements, which are reproduced elsewhere in this Report. See "Presentation of Financial Information" in this Report. This section should be read in conjunction with the above mentioned interim condensed consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the interim condensed consolidated financial statements is set forth in the Financial Statements – please see Note 2.7 to the Financial Statements, included elsewhere in this Report." In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

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

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

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

### **Overview**

We are a consumer-focused mobile network operator ("**MNO**") in Poland, providing also TV and VoD offerings, with approximately 15.0 million subscribers as of June 30, 2018. In Q2 2018, we have added 121 thousands of contract subscribers. We have been equally effective in delivering a high level of customer service to our subscribers, managing to achieve a monthly average contract churn rate of just 0.8% for the six-month period ended June 30, 2018. During the six-month period ended June 30, 2018, we generated total revenues of PLN 3,325.4 million and an increase of 3.6% year on year, while our Adjusted EBITDA for the six-month period ended June 30, 2018, amounted to PLN 1,068.5 million, a decrease of 8.1% year on year mainly due to the negative RLAH impact and higher national roaming costs.

We provide mobile voice, messaging, TV and video streaming and data offerings and services to consumers and businesses (in particular to small office/home office subscribers ("**SOHO**") and small/medium enterprises ("**SME**") on a contract and prepaid basis). We provide TV offerings to our clients. The package includes wide range of channels (inter alia: sport, lifestyle, news, music, history, and some kids channels). Our principal focus is at contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of June 30, 2018, contract subscribers accounted for 64.6% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 78.9% of our usage revenues for the six-month period ended June 30, 2018.

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 2018, 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 2018, the net promoter score for "PLAY" was 16<sup>1</sup>.

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<sup>1</sup> Calculated as quarterly average

We market our offerings and services primarily through our nationwide distribution network of 813 “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, TV / video streaming and data services. Through our own network, we provided coverage to 95.7% of the Polish population as of June 30, 2018, 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, 2018, we provided 4G LTE and 4G LTE Ultra coverage, to 94.6% and 83.0% of the Polish population, respectively.

In Q2’18, the net negative impact of Roam-Like-At-Home on Adjusted EBITDA amounted to PLN 32.8m.

### **Key Factors Affecting Our Results of Operations and Significant Market Trends**

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

#### ***General regulatory environment***

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

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

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

Additionally, since June 15, 2017, we have to comply with the recent regulation introduced by EU which is Roam Like At Home (“RLAH”). RLAH regulation eliminates EU roaming charges and impacts the European telecoms industry by: 1) decreasing international roaming revenues; and 2) increasing international roaming costs (due to international carrier traffic and wholesale rates). In second quarter of 2018, the net negative impact on Adjusted EBITDA amounted to PLN 32.8m (Q2’18 vs Q2’17), mainly due to the RLAH legislation. In September 2017, with reference to the Roam Like At Home regulation, we applied for the sustainability. On January 15, 2018 we received positive decision from UKE. Based on this decision, PLAY modified the functioning of Roam Like At Home offers for new post-paid, pre-paid and retained customers. Current customers of PLAY post-paid offers will use roaming on the existing RLAH terms.

As part of new offers, post-paid customers will receive a free 1 GB monthly package for use in EU roaming. In addition, they will be able to use calls and text messages as domestically. During weekend trips, winter or summer holidays, customers will not feel the difference compared to the current terms and conditions. The surcharges apply only after a period of 30 days during which the use of roaming services exceeds domestic use. If a customer does not use roaming within the next 30 days, the balance is reset and no additional charges are levied during the next trip. The changes are effective since January 26, 2018.

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

- 6 groszy<sup>2</sup> per minute of outgoing call
- 3 grosze per minute of incoming call
- 1 grosz for an SMS or MMS sent
- 1.2327 grosze per MB of data transmission

The surcharges also apply to customers of pre-paid offerings and were introduced as of March 1, 2018. The customers of the Formuła Unlimited na Kartę offer will receive a free roaming package every month, containing 100 minutes for calls, 50 SMS and 500 MB of data. After using the package, the above-mentioned surcharges will apply. In pre-paid, we have a large group of customers using the EU roaming intensively, the introduction of small surcharges will allow to maintain the national offer at the current price level.

This changes will partially offset the impact of Roam Like At Home in 2018. The above changes, based on the UKE decision, shall be in force until January 14, 2019.

#### **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:

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>
<b>Foreign exchange rates</b>		
Zloty per euro (EOP) <sup>(1)</sup> .....	4.3616	4.2265
Zloty per euro (average in period) <sup>(2)</sup> .....	4.2213	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.

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

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

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

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<sup>2</sup> 1 grosz = PLN 0.01

## **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, 2018, held above 98% of the reported subscriber market share. As of June 30, 2018 our total number of reported mobile subscribers amounted to 15.0 million.

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

At the same time, we believe that it will be challenging for any new MNO to enter the Polish mobile telecommunications market given the substantial costs of entry in order to effectively compete, as a new entrant would require a substantial amount of radio spectrum (which is currently very limited) and network infrastructure which it would either need to build out or negotiate access to, as well as a distribution network, which, given the exclusivity arrangements the MNOs have with most mobile dealers, is difficult to build out. The low retail margins have contributed to MVNOs not being a major feature of the Polish telecommunications market. The four major MNOs (Play, Orange, Plus, T-Mobile) represented above 98% of the market share of subscribers as of June 30, 2018, while MVNOs and other operators represented together above 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. In 2016, the Group has taken the decision to reduce reliance on national roaming in the coming years by deploying a nationwide network. We are currently executing a strategy of a further nationwide roll-out of our own network, which aims to extend our network to rural areas currently covered by our national roaming agreements. Even though we believe that the existing network (including national roaming) currently more than sufficiently covers the traffic needs of our customers, we are currently executing a strategy of a further nationwide roll-out of our own network. It aims to extend our network to areas currently covered by our national roaming agreements. In addition to our nationwide roll-out strategy we have in place national roaming/network sharing agreements. Through our own network, we provide coverage to 95.7% of the Polish population as of June 30, 2018, 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 use three back-up networks available while we are expanding our own network.

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 Q1'18, the Group was granted a reservation of the 3700 MHz frequency for the period from July 1, 2018 to December 31, 2022 for the total price of PLN 8.5 million. Spectrum 3700 MHz will be used in the order to: (i) maximize available volume and utility for mobile broadband using 4G technology; and to (ii) maximize the future spectrum capacity for 5G technology. Additionally, any re-farming for these bands should ensure protection for the existing frequency portfolio.

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

- 800 MHz for 2 × 5 MHz (decision issued on January 25, 2016 and amended on June 23, 2016) that expires on June 23, 2031, which cost the Group PLN 1,496 million
- 900 MHz for 2 × 5 MHz (decision issued on December 9, 2008) that expires on December 31, 2023, which cost the Group PLN 217 million
- 1800 MHz for 2 × 15 MHz (decision issued on June 14, 2013) that expires on December 31, 2027, which cost the Group PLN 498 million
- 2100 MHz for 2 × 14.8 MHz and 1 × 5 MHz (decision issued originally on August 23, 2005 and re-issued on November 16, 2007 and became effective upon its delivery) that expires on December 31, 2022, which cost the Group PLN 345 million
- 2600 MHz for 2 × 20 MHz (decisions issued on January 25, 2016) that expires on January 25, 2031, which cost the Group PLN 222 million
- 3700 MHz for 28 MHz of TDD (time division duplex) continuous spectrum (decision issued on August 16, 2017) that expire on December 29, 2019, which cost the Group PLN 81 million.
- 3700 MHz for 2x14 MHz of FDD (frequency division duplex) spectrum (decision issued on March 28, 2018 with permission to use the frequency from July 1, 2018) that expire on December 31, 2022, which cost the Group PLN 8.5 million.

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

### ***Quality of subscriber base***

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

### ***Key Performance Indicators***

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

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

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

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

### *Reported and active subscriber base*

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:

	<b>As of June 30,</b>		<b>Change</b>
	<b>2017</b>	<b>2018</b>	
<b>Reported subscribers (thousands)</b>	<b>14,484.4</b>	<b>15,034.6</b>	<b>3.8%</b>
Contract	8,942.2	9,710.7	8.6%
Prepaid	5,542.2	5,323.9	(3.9%)
<b>Active subscribers (thousands)</b>	<b>12,195.0</b>	<b>12,467.2</b>	<b>2.2%</b>
Contract	8,335.5	8,837.8	6.0%
Prepaid	3,859.6	3,629.4	(6.0%)

As of June 30, 2018, the total number of our reported subscriber base was approximately 15.0 million, of which 64.6% were contract subscribers. Over the last years we have successfully gained subscriber market share by continuously focusing on our “value-for-money” positioning by effectively promoting our brand and by maintaining what we believe is a best-in-class distribution network.

Our contract subscriber base increased from 8.9 million as of June 30, 2017, to 9.7 million as of June 30, 2018. This increased the share of contract subscribers as a proportion of our total reported subscriber base from 61.7% as of June 30, 2017, to 64.6% as of June 30, 2018.

As of June 30, 2018, the total number of our active subscriber base was approximately 12.5 million, of which 70.9% were contract subscribers. The number of active contract subscribers increased from 8.3 million as of June 30, 2017 to 8.8 million as of June 30, 2018. 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, 2018, contract net additions were 121 thousand, representing a decrease of 53.5% relative to the comparable period in 2017 when there was a prepaid registration, and the increase deviated from the trend.

In the three months ended June 30, 2018, we continued adding new subscribers. 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 voice and data services as well as other benefits. These offerings have been successful since their introduction. Additionally, in H1 2017, since the ATO has been implemented, we were experiencing the partial shift of net additions from prepaid to contract.

In the three months ended June 30, 2018 we noted lower decrease of the total net additions versus three months ended June 30, 2017.

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

	Six months ended June 30,			Three months ended June 30,		
	2017	2018	Change	2017	2018	Change
<b>Net additions (thousands)</b>	<b>69.8</b>	<b>(185.1)</b>	<b>(365.1%)</b>	<b>142.0</b>	<b>(141.0)</b>	<b>(199.3%)</b>
Contract	575.8	280.3	(51.3%)	260.1	120.8	(53.5%)
Prepaid	(505.9)	(465.5)	(8.0%)	(118.0)	(261.8)	121.8%
<b>Churn (%)<sup>(1)</sup></b>	<b>2.6%</b>	<b>2.3%</b>		<b>2.1%</b>	<b>2.4%</b>	
Contract	0.7%	0.8%		0.7%	0.8%	
Prepaid	5.6%	4.8%		4.4%	5.2%	

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

Average monthly contract churn rate has slightly increased to the level of 0.8% in the three-month period ended June 30, 2018 versus comparable period ended June 30, 2017. Due to the nature of prepaid offerings, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

#### *ARPU and Contract/Prepaid ARPU*

We have adopted ARPU as one of the most important Key Performance Indicators. ARPU is more widely used as measure of performance by other Mobile Network Operators, and therefore we have decided to adopt ARPU as a Key Performance Indicator. Most of revenues in the Polish mobile telecommunications market is generated by contract subscribers. ARPU is therefore primarily driven by the level of committed tariff plan fees, with the rate per minute (with respect to voice offerings), SMS/MMS or MB becoming a secondary driver of revenue. All of the factors mentioned above are mainly driven by the level of competition in the market. ARPU is additionally influenced by the volume of traffic received by our subscribers from subscribers of other networks, both national and international.

In the three-month period ended June 30, 2018, our ARPU was PLN 32.4, 0.4% higher relative to the comparable period in 2017. Contract ARPU for the three-month period ended June 30, 2018, amounted to PLN 37.7, a decrease of 2.3% compared to the same period in 2017, while prepaid ARPU for the three-month period ended June 30, 2018, amounted to PLN 19.8, an increase of 5.6% compared to the same period in 2017. Blended ARPU increased on YoY basis. Growth in prepaid ARPU resulted from high increase in data usage, as well as increased volume of incoming traffic from other MNOs subscribers. The slight decrease of contract ARPU was an effect of (i) Roam Like At Home regulation; and (ii) growing number of customers using family and duo offers which were introduced in Q2 2014 and Q2 2016 respectively. Thanks to selling these packages the number of subscribers increased, however, these tariffs were sold with a discount for bundling.

The following table presents ARPU during the periods under review:

	Six months ended June 30,			Three months ended June 30,		
	2017	2018	Change	2017	2018	Change
-						
<b>ARPU (PLN)<sup>(1)</sup></b>	<b>31.6</b>	<b>32.1</b>	<b>1.5%</b>	<b>32.3</b>	<b>32.4</b>	<b>0.4%</b>
Contract	38.4	37.6	(2.1%)	38.5	37.7	(2.3%)
Prepaid	17.5	19.1	9.4%	18.7	19.8	5.6%

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

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

<i>expressed in PLN</i>	Unit	2015				2016				2017				2018	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>ARPU</b>	PLN	31.2	32.1	32.1	31.5	30.5	31.0	31.8	32.2	31.0	32.3	32.3	32.3	31.8	32.4
- Contract	PLN	40.9	41.3	41.5	40.3	39.0	39.0	39.0	39.4	38.2	38.5	38.6	38.1	37.5	37.7
- Prepaid	PLN	16.6	17.7	17.6	17.4	16.4	17.1	18.1	17.8	16.3	18.7	18.7	19.1	18.5	19.8

<i>expressed in PLN</i>	2015	2016	2017	2018
	FY	FY	FY	H1
<b>ARPU</b>	<b>31.7</b>	<b>31.4</b>	<b>32.0</b>	<b>32.1</b>
- Contract	41.0	39.1	38.4	37.6
- Prepaid	17.3	17.4	18.2	19.1

#### Data traffic

Data usage per subscriber increased from 3,909.0 MB monthly in the three-month period ended June 30, 2017, to 5,128.9 MB in the three-month period ended June 30, 2018, representing a growth of 31.2%. This growth can be observed for prepaid as well as contract subscribers, and as a result of the increased adoption of 4G LTE smartphones and other devices and enriching our TV and VoD offerings.

The following table presents a breakdown of data transmission usage:

	Six months ended June 30,			Three months ended June 30,		
	2017	2018	Change	2017	2018	Change
<b>Data usage per subscriber (MB)<sup>(1)</sup></b>	<b>3,755.8</b>	<b>5,094.3</b>	<b>35.6%</b>	<b>3,909.0</b>	<b>5,128.9</b>	<b>31.2%</b>
Contract	4,577.0	6,110.3	33.5%	4,746.4	6,097.9	28.5%
Prepaid	2,025.7	2,672.5	31.9%	2,094.9	2,786.4	33.0%

(1) We present our data usage per active 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, 2018, our unit contract SAC cash amounted to PLN 413.4, an increase of 22.3% compared to the three month period ended June 30, 2017. In the three-month period ended June 30, 2018, our unit prepaid SAC cash amounted to PLN 6.8, which represents 30.7% increase versus comparable period in 2017. It results from the fact of payment for prepaid registration, there were no such payments in the past.

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

	Six months ended June 30,			Three months ended June 30,		
	2017	2018	Change	2017	2018	Change
<b>unit SAC cash (PLN)</b>						
Contract	324.6	376.7	16.1%	338.0	413.4	22.3%
Prepaid	4.3	6.9	61.2%	5.2	6.8	30.7%
<b>unit SRC cash (PLN)</b>	<b>323.7</b>	<b>328.0</b>	<b>1.3%</b>	<b>323.6</b>	<b>349.7</b>	<b>8.0%</b>
<b>unit SAC (PLN)</b>						
Contract	305.5	356.9	16.9%	319.8	397.1	24.2%
Prepaid	4.3	6.9	61.2%	5.2	6.8	30.7%
<b>unit SRC (PLN)</b>	<b>319.5</b>	<b>325.3</b>	<b>1.8%</b>	<b>319.8</b>	<b>347.0</b>	<b>8.5%</b>

**Results of Operations: Comparison of the Three- and the Six-Month Period Ended June 30, 2018, and the Three- and the Six-Month Period Ended June 30, 2017.**

	Six-month period ended		Change %	Three-month period ended		Change %
	June 30, 2018	June 30, 2017		June 30, 2018	June 30, 2017	
	Unaudited (PLN m)	Unaudited (PLN m)		Unaudited (PLN m)	Unaudited (PLN m)	
<b>Operating revenue</b>	<b>3,325.4</b>	<b>3,209.5</b>	<b>3.6</b>	<b>1,688.1</b>	<b>1,628.7</b>	<b>3.6</b>
Service revenue	2,499.4	2,374.1	5.3	1,263.5	1,212.8	4.2
Sales of goods and other revenue	826.0	835.4	(1.1)	424.6	416.0	2.1
<b>Operating expenses</b>	<b>(2,639.4)</b>	<b>(2,787.6)</b>	<b>(5.3)</b>	<b>(1,329.8)</b>	<b>(1,505.1)</b>	<b>(11.6)</b>
Interconnection, roaming and other services costs	(951.2)	(798.7)	19.1	(471.4)	(409.5)	15.1
Contract costs, net	(216.4)	(213.7)	1.2	(104.4)	(105.8)	(1.4)
Cost of goods sold	(665.4)	(639.4)	4.1	(346.5)	(312.2)	11.0
General and administrative expenses	(420.2)	(726.5)	(42.2)	(209.7)	(458.9)	(54.3)
Depreciation and amortization	(386.3)	(409.3)	(5.6)	(197.8)	(218.7)	(9.6)
Other operating income	58.0	46.0	26.0	40.9	21.5	90.2
Other operating costs	(56.5)	(32.6)	73.5	(33.5)	(23.1)	45.1
<b>Operating profit</b>	<b>687.4</b>	<b>435.4</b>	<b>57.9</b>	<b>365.7</b>	<b>122.0</b>	<b>199.6</b>
Finance income	1.6	136.2	(98.8)	0.3	34.9	(99.1)
Finance costs	(195.6)	(454.4)	(56.9)	(99.2)	(101.0)	(1.8)
<b>Profit before income tax</b>	<b>493.3</b>	<b>117.2</b>	<b>321.0</b>	<b>266.8</b>	<b>55.9</b>	<b>377.3</b>
Income tax charge	(140.7)	(59.6)	135.9	(67.1)	(16.8)	298.0
<b>Net profit</b>	<b>352.6</b>	<b>57.5</b>	<b>512.9</b>	<b>199.7</b>	<b>39.0</b>	<b>411.5</b>
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>(7.8)</b>	<b>(4.3)</b>	<b>80.1</b>	<b>2.3</b>	<b>(4.3)</b>	<b>(152.0)</b>
<b>Total comprehensive income</b>	<b>344.8</b>	<b>53.2</b>	<b>548.3</b>	<b>202.0</b>	<b>34.7</b>	<b>482.1</b>

## Operating revenue

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

	Six-month period ended			Three-month period ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
	Unaudited (PLN m)	Unaudited (PLN m)	%	Unaudited (PLN m)	Unaudited (PLN m)	%
<b>Service revenue</b>	<b>2,499.4</b>	<b>2,374.1</b>	<b>5.3</b>	<b>1,263.5</b>	<b>1,212.8</b>	<b>4.2</b>
Usage revenue	1,848.6	1,786.4	3.5	933.3	914.2	2.1
Retail contract revenue	1,457.7	1,422.8	2.5	732.9	720.7	1.7
Retail prepaid revenue	306.7	298.9	2.6	158.5	159.8	(0.8)
Other usage revenue	84.2	64.7	30.1	41.9	33.7	24.2
Interconnection revenue	650.8	587.7	10.7	330.2	298.6	10.6
<b>Sales of goods and other revenue</b>	<b>826.0</b>	<b>835.4</b>	<b>(1.1)</b>	<b>424.6</b>	<b>416.0</b>	<b>2.1</b>
<b>Operating revenue</b>	<b>3,325.4</b>	<b>3,209.5</b>	<b>3.6</b>	<b>1,688.1</b>	<b>1,628.7</b>	<b>3.6</b>

### Usage revenue

The increase in revenue from retail contract usage was primarily due to growth in the reported contract subscriber base of 0.8 million, or 8.6%, from June 30, 2017, to June 30, 2018, due to the continued success of our subscriber acquisition and retention strategy and constant migration of customers from prepaid to contract offers. The growth in the subscriber base was partially off-set by slight decline of ARPU.

The increase in revenue from prepaid usage was primarily due to increase in ARPU, partly offset by decrease in the reported prepaid subscriber base of 0.2 million, or 3.9%, from June 30, 2017, to June 30, 2018, due to constant migration of customers from prepaid to contract offers.

The increase in other usage revenue resulted mainly from the increase in revenue from the agreements with our wholesale partners.

### Interconnection revenue

The increase in interconnection revenue resulted primarily from growing volume of incoming traffic to our network from other network operators due to the increase in our subscriber base and increased usage of services by subscribers of other MNOs.

### Sales of goods and other revenue

Revenue from sales of goods remained mostly stable in the periods under review.

## Operating expenses

### Interconnection, roaming and other services costs

	Six-month period ended			Three-month period ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
	Unaudited (PLN m)	Unaudited (PLN m)	%	Unaudited (PLN m)	Unaudited (PLN m)	%
Interconnection costs	(674.0)	(624.9)	7.9	(341.3)	(318.3)	7.2
National roaming/network sharing	(132.3)	(92.4)	43.2	(68.1)	(47.5)	43.5
Other services costs	(144.8)	(81.4)	77.9	(61.9)	(43.7)	41.9
<b>Interconnection, roaming and other services costs</b>	<b>(951.2)</b>	<b>(798.7)</b>	<b>19.1</b>	<b>(471.4)</b>	<b>(409.5)</b>	<b>15.1</b>

Interconnection, roaming and other services costs increased mainly due to increase of other services costs, mainly impacted by new international roaming regulations (RLAH) introduced since June 15, 2017 (see "Key Factors Affecting Our Results of Operations and Significant Market Trends – General regulatory environment"). The increase of interconnection costs 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. The increase of national roaming/network sharing costs was mainly impacted by growth in the volume of traffic served by our network sharing partners' networks.

### Contract costs, net

	Six-month period ended			Three-month period ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
	Unaudited (PLN m)	Unaudited (PLN m)	%	Unaudited (PLN m)	Unaudited (PLN m)	%
Contract costs incurred	(210.3)	(214.6)	(2.0)	(112.3)	(104.0)	8.0
Contract costs capitalized	193.5	204.2	(5.2)	105.5	99.9	5.6
Amortization and impairment of contract costs	(199.6)	(203.3)	(1.8)	(97.6)	(101.7)	(4.0)
<b>Contract costs, net</b>	<b>(216.4)</b>	<b>(213.7)</b>	<b>1.2</b>	<b>(104.4)</b>	<b>(105.8)</b>	<b>(1.4)</b>

Contract costs remained stable in the period under review.

### Cost of goods sold

Cost of goods sold increased mainly due to the increase of unit cost of goods sold connected with the higher proportion of high-end smartphones in our offer.

## General and administrative expenses

	Six-month period ended			Three-month period ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
	Unaudited (PLN m)	Unaudited (PLN m)	%	Unaudited (PLN m)	Unaudited (PLN m)	%
Salaries and social security	(120.7)	(121.0)	(0.2)	(59.2)	(59.7)	(0.9)
Special bonuses and retention programs	(5.1)	(251.9)	(98.0)	0.9	(215.5)	(100.4)
<b>Employee benefits</b>	<b>(125.8)</b>	<b>(372.9)</b>	<b>(66.3)</b>	<b>(58.3)</b>	<b>(275.2)</b>	<b>(78.8)</b>
Network maintenance, leased lines and energy	(66.8)	(63.0)	5.9	(32.7)	(31.5)	3.9
Advertising and promotion expenses	(86.5)	(94.8)	(8.8)	(50.3)	(45.3)	11.1
Customer relations costs	(30.0)	(37.0)	(19.1)	(14.6)	(18.0)	(18.6)
Office and points of sale maintenance	(7.3)	(7.9)	(6.7)	(3.3)	(4.1)	(19.4)
IT expenses	(14.9)	(14.1)	6.3	(7.0)	(7.2)	(2.3)
People related costs	(9.6)	(9.9)	(2.6)	(5.0)	(6.1)	(19.1)
Finance and legal services	(7.9)	(21.6)	(63.4)	(5.0)	(17.8)	(71.9)
Management fees	(0.1)	(34.3)	(99.6)	-	(26.8)	(100.0)
Other external services	(30.6)	(36.1)	(15.2)	(14.8)	(10.3)	44.0
<b>External services</b>	<b>(253.7)</b>	<b>(318.6)</b>	<b>(20.4)</b>	<b>(132.8)</b>	<b>(167.1)</b>	<b>(20.5)</b>
<b>Taxes and fees</b>	<b>(40.7)</b>	<b>(35.0)</b>	<b>16.2</b>	<b>(18.7)</b>	<b>(16.5)</b>	<b>13.1</b>
<b>General and administrative expenses</b>	<b>(420.2)</b>	<b>(726.5)</b>	<b>(42.2)</b>	<b>(209.7)</b>	<b>(458.9)</b>	<b>(54.3)</b>
<b>General and administrative expenses excluding costs of management fees, retention programs valuation and special bonuses and other non-recurring costs</b>	<b>(412.8)</b>	<b>(409.3)</b>	<b>0.8</b>	<b>(210.4)</b>	<b>(204.3)</b>	<b>3.0</b>

Excluding the impact of decrease in retention programs valuation and costs of special bonuses, decrease in the cost of management fees and decrease in other non-recurring costs, general and administrative expenses remained stable in the periods under review.

### Salaries and social security

The cost of salaries and social security remained stable in the periods under review.

### Special bonuses and retention programs

The valuation of retention programs and special bonuses decreased as a result of changed composition of performance incentive plans due to the IPO in July 2017, which are classified and valued differently than the retention programs in place in the six-month period ended June 30, 2017; for more information see Note 19 of the Annual Financial Statements and Note 18 of the Financial Statements.

### External services

External services costs decreased mainly due to decrease in costs of management fees as well as finance and legal services. In the six-month period ended June 30, 2017 the Group incurred management fees due to regular advisory services rendered to the Group by Novator Partners LLP and Tollerton Investments Limited, for which agreements were terminated upon the IPO. In the three-month period ended June 30, 2017 the Group also purchased additional services directly relating to the IPO preparation. In the three-month period ended June 30, 2018 the Group did not incur such costs.

The decrease in finance and legal services was also connected with additional costs related to the IPO process incurred in the six-month period ended June 30, 2017.

#### Taxes and fees

The cost of taxes and fees, comprising mainly frequency reservation charges, property tax and non-deductible VAT, increased mainly due to increase of non-deductible VAT.

#### **Other Operating Income and Other Operating Costs**

Other operating income increased mainly due to penalty interest received due to favorable court ruling in relation to disputed interconnection receivables from the years 2011-2013.

Other operating costs increased mainly due to the growth of the impairment of contract assets. The impairment in the six-month period ended June 30, 2018 was mainly driven by contracts sold in a subsidy model, providing higher value of contract assets and hence higher expected credit loss. In the six-month period ended June 30, 2017 there were more contracts in the base which were sold within instalment model with lower contract assets.

#### **Finance Income and Costs**

	Six-month period ended			Three-month period ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
	Unaudited (PLN m)	Unaudited (PLN m)	%	Unaudited (PLN m)	Unaudited (PLN m)	%
Interest income	1.2	41.4	(97.1)	0.1	32.4	(99.6)
Interest expense	(186.5)	(284.6)	(34.4)	(91.7)	(97.9)	(6.2)
Exchange rate gains/(losses)	(8.9)	94.7	(109.4)	(7.5)	2.5	(399.9)
Net gain/(loss) on finance instruments at fair value	0.2	(169.8)	(100.1)	0.2	(3.2)	(106.4)
<b>Finance income and costs</b>	<b>(194.0)</b>	<b>(318.2)</b>	<b>(39.0)</b>	<b>(98.9)</b>	<b>(66.1)</b>	<b>49.5</b>

#### *Interest income*

Interest income decreased mainly due to the fact that in the six-month period ended June 30, 2017 the Group earned interest on notes issued by Impera Holdings S.A. to the Group, which were redeemed or repaid within 2017.

#### *Interest expense*

Higher interest expense in the six-month period ended June 30, 2017, compared to the six-month period ended June 30, 2018, resulted mainly from redemption costs in the total amount of PLN 78.7 million related to repayment in March 2017 of the EUR 725 million 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 million 6 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 gains for the six-month period ended June 30, 2017, to exchange rate losses for the six-month period ended June 30, 2018. This change resulted mainly from the valuation of the EUR-denominated debt in the six-month period ended June 30, 2017 due to appreciation of PLN against EUR in the period from January 1, 2017 to the date of repayment of the EUR-denominated notes. In the six-month period ended June 30, 2018 the Group's financing comprised mainly the Senior Facilities Agreement denominated in PLN.

### *Net gain or loss on finance instruments at fair value*

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.

## **Liquidity and Capital Resources**

### ***Liquidity***

In March 2017 the Group entered into 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. PLN 6,443.0 million has been drawn under the Senior Facilities Agreement by the Group. The Senior Facilities Agreement also provides for a Revolving Credit Facility in the amount of PLN 400 million. In addition, as of the date of this Report, the Group had:

- (i) PLN 100 million available for drawing under Bank Zachodni WBK Overdraft Facility until August 31, 2018. The line will be reduced to PLN 50 million from September 1, 2018 and will be available till May 31, 2019
- (ii) PLN 50 million available for drawing under Millennium Overdraft Facility until November 12, 2018
- (iii) PLN 50 million available for drawing under mBank Overdraft Facility until April 20, 2019.

In the six-month period ended June 30, 2018 the Group repaid the principal amount of PLN 195.4 million of SFA in line with the schedule.

## Cash flows

The following table summarizes net cash flows from operating, investing and financing activities for the three- and six-month period ended June 30, 2018 and for the three- and six-month period ended June 30, 2017.

	Six-month period ended			Three-month period ended		
	June 30, 2018	June 30, 2017	Change	June 30, 2018	June 30, 2017	Change
	Unaudited (PLN m)	Unaudited (PLN m)	%	Unaudited (PLN m)	Unaudited (PLN m)	%
<b>Profit before income tax</b>	<b>493.3</b>	<b>117.2</b>	<b>321.0</b>	<b>266.8</b>	<b>55.9</b>	<b>377.3</b>
Depreciation and amortization	386.3	409.3	(5.6)	197.8	218.7	(9.6)
Change in contract costs	6.1	(0.9)	(784.3)	(7.9)	1.9	(524.5)
Interest expense (net)	185.4	243.2	(23.8)	91.6	65.5	39.9
(Gain)/Loss on finance instruments at fair value	0.2	169.5	(99.9)	-	2.9	(100.0)
Foreign exchange (gains)/losses	8.1	(94.6)	(108.5)	7.0	(2.6)	(372.1)
(Gain)/Loss on disposal of non-current assets	(6.9)	(2.2)	213.4	(4.0)	0.3	(1,420.9)
Impairment of non-current assets	0.6	3.0	(80.7)	(0.1)	3.1	(104.7)
Change in provisions and liabilities or equity related to retention programs	(7.5)	109.8	(106.9)	(9.3)	88.8	(110.4)
Changes in working capital and other	44.5	78.4	(43.3)	105.9	114.7	(7.7)
Change in contract assets	(67.0)	(161.7)	(58.5)	(41.9)	(80.2)	(47.8)
Change in contract liabilities	(8.3)	(12.4)	(32.8)	(12.7)	(13.2)	(3.8)
<b>Cash provided by operating activities</b>	<b>1,034.6</b>	<b>858.5</b>	<b>20.5</b>	<b>593.1</b>	<b>455.8</b>	<b>30.1</b>
Interest received	1.4	-	-	0.1	-	-
Income tax paid	(67.5)	(172.2)	(60.8)	(37.9)	(12.8)	196.3
<b>Net cash provided by operating activities</b>	<b>968.5</b>	<b>686.3</b>	<b>41.1</b>	<b>555.3</b>	<b>443.0</b>	<b>25.4</b>
Proceeds from sale of non-current assets	4.8	1.1	353.2	0.4	0.4	5.3
Proceeds from loans given	-	18.3	(100.0)	-	-	-
Proceeds from finance receivables (Repayment of notes by Impera Holdings S.A.)	-	388.3	(100.0)	-	-	-
Purchase of fixed assets and intangibles and prepayments for assets under construction	(321.1)	(368.0)	(12.7)	(133.9)	(156.8)	(14.6)
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	-	(68.9)	(100.0)	-	-	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(316.3)</b>	<b>(29.3)</b>	<b>979.8</b>	<b>(133.5)</b>	<b>(156.4)</b>	<b>(14.7)</b>
Proceeds from finance liabilities	-	6,443.0	(100.0)	-	-	-
Dividends (paid)	(652.5)	-	-	(652.5)	-	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(449.1)	(4,943.0)	(90.9)	(127.8)	(132.0)	(3.2)
Purchase of notes issued by Impera Holdings S.A.	-	(2,227.0)	(100.0)	-	-	-
<b>Net cash used in financing activities</b>	<b>(1,101.6)</b>	<b>(727.0)</b>	<b>51.5</b>	<b>(780.3)</b>	<b>(132.0)</b>	<b>491.0</b>
<b>Net change in cash and cash equivalents</b>	<b>(449.4)</b>	<b>(70.0)</b>	<b>542.0</b>	<b>(358.5)</b>	<b>154.5</b>	<b>(332.0)</b>
Effect of exchange rate change on cash and cash equivalents	0.8	(0.2)	(626.9)	0.5	0.1	843.9
<b>Cash and cash equivalents at the beginning of the period</b>	<b>628.5</b>	<b>341.0</b>	<b>84.3</b>	<b>537.9</b>	<b>116.3</b>	<b>362.6</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>180.0</b>	<b>270.8</b>	<b>(33.6)</b>	<b>180.0</b>	<b>270.8</b>	<b>(33.6)</b>

### *Net cash provided by operating activities*

Net cash provided by operating activities increased mainly due to increase in profit before income tax.

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 24.8 million for the six-month period ended June 30, 2018. This was mainly due the increase in inventories balance of PLN 83.9 million for the six-month period ended June 30, 2018 due to increasing stock in order to facilitate the sale of devices to newly acquired and retained customers.

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 150.5 million for the six-month period ended June 30, 2018, generating positive cash flows), which was partially offset by growing contract assets (contract assets increased by PLN 67.0 million for the six-month period ended June 30, 2018). Having largely terminated the installment sales, we observe installment receivables to further decline over the next few quarters, benefiting the change in working capital dynamics.

The decrease of income tax paid for the six-month period ended June 30, 2018 in comparison to the six-month period ended June 30, 2017, resulted from a decrease in taxes paid for the respective fiscal years preceding the analyzed period.

### *Net cash provided by or used in investing activities*

The change in the level of cash flows from investing activities resulted mainly from proceeds from one-off repayment of notes issued by Impera Holdings S.A. of PLN 388.3 million in the six-month period ended June 30, 2017. Despite intensification of the network rollout the cash outflows for purchase of fixed assets and intangibles and prepayments for assets under construction are lower in the six-month period ended June 30, 2018 in comparison to the six-month period ended June 30, 2017 due to spill -over effect between the quarters.

### *Net cash used in financing activities*

Net cash used in financing activities increased. In the six-month period ended June 30, 2017 the Group purchased notes issued by Impera Holdings S.A. in the amount of PLN 2,227.0 million (which had been later redeemed against the Company's share premium) and repaid Senior Secured Notes and Senior Notes in the amount of PLN 4,660.7 million. These outflows were partially offset by proceeds from Senior Facilities Agreement of PLN 6,443.0 million in the six-month period ended June 30, 2017. In the six-month period ended June 30, 2018 the net cash used in financing activities represents: repaid finance liabilities, paid interest as well as other costs relating to finance liabilities and paid dividend in the amount of PLN 652.5 million.

## **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 <sup>th</sup> 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.

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

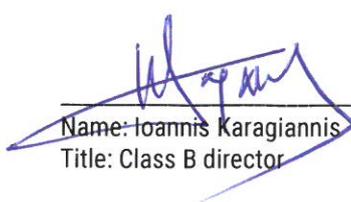
## RESPONSIBILITY STATEMENT

August 13, 2018

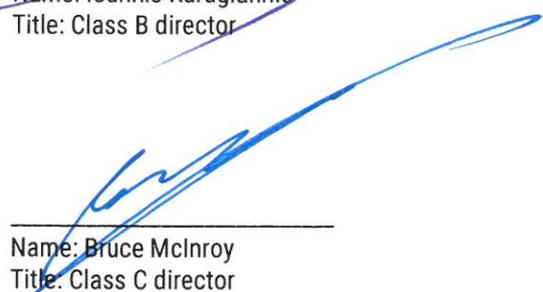
The board of directors of the Company (the **Board**) confirms that, to the best of its knowledge:

- the interim condensed consolidated financial statements of the Company and its subsidiaries prepared in accordance with IAS 34 as at and for the six-month period ended June 30, 2018 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, 2018 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: Ioannis Karagiannis  
Title: Class B director



Name: 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 2018 and the related interim condensed consolidated statement of financial position as at 30 June 2018, 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'). The Group's Management is also responsible for such internal control as the Management determines is necessary to enable preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibilities*

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

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

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2018, and its financial performance and cash flows for the six-month period then ended, in accordance with IAS 34.

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



Marcin Zieliński  
Partner

Warsaw, 13 August 2018

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

**PLAY COMMUNICATIONS S.A.  
AND ITS SUBSIDIARIES  
INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS**

PREPARED IN ACCORDANCE WITH IAS 34  
AS AT AND FOR THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2018

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## Interim condensed consolidated statement of financial position

	Notes	June 30, 2018 Unaudited	December 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,348,568	1,282,347
Right-of-use assets	4	814,772	855,867
Intangible assets	5	2,582,274	2,683,857
Assets under construction	6	351,597	303,351
Contract costs	7	354,898	361,002
Other long-term receivables	8	14,230	13,835
Other long-term finance assets	9	-	4,268
<b>Total non-current assets</b>		<b>5,466,339</b>	<b>5,504,527</b>
<b>Current assets</b>			
Inventories	10	243,223	159,279
Trade and other receivables	11	944,530	1,100,466
Contract assets	12	1,334,830	1,366,913
Current income tax receivables		-	47,529
Prepaid expenses	13	22,778	23,530
Cash and cash equivalents	14	179,951	628,725
<b>Total current assets</b>		<b>2,725,312</b>	<b>3,326,442</b>
<b>TOTAL ASSETS</b>		<b>8,191,651</b>	<b>8,830,969</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	15	128	128
Share premium		3,673,350	3,673,350
Other reserves	9, 18	25,902	28,228
Retained losses		(4,295,519)	(3,914,285)
<b>Total equity</b>		<b>(596,139)</b>	<b>(212,579)</b>
<b>Non-current liabilities</b>			
Long-term finance liabilities - debt	16	6,452,239	6,752,867
Other long-term finance liabilities	9	2,474	-
Long-term provisions	17	36,939	58,335
Deferred tax liability	29	145,535	117,101
Other non-current liabilities		9,799	10,125
<b>Total non-current liabilities</b>		<b>6,646,986</b>	<b>6,938,428</b>
<b>Current liabilities</b>			
Short-term finance liabilities - debt	16	704,091	585,955
Other short-term finance liabilities	9	8,135	6,871
Trade and other payables	19	995,774	1,106,528
Contract liabilities		78,619	86,957
Current income tax payable		50,864	10,258
Accruals	20	37,647	59,519
Short-term provisions	17	70	78
Short-term retention programs liabilities	18	8,392	17,743
Deferred income	21	257,212	231,211
<b>Total current liabilities</b>		<b>2,140,804</b>	<b>2,105,120</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,191,651</b>	<b>8,830,969</b>

## Interim condensed consolidated statement of comprehensive income

	Notes	Six-month period ended June 30, 2018 Unaudited	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2017 Unaudited
<b>Operating revenue</b>	22	<b>3,325,350</b>	<b>3,209,503</b>	<b>1,688,059</b>	<b>1,628,737</b>
Service revenue		2,499,350	2,374,118	1,263,505	1,212,786
Sales of goods and other revenue		826,000	835,385	424,554	415,951
<b>Operating expenses</b>		<b>(2,639,427)</b>	<b>(2,787,584)</b>	<b>(1,329,772)</b>	<b>(1,505,110)</b>
Interconnection, roaming and other services costs	23	(951,152)	(798,708)	(471,367)	(409,460)
Contract costs, net	24	(216,368)	(213,729)	(104,382)	(105,827)
Cost of goods sold		(665,380)	(639,403)	(346,455)	(312,219)
General and administrative expenses	25	(420,187)	(726,492)	(209,749)	(458,866)
Depreciation and amortization	26	(386,340)	(409,252)	(197,819)	(218,738)
Other operating income	27	57,969	46,022	40,855	21,481
Other operating costs	27	(56,503)	(32,570)	(33,479)	(23,076)
<i>thereof: impairment of financial assets</i>	27	(45,594)	(9,722)	(27,605)	(2,838)
<b>Operating profit</b>		<b>687,389</b>	<b>435,371</b>	<b>365,663</b>	<b>122,032</b>
Finance income	28	1,580	136,162	327	34,876
Finance costs	28	(195,628)	(454,353)	(99,237)	(101,020)
<b>Profit before income tax</b>		<b>493,341</b>	<b>117,180</b>	<b>266,753</b>	<b>55,888</b>
Income tax charge	29	(140,731)	(59,648)	(67,051)	(16,847)
<b>Net profit</b>		<b>352,610</b>	<b>57,532</b>	<b>199,702</b>	<b>39,041</b>
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	9	<b>(7,829)</b>	<b>(4,346)</b>	<b>2,261</b>	<b>(4,346)</b>
<b>Total comprehensive income</b>		<b>344,781</b>	<b>53,186</b>	<b>201,963</b>	<b>34,695</b>
Earnings per share (in PLN) (basic equals diluted)	30	1.39	0.23	0.79	0.16
Weighted average number of shares (in thousands) (basic equals diluted)	30	253,708	250,538	253,708	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.

## Interim condensed consolidated statement of changes in equity

	Attributable to equity holders of the parent					Notes
	Share capital	Share premium	Other reserves	Retained losses	Total equity	
<b>As at January 1, 2018</b>	128	3,673,350	28,228	(3,914,285)	(212,579)	
Impact of adoption of IFRS 9				(59,854)	(59,854)	2.2
Prior year adjustment				(21,959)	(21,959)	
<b>As at January 1, 2018 (adjusted)</b>	<b>128</b>	<b>3,673,350</b>	<b>28,228</b>	<b>(3,996,098)</b>	<b>(294,392)</b>	
Net profit for the period	-	-	-	352,610	352,610	
<u>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</u>						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	-	-	(7,829)	-	(7,829)	9
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(7,829)</b>	<b>352,610</b>	<b>344,781</b>	
Effect of valuation of equity-settled retention programs	-	-	5,503	-	5,503	18
Dividend payment				(652,031)	(652,031)	
<b>As at June 30, 2018, unaudited</b>	<b>128</b>	<b>3,673,350</b>	<b>25,902</b>	<b>(4,295,519)</b>	<b>(596,139)</b>	

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

	Attributable to equity holders of the parent					Notes
	Share capital	Share premium	Other reserves	Retained losses	Total equity	
<b>As at January 1, 2017</b>	52	5,644,191	-	(4,301,631)	1,342,612	
Net profit for the period	-	-	-	57,532	57,532	
<u>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</u>						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	-	-	(4,346)	-	(4,346)	9
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(4,346)</b>	<b>57,532</b>	<b>53,186</b>	
Issue of shares	74	-	-	-	74	
<b>As at June 30, 2017, unaudited</b>	<b>126</b>	<b>5,644,191</b>	<b>(4,346)</b>	<b>(4,244,099)</b>	<b>1,395,872</b>	

## Interim condensed consolidated statement of cash flows

	Notes	Six-month period ended June 30, 2018 Unaudited	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2017 Unaudited
<b>Profit before income tax</b>		<b>493,341</b>	<b>117,180</b>	<b>266,753</b>	<b>55,888</b>
Depreciation and amortization		386,340	409,252	197,819	218,738
Change in contract costs		6,104	(892)	(7,883)	1,857
Interest expense (net)		185,355	243,155	91,622	65,478
Loss on finance instruments at fair value		178	169,529	-	2,909
Foreign exchange (gains)/losses		8,081	(94,591)	6,950	(2,554)
(Gain)/Loss on disposal of non-current assets		(6,900)	(2,202)	(4,042)	306
Impairment of non-current assets		584	3,029	(147)	3,121
Change in provisions and liabilities or equity related to retention programs		(7,523)	109,783	(9,270)	88,796
Changes in working capital and other	32	44,453	78,379	105,859	114,653
Change in contract assets	32	(67,042)	(161,693)	(41,863)	(80,206)
Change in contract liabilities		(8,338)	(12,408)	(12,710)	(13,213)
<b>Cash provided by operating activities</b>		<b>1,034,633</b>	<b>858,521</b>	<b>593,088</b>	<b>455,773</b>
Interest received		1,408	-	135	-
Income tax paid		(67,541)	(172,190)	(37,909)	(12,792)
<b>Net cash provided by operating activities</b>		<b>968,500</b>	<b>686,331</b>	<b>555,314</b>	<b>442,981</b>
Proceeds from sale of non-current assets		4,818	1,063	416	395
Proceeds from loans given		-	18,335	-	-
Proceeds from finance receivables (Repayment of notes by Impera Holdings S.A.)		-	388,250	-	-
Purchase of fixed assets and intangibles and prepayments for assets under construction		(321,123)	(368,020)	(133,889)	(156,836)
Purchase of debt securities (Notes issued by Impera Holdings S.A.)		-	(68,922)	-	-
<b>Net cash used in investing activities</b>		<b>(316,305)</b>	<b>(29,294)</b>	<b>(133,473)</b>	<b>(156,441)</b>
Proceeds from finance liabilities	33	-	6,443,000	-	-
Dividends (paid)		(652,498)	-	(652,498)	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	33	(449,076)	(4,943,043)	(127,815)	(132,039)
Purchase of notes issued by Impera Holdings S.A.	33	-	(2,226,993)	-	-
<b>Net cash used in financing activities</b>		<b>(1,101,574)</b>	<b>(727,036)</b>	<b>(780,313)</b>	<b>(132,039)</b>
<b>Net change in cash and cash equivalents</b>		<b>(449,379)</b>	<b>(69,999)</b>	<b>(358,472)</b>	<b>154,501</b>
Effect of exchange rate change on cash and cash equivalents		822	(156)	538	57
<b>Cash and cash equivalents at the beginning of the period</b>		<b>628,508</b>	<b>340,994</b>	<b>537,885</b>	<b>116,281</b>
<b>Cash and cash equivalents at the end of the period</b>	31	<b>179,951</b>	<b>270,839</b>	<b>179,951</b>	<b>270,839</b>

## Notes

### 1. The Company and the Play Group

Play Communications S.A. (the "Company") was incorporated under Luxembourg law on January 10, 2014 under the name Play Holdings 2 S. à r. l. The Company's registered office is in Luxembourg. On June 21, 2017, the Company was transformed from a private limited liability company (*société à responsabilité limitée*) Play Holdings 2 S. à r. l. to a public limited liability company (*société anonyme*) Play Communications S.A. The Company's ordinary shares have been listed and traded on the Warsaw Stock Exchange ("WSE") since July 27, 2017. For shareholding structure please see Note 15.

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

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

These interim condensed consolidated financial statements comprise:

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

as at and for the six-month period ended June 30, 2018, hereafter the "Financial Statements".

The Financial Statements include the accounts of the Company and the following subsidiaries:

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at June 30, 2018	As at December 31, 2017
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%
Play Finance 2 S.A. under liquidation	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%

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

The Financial Statements were authorized for issue by the Board of Directors of the Company on August 13, 2018.

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

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

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

#### 2.1.1 New standards, interpretations and amendments to existing standards

The Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies applied in the Financial Statements are consistent with the policies applied and described in the consolidated financial statements of the Group as at and for the year ended December 31, 2017 approved at February 27, 2018 prepared in accordance with IFRS as adopted by the European Union ("Annual Financial Statements"), except for new standards, interpretations and amendments to existing standards adopted from January 1, 2018 as described below. For the purpose of the Financial Statements the Group has adopted the following standards, amendments to standards and interpretations issued and effective as at June 30, 2018:

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 9: Financial Instruments	July 24, 2014	January 1, 2018	January 1, 2018	Permitted	Fully implemented
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 20, 2016	January 1, 2018	January 1, 2018	Permitted	Fully implemented
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 12, 2016	January 1, 2018	January 1, 2018	Permitted	Fully implemented
Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28	December 8, 2016	January 1, 2018	January 1, 2018	Permitted	Fully implemented
Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 12	December 8, 2016	January 1, 2017	January 1, 2017	Permitted	Fully implemented
IFRIC 22: Foreign Currency Transactions and Advance Consideration	December 8, 2016	January 1, 2018	January 1, 2018	Permitted	Fully implemented
Amendments to IAS 40: Transfers of Investments Property	December 8, 2016	January 1, 2018	January 1, 2018	Permitted	Fully implemented

Please note that the Group had early adopted IFRS 15: Revenues from contracts with customers and IFRS 16: Leases as of January 1, 2013, applying the full retrospective method.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the six-month period ended June 30, 2018 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
Amendments to IFRS 9: Prepayment Features with Negative Compensation	October 12, 2017	January 1, 2019	January 1, 2019	Permitted	Assessment in progress
IFRIC 23: Uncertainty over Income Tax Treatments	June 7, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	October 12, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Annual Improvements to IFRS Standards 2015-2017 Cycle	December 12, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	February 7, 2018	January 1, 2019	Not endorsed yet	-	Assessment in progress
Amendments to References to the Conceptual Framework in IFRS Standards	March 29, 2018	January 1, 2020	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

### **2.1.2 Going concern**

The Financial Statements disclose all matters of which the Group is aware and which are relevant to the Group's ability to continue as a going concern, including all significant events and the Group's plans. Although the Group presents negative shareholders equity on consolidated basis, the Group generates positive cash flows from operating activities which can be used to finance further development of telecommunications infrastructure as well as expected dividend payments by the Company. Accordingly, the Financial Statements have been prepared on a basis which assumes that the Group will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

## **2.2 New accounting policies**

### **Adoption of IFRS 9**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has decided to adopt the new standard on January 1, 2018 and not to restate comparative information.

### **Classification and measurement**

The Group has not recorded any significant impact on its statement of financial position or equity of applying the classification and measurement requirements of IFRS 9. It continues measuring at fair value all financial assets which were previously measured at fair value. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group has analyzed the contractual cash flow characteristics of those instruments and has concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required. The Group has also not introduced any changes in the measurement and classification of financial liabilities under IFRS 9.

### **Impairment**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has decided to apply the simplified approach and to record lifetime expected losses on all trade receivables as well as contract assets.

When measuring impairment provision for billing receivables the Group uses collectability ratio from previous periods including information on recoverability through the process of sales of outstanding invoices.

For other trade receivables the Group performs assessment for each individual debtor taking into account the probability of default or delinquency in payments and the probability that debtor will enter into financial difficulties or bankruptcy. When determining whether the recognition of lifetime expected credit loss is required under IFRS 9, the Group uses all reasonable and supportable information regarding debtors available at the assessment date, including the information about securities, e.g. guarantees, deposits and insurance.

The loss allowance for contract assets under IFRS 9 is measured and recognized at the initial recognition of contract assets. The Group uses professional judgement to calculate probability-weighted estimate of credit losses over the expected life of contract assets. Under IAS 39 the Group used to recognize impairment of contract assets at the moment of disconnecting the customer due to breach of the contract. Application of IFRS 9 resulted in recognition of expected impairment loss in relation to the balance of contract assets existing at the reporting date.

The impact of the application of IFRS 9 on the statement of financial position is presented below.

	<b>January 1, 2018</b>
<b>Assets</b>	
Contract assets	(72,015)
Trade and other receivables	(1,879)
	<u>(73,894)</u>
<b>Liabilities</b>	
Deferred tax liability	(14,040)
	<u>(14,040)</u>
<b>Net impact on equity</b>	
Retained losses	(59,854)
	<u>(59,854)</u>

Please note that during the six-month period ended June 30, 2018 the Group revised and improved the financial models used for estimating the expected credit loss and therefore the above assessment of the impact of the application of IFRS 9 on the statement of financial position has changed in comparison to the impact presented in the financial statements for the three-month period ended March 31, 2018. The change had no impact on current period Interim condensed consolidated statement of comprehensive income and had been recorded in equity in accordance with IFRS 9.

#### **Hedge accounting**

The Group has determined that all hedge relationships that were previously designated as effective hedging relationships continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedge accounting requirements of IFRS 9 has not had any significant impact on the Financial Statements.

### **2.3 Consolidation**

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

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

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

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

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

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

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

## **2.4 Foreign currency translation**

### **2.4.1 Functional and presentation currency**

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

### **2.4.2 Transactions and balances**

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

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

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

<b>Currency</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
EUR	4.3616	4.1709
GBP	4.9270	4.7001
USD	3.7440	3.4813

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

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

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

## **2.5 Financial risk management**

The Play Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements. In current period there were no significant changes in financial risk management. For detailed disclosures please refer to Annual Financial Statements.

## **2.6 Fair value estimation**

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

The methods and assumptions used to estimate the equity relating to retention programs are described in Note 2.7.3.

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

## **2.7 Critical accounting estimates and judgments**

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

### **2.7.1 Recognition of revenue**

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers (please see also Note 22). These include:

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,
- determining the standalone selling prices.

The stand-alone selling prices for mobile devices are estimated as cost of sale plus margin. Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses.

### **Significant financing component**

The Group used the practical expedient described in paragraph 63 of IFRS 15 and did not adjust the promised amount of consideration for the effects of a significant financing component because it has assessed that for most of the contracts the period between when the Group transfers the equipment to the customer and when the customer pays for the equipment is one year or less.

### **Material right considerations**

The Group has not identified any material rights in the contracts with customers which would need to be treated as separate performance obligations. In particular, the Group does not consider an activation fee to provide a material right to a customer to extend the contract without paying an additional activation fee. Also, the Group has assessed that for additional services offered to existing customers at a discounted price, the value of the revenue which would need to be deferred until satisfaction of the performance obligation associated with the potential material right, would be insignificant and therefore such potential material rights are not treated as separate performance obligations.

### **Agent vs. principal considerations in relation to cooperation with dealers**

The Company cooperates with a network of dealers who sell contract services (including these bundled with handsets) and prepaid services. The Group has assessed that the dealers act as agents (and therefore do not control the goods or services before they are provided to the end-customer) in this process, for the following reasons:

- a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service – the Group is responsible for delivering telecommunications services to the end-customer and organizes the process of repairs of the equipment within the guarantee period,
- b) prices of services and equipment delivered to customers are determined by the Group and not by the dealer;
- c) dealers are remunerated in the form of commissions;
- d) credit risk related to consideration for service and in case of instalment sales model also credit risk related to consideration for equipment is borne by the Group.

### **2.7.2 Valuation of lease liabilities and right-of-use assets**

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities (please see Note 16.2) and the valuation of right-of-use assets (please see Note 4). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

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

In the six-month period ended June 30, 2018 the Group has reassessed its estimation of the non-cancellable period of leases of property for telecommunication sites and concluded that there is a number of scenarios which the Group might elect after the lapse of the contractual term of a lease. Therefore the IFRS 16 criterion of being reasonably certain to exercise the extension options is no longer fulfilled in relation to newly signed contracts. The periods covered by a potential use of an option to extend the lease were excluded from the lease term. For leases of property for telecommunication sites with indefinite term the Group previously estimated 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). In the six-month period ended June 30, 2018 the Group has reassessed its estimation of the non-cancellable period of such types of leases to be equal to the average or typical market contract term of particular type of lease. The above described changes were applied prospectively and resulted in a decrease of the lease liabilities balance of approximately 5% and in a decrease of the right-of-use assets balance of approximately 6%. For leases other than telecommunication sites with indefinite term the Group continuously estimates the non-cancellable period to be equal to the average or typical market contract term of particular type of lease. The Group might change these assumption in future as a result of a review of the best practices in relation to estimation of the lease terms among peer telecommunications entities when they also apply IFRS 16.

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

### **2.7.3 Valuation of the equity-settled retention programs**

Upon the IPO, on July 27, 2017, the members of the Management Board of P4 and key employees have entered into new equity-settled retention programs. For the description of the programs please see Note 19 of the Annual Financial Statements. Please see also Note 38.

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

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

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

#### **2.7.4 Valuation of the assets retirement obligation provision**

As at June 30, 2018 the assets retirement obligation provision (please see Note 17) was calculated using discount rate of 2.96% (2.99% as at December 31, 2017), representing interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the assets that will be subject to retirement obligation.

In the six-month period ended June 30, 2018, based on the observation of current market circumstances, the Group had lowered its estimation of unit costs of dismantling the telecommunication constructions from leased property, which led to a decrease in assets retirement provision balance by PLN 23,541 thousand and corresponding decrease in the net book value of right-of-use assets.

#### **2.7.5 Valuation of the option to acquire Virgin Mobile Polska sp. z o.o.**

On January 15, 2018, the Group entered into a set of agreements with Virgin Mobile Polska sp. z o.o. ("VMP") and its shareholders as well as with the group of leading investors in VMP. These agreements give the Group, among others, a call option to acquire all shares in VMP during 2020 at the price calculated according to an agreed valuation methodology based on VMP's one time annual revenue adjusted by certain elements. The investors in VMP undertook to procure that all shares in VMP are sold to the Group in case the Group exercises the call option. The fair value of the option at initial recognition equals the consideration given to acquire the option, which is PLN nil. The Group estimates that the agreed price of shares in VMP will approximate their fair value, therefore the fair value of this option amounts to PLN nil at the reporting date.

#### **2.7.6 Deferred tax**

As part of the process of preparing the Financial Statements, the Group is required to estimate the Play Group's income taxes (please see Note 29). 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.

#### **2.7.7 Impairment of non-current assets**

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at June 30, 2018, 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, 2017. No impairment loss has been recognized. For the key assumptions and description of uncertainties please see the Annual Financial Statements.

## 2.8 Segment reporting

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

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

Data in the table below are presented in PLN rounded to the nearest million. Therefore, discrepancies between totals and the sums of the amounts listed may occur due to such rounding.

Reconciliation of operating profit to adjusted EBITDA (in PLN millions):

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>	<b>Three-month period ended June 30, 2018</b>	<b>Three-month period ended June 30, 2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Operating profit</b>	<b>687</b>	<b>435</b>	<b>366</b>	<b>122</b>
Add depreciation and amortization	386	409	198	219
Add management fees	0	34	-	27
Add valuation of retention programs and special bonuses	5	252	(1)	215
Add other non-recurring costs/(income)	(10)	32	(12)	16
<b>Adjusted EBITDA</b>	<b>1,069</b>	<b>1,163</b>	<b>550</b>	<b>599</b>

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

The valuation of retention programs and special bonuses decreased in the six-month period ended June 30, 2018 as a result of changed composition of performance incentive plans due to the IPO in July 2017, which are classified and valued differently than the retention programs in place in the six-month period ended June 30, 2017; for more information see Note 18 of the Financial Statements as well as Note 19 of the Annual Financial Statements.

Other non-recurring income for the six-month period ended June 30, 2018 resulted mainly from the reversal of the bad debt provision for interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to favorable court ruling (please see also Note 35.2), partially off-set by the cost of non-deductible VAT relating to the management fee invoices received in connection with the IPO.

Other non-recurring 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.

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

### 3. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
<b>Cost</b>							
As at January 1, 2018	46	973,483	234,774	1,258,055	320	77,292	2,543,970
Increases	-	-	11	-	-	-	11
Transfers and reclassifications	-	83,661	38,814	136,997	-	2,769	262,241
Decreases	-	(7,138)	(27,890)	(74,576)	-	(3,592)	(113,196)
<b>As at June 30, 2018, unaudited</b>	<b>46</b>	<b>1,050,006</b>	<b>245,709</b>	<b>1,320,476</b>	<b>320</b>	<b>76,469</b>	<b>2,693,026</b>
<b>Accumulated depreciation</b>							
As at January 1, 2018	4	410,027	137,015	661,910	305	50,675	1,259,936
Charge	-	22,482	12,799	87,103	6	6,627	129,017
Transfers and reclassifications	-	(26)	42,830	24,307	-	670	67,781
Decreases	-	(7,136)	(27,887)	(74,333)	-	(2,920)	(112,276)
<b>As at June 30, 2018, unaudited</b>	<b>4</b>	<b>425,347</b>	<b>164,757</b>	<b>698,987</b>	<b>311</b>	<b>55,052</b>	<b>1,344,458</b>
<b>Accumulated impairment</b>							
As at January 1, 2018	-	-	503	984	-	200	1,687
Reversal of impairment charge	-	-	(499)	(764)	-	-	(1,263)
Utilization of impairment provision	-	-	(4)	(220)	-	(200)	(424)
<b>As at June 30, 2018, unaudited</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value as at June 30, 2018, unaudited</b>	<b>42</b>	<b>624,659</b>	<b>80,952</b>	<b>621,489</b>	<b>9</b>	<b>21,417</b>	<b>1,348,568</b>

The transfers recorded during six-month period ended June 30, 2018 relate mainly to transfers from assets under construction to property, plant and equipment due to the completion of investment projects. Buildings represent mainly own telecommunications towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.

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	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
<b>Cost</b>							
As at January 1, 2017	46	858,585	125,567	1,066,942	345	122,018	2,173,503
Increases	-	-	41	-	-	-	41
Transfers and reclassifications	-	39,402	99,832	190,574	28	(36,902)	292,934
Decreases	-	(6,220)	(4,159)	(40,975)	(54)	(3,475)	(54,883)
<b>As at June 30, 2017, unaudited</b>	<b>46</b>	<b>891,767</b>	<b>221,281</b>	<b>1,216,541</b>	<b>319</b>	<b>81,641</b>	<b>2,411,595</b>
<b>Accumulated depreciation</b>							
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
Decreases	-	(6,165)	(4,156)	(40,789)	(52)	(3,281)	(54,443)
<b>As at June 30, 2017, unaudited</b>	<b>4</b>	<b>393,334</b>	<b>126,689</b>	<b>628,245</b>	<b>297</b>	<b>47,439</b>	<b>1,196,008</b>
<b>Accumulated impairment</b>							
As at January 1, 2017	-	-	34	-	-	152	186
Reversal of impairment charge	-	-	(32)	-	-	(55)	(87)
Utilization of impairment provision	-	-	(2)	-	-	(97)	(99)
<b>As at June 30, 2017, unaudited</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value as at June 30, 2017, unaudited</b>	<b>42</b>	<b>498,433</b>	<b>94,592</b>	<b>588,296</b>	<b>22</b>	<b>34,202</b>	<b>1,215,587</b>

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#### 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	Right-of-Use: Total
<b>Cost</b>							
As at January 1, 2018	163,454	1,369,463	63,000	72,995	27,095	745	1,696,752
Increases	28,767	73,150	-	2,854	-	-	104,771
Asset retirement obligation	-	(18,096)	-	-	-	-	(18,096)
Transfers and reclassifications	-	-	(40,119)	(24,285)	1,505	(718)	(63,617)
Decreases	(2,423)	(49,628)	(1,562)	(8,718)	(3,108)	-	(65,439)
<b>As at June 30, 2018, unaudited</b>	<b>189,798</b>	<b>1,374,889</b>	<b>21,319</b>	<b>42,846</b>	<b>25,492</b>	<b>27</b>	<b>1,654,371</b>
<b>Accumulated depreciation</b>							
As at January 1, 2018	54,829	658,115	53,432	59,315	14,516	678	840,885
Charge	6,884	61,187	5,295	4,271	3,796	3	81,436
Charge from asset retirement obligation	-	1,033	-	-	-	-	1,033
Transfers and reclassifications	-	-	(42,820)	(24,285)	-	(676)	(67,781)
Decreases	(41)	(3,492)	(1,559)	(7,774)	(3,108)	-	(15,974)
<b>As at June 30, 2018, unaudited</b>	<b>61,672</b>	<b>716,843</b>	<b>14,348</b>	<b>31,527</b>	<b>15,204</b>	<b>5</b>	<b>839,599</b>
<b>Net book value as at June 30, 2018, unaudited</b>	<b>128,126</b>	<b>658,046</b>	<b>6,971</b>	<b>11,319</b>	<b>10,288</b>	<b>22</b>	<b>814,772</b>

The decreases in gross book value of Right-of-Use assets: Land and Buildings recorded during six-month period ended June 30, 2018 result mainly from reassessment of estimation of lease term. For more details see Note 2.7.2. The transfers and reclassifications represent mainly assets that had been previously used under lease agreements and were purchased by the Group at the end of the lease term, now used as own property, plant and equipment.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the six-month period ended June 30, 2018. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed. The expenses relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 5,145 thousand for the six-month period ended June 30, 2018.

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	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
<b>Cost</b>							
As at January 1, 2017	132,530	1,174,013	82,525	74,056	25,767	718	1,489,609
Increases	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)
Decreases	(358)	(20,121)	(1,419)	(2,025)	(1,011)	-	(24,934)
<b>As at June 30, 2017, unaudited</b>	<b>142,908</b>	<b>1,252,457</b>	<b>58,482</b>	<b>73,343</b>	<b>26,154</b>	<b>718</b>	<b>1,554,062</b>
<b>Accumulated depreciation</b>							
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
Transfers and reclassifications	(377)	377	(17,482)	-	-	-	(17,482)
Decreases	(39)	(19,016)	(1,415)	(320)	(988)	-	(21,778)
<b>As at June 30, 2017, unaudited</b>	<b>49,206</b>	<b>605,198</b>	<b>47,329</b>	<b>58,990</b>	<b>15,914</b>	<b>671</b>	<b>777,308</b>
<b>Net book value as at June 30, 2017, unaudited</b>	<b>93,702</b>	<b>647,259</b>	<b>11,153</b>	<b>14,353</b>	<b>10,240</b>	<b>47</b>	<b>776,754</b>

In the six-month period ended June 30, 2017 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 0 thousand.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 5,063 thousand in the six-month period ended June 30, 2017.

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## 5. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
<b>Cost</b>					
As at January 1, 2018	2,860,955	1,147,385	238,301	44,146	4,290,787
Transfers and reclassifications	-	70,260	-	3,011	73,271
Decreases	-	(6,178)	-	(4)	(6,182)
<b>As at June 30, 2018, unaudited</b>	<b>2,860,955</b>	<b>1,211,467</b>	<b>238,301</b>	<b>47,153</b>	<b>4,357,876</b>
<b>Accumulated amortization</b>					
As at January 1, 2018	752,015	831,325	-	22,994	1,606,334
Charge	110,568	58,922	-	5,364	174,854
Decreases	-	(5,583)	-	(3)	(5,586)
<b>As at June 30, 2018, unaudited</b>	<b>862,583</b>	<b>884,664</b>	<b>-</b>	<b>28,355</b>	<b>1,775,602</b>
<b>Accumulated impairment</b>					
As at January 1, 2018	-	596	-	-	596
Impairment charge	-	-	-	-	-
Utilization of impairment provision	-	(596)	-	-	(596)
<b>As at June 30, 2018, unaudited</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value as at June 30, 2018, unaudited</b>	<b>1,998,372</b>	<b>326,803</b>	<b>238,301</b>	<b>18,798</b>	<b>2,582,274</b>

### Telecommunications licenses

Frequency band	License term		Net book value as at June 30, 2018	Net book value as at December 31, 2017
	from	to		
2100 MHz	July 1, 2016	December 31, 2022	98,287	109,207
900 MHz	December 9, 2008	December 31, 2023	79,823	87,079
1800 MHz	February 13, 2013	December 31, 2027	326,276	343,448
800 MHz	January 25, 2016/ June 23, 2016	June 22, 2031	1,253,662	1,303,477
2600 MHz	January 25, 2016	January 24, 2031	186,324	193,729
3700 MHz	October 1, 2017	December 29, 2019	54,000	72,000
			<b>1,998,372</b>	<b>2,108,940</b>

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The transfers recorded during six-month period ended June 30, 2018 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer and network software and other intangible assets.

The goodwill was recognized primarily on the acquisition of the Germanos Group in the year ended December 31, 2007.

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

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

## 6. Assets under construction

	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
<b>Cost</b>	<b>Unaudited</b>	<b>Unaudited</b>
As at January 1	309,569	543,114
Additions	320,732	267,823
Radio network	238,093	185,695
Core network and network operations center	15,455	8,140
IT	50,414	60,905
Other capital expenditures	16,770	13,083
Transfers and reclassifications	(271,895)	(513,777)
Disposals	(6,074)	(16)
<b>As at June 30</b>	<b>352,332</b>	<b>297,144</b>
<b>Accumulated impairment</b>		
As at January 1	6,218	2,698
Impairment charge, net	584	3,245
Utilization of impairment provision	(6,067)	-
<b>As at June 30</b>	<b>735</b>	<b>5,943</b>
<b>Net book value as at June 30</b>	<b>351,597</b>	<b>291,201</b>

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction. Assets under construction include also right-of-use assets being in the process of preparation for use amounting to PLN 7,339 thousand as at June 30, 2018 and PLN 14,739 thousand as at June 30, 2017.

Transfers and reclassifications represent transfers from assets under construction to property, plant and equipment, to intangible assets and to right-of-use assets.

The Group did not capitalize any interest expense or exchange rate differences during the periods presented.

## 7. Contract costs

	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
	Unaudited	Unaudited
<b>Cost</b>		
As at January 1	728,964	703,567
Additions	193,544	204,195
Disposals - terminated contracts	(204,145)	(188,472)
<b>As at June 30</b>	<b>718,363</b>	<b>719,290</b>
<b>Accumulated amortization</b>		
As at January 1	367,962	352,886
Charge (including impairment)	199,648	203,302
Disposals (including impairment) - terminated contracts	(204,145)	(188,471)
<b>As at June 30</b>	<b>363,465</b>	<b>367,717</b>
<b>Net book value as at June 30</b>	<b>354,898</b>	<b>351,573</b>

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

## 8. Other long-term receivables

	June 30, 2018 Unaudited	December 31, 2017
Long-term receivables	14,600	14,205
Impairment of long-term receivables	(370)	(370)
	<b>14,230</b>	<b>13,835</b>

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

## 9. Other finance assets and other finance liabilities

	June 30, 2018 Unaudited	December 31, 2017
Interest rate swaps	-	4,268
<b>Long-term finance assets at fair value through other comprehensive income</b>	<b>-</b>	<b>4,268</b>
Interest rate swaps	2,474	-
<b>Non-current finance liabilities at fair value through other comprehensive income</b>	<b>2,474</b>	<b>-</b>
Interest rate swaps	8,135	6,871
<b>Current finance liabilities at fair value through other comprehensive income</b>	<b>8,135</b>	<b>6,871</b>

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

The inputs used in determining the fair value of interest rate swaps fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities). For more details please see Note 10.1 of the Annual Financial Statements.

The effective portion of changes in the fair value of the above mentioned finance assets and finance liabilities resulted in other comprehensive loss of PLN 7,829 thousand for the six-month period ended June 30, 2018.

## 10. Inventories

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	
Goods for resale	226,263	130,494
Goods in dealers' premises	30,151	38,439
Prepaid deliveries	99	-
Impairment of goods for resale	(13,290)	(9,654)
	<b>243,223</b>	<b>159,279</b>

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

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

## 11. Trade and other receivables

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	
Trade receivables	1,069,475	1,226,757
Impairment of trade receivables	(126,507)	(130,169)
<b>Trade receivables (net)</b>	<b>942,968</b>	<b>1,096,588</b>
VAT and other government receivables	1,345	3,272
Other receivables	217	606
<b>Other receivables (net)</b>	<b>1,562</b>	<b>3,878</b>
	<b>944,530</b>	<b>1,100,466</b>

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

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

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

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

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

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>
<b>Beginning of period</b>	<b>130,169</b>	<b>143,191</b>
Adoption of IFRS 9 - opening balance adjustment	1,879	-
- credited to income statement	(5,541)	(17,637)
- write-downs applied	-	(209)
<b>End of period</b>	<b>126,507</b>	<b>125,345</b>

## 12. Contract assets

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	
Contract assets	1,407,394	1,366,913
Impairment of contract assets	(72,564)	-
	<b>1,334,830</b>	<b>1,366,913</b>

Impairment of contract assets represents the expected credit loss recognized in accordance with IFRS 9 at the initial recognition of the contract asset. Please see also Note 2.2.

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

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>
	<b>Unaudited</b>	
<b>Beginning of period</b>	-	-
Adoption of IFRS 9 - opening balance adjustment	72,015	-
- credited to income statement	51,135	27,359
- utilization	(50,586)	(27,359)
<b>End of period</b>	<b>72,564</b>	-

For explanation of changes in the impairment charged to income statement – please see Note 27.

In current and in comparative periods there were no significant changes in the time frame for a right to consideration to become unconditional or in the time frame for a performance obligation to be satisfied.

In current and in comparative periods there were no cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in an estimate of the transaction price or a contract modification.

### 13. Prepaid expenses

	June 30, 2018 Unaudited	December 31, 2017
Distribution and selling costs	6,777	8,449
Network and IT maintenance	5,236	3,852
Other	10,765	11,229
	<b>22,778</b>	<b>23,530</b>

As of June 30, 2018, other prepaid expenses include mainly advance payments for services.

### 14. Cash and cash equivalents

	June 30, 2018 Unaudited	December 31, 2017
Petty cash	733	871
Balances deposited with banks	178,995	627,403
Other cash assets	223	451
	<b>179,951</b>	<b>628,725</b>

The decrease in cash and cash equivalents is connected with the payout of an interim dividend. Please see Note 15.

### 15. Shareholders' equity

As of June 30, 2018, the Company's share capital consisted of 253,708,444 shares issued, of which 27.65% were owned by Tollerton Investment Limited, 27.32% by Telco Holdings S.à r.l. and 45,02% by other shareholders.

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

### 16. Finance liabilities - debt

	June 30, 2018 Unaudited	December 31, 2017
<b>Long-term finance liabilities</b>		
Long-term bank loans	5,693,099	5,975,570
Long-term lease liabilities	743,342	762,214
Other debt	15,798	15,083
	<b>6,452,239</b>	<b>6,752,867</b>
<b>Short-term finance liabilities</b>		
Short-term bank loans	484,455	387,988
Short-term lease liabilities	190,289	186,602
Other debt	29,347	11,365
	<b>704,091</b>	<b>585,955</b>
	<b>7,156,330</b>	<b>7,338,822</b>

## 16.1 Bank loans

	June 30, 2018 Unaudited	December 31, 2017
<b>Long-term bank loans</b>		
SFA	5,693,099	5,975,570
	<b>5,693,099</b>	<b>5,975,570</b>
<b>Short-term bank loans</b>		
SFA	484,455	387,988
	<b>484,455</b>	<b>387,988</b>
	<b>6,177,554</b>	<b>6,363,558</b>
the balance of unamortized fees	70,781	81,039
the weighted average effective interest rate	4.83%	4.85%

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

In the six-month period ended June 30, 2018 the Group repaid the principal amount of PLN 195,440 thousand of Senior Facilities Agreement (SFA) in line with the schedule.

## 16.2 Lease liabilities

	June 30, 2018 Unaudited	December 31, 2017
<b>Long-term lease liabilities</b>		
Telecommunications sites	652,111	660,308
Points of sale	51,369	54,257
Dark fiber optic cable	6,204	6,322
Collocation centers	11,121	11,797
Offices and warehouse	17,615	22,173
IT equipment and telecommunications equipment	1,500	2,723
Motor vehicles	3,422	4,634
	<b>743,342</b>	<b>762,214</b>
<b>Short-term lease liabilities</b>		
Telecommunications sites	127,023	119,386
Points of sale	28,932	28,932
Dark fiber optic cable	5,398	7,484
Collocation centers	5,687	5,785
Offices and warehouse	11,879	10,705
IT equipment and telecommunications equipment	6,163	9,616
Motor vehicles	5,207	4,694
	<b>190,289</b>	<b>186,602</b>
	<b>933,631</b>	<b>948,816</b>

The decrease in the carrying value of lease liabilities relating to leases of property for telecommunications sites results from the change in the estimate of the contract term – please see also Note 2.7.2.

## 17. Provisions

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	
Assets retirement provision	32,257	49,985
Other long-term provisions	4,682	8,350
Short-term provisions	70	78
	<b>37,009</b>	<b>58,413</b>

The decrease in assets retirement provision results mainly from revised estimate of unit costs of dismantling the telecommunication constructions from leased property and is reflected in the corresponding decrease of right-of-use assets. Please see also Note 2.7.4. The decrease in other long-term provisions results mainly from utilization of the provisions for universal service liability, as substantial portion of the liabilities was paid following the decisions issued by the President of Polish regulator Urząd Komunikacji Elektronicznej. Please see Note 35 of the Annual Financial Statements.

## 18. Retention programs

For the detailed description of the retention programs please see Note 19 of the Annual Financial Statements.

### Number and movements of VDP 3 share appreciation rights

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

	<b>Six-month period ended</b>	<b>Six-month period ended</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	VDP Plan 3	VDP Plan 3
<b>As at January 1</b>	<b>19,668,766</b>	<b>19,707,094</b>
Forfeited during the period	-	(38,328)
Exercised during the period	(9,834,383)	-
<b>As at June 30</b>	<b>9,834,383</b>	<b>19,668,766</b>
Exercisable at June 30	9,834,383	-

### Change of value of the programs

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

	Short-term cash-settled retention programs liabilities	Other reserves - effect of valuation of equity- settled retention programs
<b>As at January 1, 2018</b>	<b>17,743</b>	<b>28,110</b>
Forfeited during the period	-	(3,990)
Exercised during the period	(8,932)	-
Changes in valuation during the period	(419)	9,493
<b>As at June 30, 2018, unaudited</b>	<b>8,392</b>	<b>33,613</b>
Vested at June 30, 2018	8,392	n/a
Exercised at June 30, 2018	n/a	19,379

The step down of Jørgen Bang-Jensen from his position as Chief Executive Officer of P4 sp. z o.o. in the six-month period ended June 30, 2018 resulted in decrease of number of Original Shares entitled to Award Shares which was reflected as decrease in retention program costs.

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

## 19. Trade and other payables

	June 30, 2018 Unaudited	December 31, 2017
Trade payables	736,879	812,761
Investment payables	158,905	190,478
Government payables	91,596	97,218
Employee payables	162	107
Other	8,232	5,964
	<b>995,774</b>	<b>1,106,528</b>

The decrease in trade payables results from the phasing of the payments for handsets deliveries and for interconnect services. The decrease in investment payables results from the phasing of the payments relating to the network rollout.

## 20. Accruals

Accruals include accruals for employee bonuses and unused holidays.

## 21. Deferred income

	June 30, 2018 Unaudited	December 31, 2017
Prepaid services	86,116	92,257
Contract services	170,856	138,327
Other	240	627
	<b>257,212</b>	<b>231,211</b>

## 22. Operating revenue

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

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>	<b>Three-month period ended June 30, 2018</b>	<b>Three-month period ended June 30, 2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Service revenue</b>	<b>2,499,350</b>	<b>2,374,118</b>	<b>1,263,505</b>	<b>1,212,786</b>
Usage revenue	1,848,569	1,786,406	933,279	914,215
Interconnection revenue	650,781	587,712	330,226	298,571
<b>Sales of goods and other revenue</b>	<b>826,000</b>	<b>835,385</b>	<b>424,554</b>	<b>415,951</b>
	<b>3,325,350</b>	<b>3,209,503</b>	<b>1,688,059</b>	<b>1,628,737</b>

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>	<b>Three-month period ended June 30, 2018</b>	<b>Three-month period ended June 30, 2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Usage revenue by category</b>				
Retail contract revenue	1,457,704	1,422,790	732,894	720,686
Retail prepaid revenue	306,658	298,910	158,486	159,801
Other usage revenue	84,207	64,707	41,899	33,728
	<b>1,848,569</b>	<b>1,786,406</b>	<b>933,279</b>	<b>914,215</b>

Other usage revenue consists mainly of revenues from MVNOs to whom the Group provides telecommunications services and revenues generated from services rendered to subscribers of foreign mobile operators that have entered into international roaming agreements with the Group.

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>	<b>Three-month period ended June 30, 2018</b>	<b>Three-month period ended June 30, 2017</b>
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	78,386	85,883	5,571	3,141

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.

	<b>June 30, 2018</b> <b>Unaudited</b>	<b>December 31, 2017</b>
Transaction price allocated to the remaining performance obligation to be satisfied within:		
1 year	1,799,770	1,720,011
later than 1 year and not later than 2 years	782,102	684,130
later than 2 years and not later than 3 years	57,654	69,784
later than 3 years	140	145
	<b>2,639,666</b>	<b>2,474,070</b>

### 23. Interconnection, roaming and other service costs

	<b>Six-month period ended June 30, 2018</b> <b>Unaudited</b>	<b>Six-month period ended June 30, 2017</b> <b>Unaudited</b>	<b>Three-month period ended June 30, 2018</b> <b>Unaudited</b>	<b>Three-month period ended June 30, 2017</b> <b>Unaudited</b>
Interconnection costs	(674,040)	(624,870)	(341,278)	(318,322)
National roaming/network sharing	(132,311)	(92,427)	(68,147)	(47,474)
Other services costs	(144,801)	(81,411)	(61,942)	(43,664)
	<b>(951,152)</b>	<b>(798,708)</b>	<b>(471,367)</b>	<b>(409,460)</b>

Other services costs include international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top ups) and fees paid to providers of content (e.g. TV, VoD, music) in transactions in which the Group acts as a principal. The substantial increase of other services costs was primarily caused by the growth of international roaming costs due to new international roaming regulations ("Roam Like At Home") introduced since June 15, 2017.

### 24. Contract costs, net

	<b>Six-month period ended June 30, 2018</b> <b>Unaudited</b>	<b>Six-month period ended June 30, 2017</b> <b>Unaudited</b>	<b>Three-month period ended June 30, 2018</b> <b>Unaudited</b>	<b>Three-month period ended June 30, 2017</b> <b>Unaudited</b>
Contract costs incurred	(210,264)	(214,622)	(112,265)	(103,971)
Contract costs capitalized	193,544	204,195	105,493	99,873
Amortization and impairment of contract costs	(199,648)	(203,302)	(97,610)	(101,729)
	<b>(216,368)</b>	<b>(213,729)</b>	<b>(104,382)</b>	<b>(105,827)</b>

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

## 25. General and administrative expenses

	Six-month period ended June 30, 2018 Unaudited	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2017 Unaudited
<b>Employee benefits</b>	<b>(125,819)</b>	<b>(372,857)</b>	<b>(58,268)</b>	<b>(275,220)</b>
Salaries	(104,698)	(105,266)	(51,755)	(52,235)
Social security	(16,037)	(15,716)	(7,429)	(7,500)
Special bonuses	-	(23,037)	-	(23,037)
Retention programs, including:	(5,084)	(228,838)	916	(192,448)
- <i>equity settled</i>	(5,503)	-	134	-
<b>External services</b>	<b>(253,693)</b>	<b>(318,619)</b>	<b>(132,803)</b>	<b>(167,136)</b>
Network maintenance, leased lines and energy	(66,780)	(63,041)	(32,705)	(31,486)
Advertising and promotion expenses	(86,451)	(94,794)	(50,346)	(45,331)
Customer relations costs	(29,955)	(37,016)	(14,645)	(17,992)
Office and points of sale maintenance	(7,349)	(7,878)	(3,288)	(4,078)
IT expenses	(14,934)	(14,053)	(7,023)	(7,185)
People related costs	(9,600)	(9,860)	(4,970)	(6,147)
Finance and legal services	(7,910)	(21,595)	(5,010)	(17,832)
Management fees	(122)	(34,295)	-	(26,795)
Other external services	(30,592)	(36,087)	(14,816)	(10,290)
<b>Taxes and fees</b>	<b>(40,675)</b>	<b>(35,016)</b>	<b>(18,678)</b>	<b>(16,510)</b>
	<b>(420,187)</b>	<b>(726,492)</b>	<b>(209,749)</b>	<b>(458,866)</b>

The valuation of retention programs decreased in the six-month period ended June 30, 2018 as a result of changed composition of performance incentive plans due to the IPO in July 2017, which are classified and valued differently than the retention programs in place in the six-month period ended June 30, 2017; for more information please see Note 18 of the Financial Statements as well as Note 19 of the Annual Financial Statements.

Advertising and promotion expenses decreased mainly due to non-recurring costs of prepaid registration process in connection with the ATO act incurred in the six-month period ended June 30, 2017. Costs of other external services decreased due to costs of prepaid registration process and strategic projects out of usual scope of the Group's business incurred in the six-month period ended June 30, 2017. Costs of management fees decreased due to termination of the regular advisory services agreements with Novator Partners LLP and Tollerton Investments Limited upon 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. The rate of social security contributions amounted to 8% of gross salaries for the employees in Luxembourg and 9.76% of gross salaries for the employees in Poland during the six-month period ended June 30, 2018 and the six-month period ended June 30, 2017, whereas certain new types of income of the employees in Poland were classified as eligible for social security which resulted in an increase in social securities costs. The Group is not required to make any contributions in excess of this statutory rate.

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.

## 26. Depreciation and amortization

	<b>Six-month period ended June 30, 2018 Unaudited</b>	<b>Six-month period ended June 30, 2017 Unaudited</b>	<b>Three-month period ended June 30, 2018 Unaudited</b>	<b>Three-month period ended June 30, 2017 Unaudited</b>
<b>Depreciation and amortization</b>				
Depreciation of property, plant and equipment	(129,017)	(149,089)	(66,927)	(83,438)
Amortization of intangibles	(174,854)	(187,695)	(88,553)	(98,683)
Depreciation of right-of-use assets	(82,469)	(72,468)	(42,339)	(36,617)
	<b>(386,340)</b>	<b>(409,252)</b>	<b>(197,819)</b>	<b>(218,738)</b>

## 27. Other operating income and other operating costs

	<b>Six-month period ended June 30, 2018 Unaudited</b>	<b>Six-month period ended June 30, 2017 Unaudited</b>	<b>Three-month period ended June 30, 2018 Unaudited</b>	<b>Three-month period ended June 30, 2017 Unaudited</b>
<b>Other operating income</b>				
Gain on receivables management	20,684	25,325	18,409	13,674
Gain on disposal of non-current assets	6,823	1,984	3,996	-
Reversal of impairment of other non-current assets	-	-	147	-
Reversal of provisions	-	337	-	31
Exchange rate gains	-	1,739	-	-
Income from subleasing of right-of-use assets	7,862	4,008	3,884	2,068
Interest income on trade receivables and cash	11,974	4,376	9,034	1,935
Other miscellaneous operating income	10,626	8,253	5,385	3,773
	<b>57,969</b>	<b>46,022</b>	<b>40,855</b>	<b>21,481</b>
<b>Other operating costs</b>				
Impairment of contract assets	(51,135)	(27,359)	(29,157)	(15,998)
Impairment of non-current assets	(584)	(3,029)	-	(3,121)
Loss on disposal of non-current assets	-	-	-	(421)
Exchange rate losses	(1,322)	-	(1,166)	(783)
Other miscellaneous operating costs	(3,462)	(2,182)	(3,156)	(2,753)
	<b>(56,503)</b>	<b>(32,570)</b>	<b>(33,479)</b>	<b>(23,076)</b>
<i>thereof: impairment of financial assets</i>				
Impairment of contract assets	(51,135)	(27,359)	(29,157)	(15,998)
Impairment of trade receivables	5,541	17,637	1,552	13,160
	<b>(45,594)</b>	<b>(9,722)</b>	<b>(27,605)</b>	<b>(2,838)</b>

The line "Gain on receivables management" represents the movement of the provision for impairment of receivables, net result of sales of overdue receivables to collecting agencies as well as income from early contract termination. For movements of the provision for impairment of trade and other receivables please see also Note 11.

Impairment of contract assets increased due to the fact that in the six-month period ended June 30, 2018 the new contract assets, for which the impairment connected with the expected credit loss was recorded at the initial recognition in accordance with IFRS 9, resulted mainly from subsidy contracts.

In the six-month period ended June 30, 2017 the Group recognized the impairment of contract assets in accordance with IAS 39 at the moment of disconnecting the customer due to breach of the contract. The impairment was recognized primarily in relation to instalment sales contracts, for which the contract assets are significantly lower than in the subsidy model and hence the impairment charge was also lower. Please see also Note 2.2. For movements of the provision for impairment of contract assets please see also Note 12.

## 28. Finance income and finance costs

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>	<b>Three-month period ended June 30, 2018</b>	<b>Three-month period ended June 30, 2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Finance income</b>				
Interest income	1,191	41,415	126	32,379
Net gain on finance instruments at fair value	389	-	201	-
Exchange rate gains	-	94,747	-	2,497
	<b>1,580</b>	<b>136,162</b>	<b>327</b>	<b>34,876</b>
<b>Finance costs</b>				
Interest expense, including:	(186,546)	(284,570)	(91,748)	(97,857)
- on lease liabilities	(30,401)	(30,856)	(14,602)	(15,479)
Net loss on finance instruments at fair value	(178)	(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	(178)	(2,909)	-	(2,909)
Exchange rate losses	(8,904)	-	(7,489)	-
	<b>(195,628)</b>	<b>(454,353)</b>	<b>(99,237)</b>	<b>(101,020)</b>

The interest expense in the six-month period ended June 30, 2017 included the redemption costs in the amount of PLN 78,689 thousand related to repayment of Senior Secured Notes and Senior Notes liabilities in March 2017. The loss on finance assets at fair value in the six-month period ended June 30, 2017 resulted mainly from the de-recognition of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture as a result of the repayment of the Notes, as well as losses on derivatives used to hedge the currency risk related to repayment of the EUR-denominated Notes. Please see Note 17 of the Annual Financial Statements.

## 29. Taxation

	<b>Six-month period ended June 30, 2018 Unaudited</b>	<b>Six-month period ended June 30, 2017 Unaudited</b>	<b>Three-month period ended June 30, 2018 Unaudited</b>	<b>Three-month period ended June 30, 2017 Unaudited</b>
Current tax benefit/(charge)	(93,106)	6,622	(52,280)	-
Deferred tax charge	(47,625)	(66,270)	(14,771)	(16,847)
<b>Income tax charge</b>	<b>(140,731)</b>	<b>(59,648)</b>	<b>(67,051)</b>	<b>(16,847)</b>

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

	<b>Six-month period ended June 30, 2018 Unaudited</b>	<b>Six-month period ended June 30, 2017 Unaudited</b>	<b>Three-month period ended June 30, 2018 Unaudited</b>	<b>Three-month period ended June 30, 2017 Unaudited</b>
<b>Profit before income tax</b>	<b>493,341</b>	<b>117,180</b>	<b>266,753</b>	<b>55,888</b>
Tax calculated at the prevailing tax rate applicable to profit (19%)	(93,735)	(22,264)	(50,683)	(10,619)
Effect of difference between tax rates in Luxembourg and in Poland	2,522	8,071	1,174	1,134
Expenses not subject to tax	(26,078)	(7,507)	(10,546)	(3,029)
Income not subject to tax	3,773	4,431	1,746	1,907
Previous years tax income/ (costs) included in current year accounting profit	(17)	-	(1,664)	-
Impact of IFRS 9 - deferred tax recorded in equity	14,040	-	1,145	-
Adjustments relating to previous tax years	(24,968)	6,622	(19,132)	-
Change in unrecognized deferred tax asset	(16,268)	(49,001)	10,909	(6,240)
<b>Income tax charge</b>	<b>(140,731)</b>	<b>(59,648)</b>	<b>(67,051)</b>	<b>(16,847)</b>

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries registered in Poland was 19% in all presented periods. The corporate income tax rate applied to the Company and the subsidiaries registered in Luxembourg was 22.80% as at June 30, 2018 and June 30, 2017.

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland. As at June 30, 2018 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

**Deferred income tax**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	
<b>Base for deferred income tax calculation:</b>		
net deductible temporary differences	(787,938)	(685,416)
carry-forwards of unused tax losses	456,318	435,154
	<b>(331,620)</b>	<b>(250,262)</b>
<b>Potential deferred income tax net asset/(liability) arising from:</b>		
net deductible temporary differences	(149,733)	(130,294)
carry-forwards of unused tax losses	103,137	104,623
	<b>(46,596)</b>	<b>(25,671)</b>
Recognized deferred income tax assets	-	-
Recognized deferred income tax liability	<b>(145,535)</b>	<b>(117,101)</b>
Not recognized deferred income tax assets	<b>98,939</b>	<b>91,430</b>

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The estimation is based upon the budget for the year 2018 and long term financial projections. As at June 30, 2018 and December 31, 2017 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

Deferred income tax assets and liabilities are offset on the level of the standalone financial statements of consolidated entities.

The Polish and Luxembourg tax systems have restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Luxembourg tax losses can be carried forward during a period of maximum 17 years (tax losses incurred during the period from January 1, 1991 to December 31, 2016, may be carried forward without any time limit). In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum (thus, a given loss may be fully utilized by a taxpayer within 2 subsequent years at the earliest).

### 30. Earnings per share

Basic earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares are shares which will potentially be issued under the PIP and VDP4 retention programs as Award shares – please see Note 19 of the Annual Financial Statements. As at June 30, 2018 the number of potential PIP and VDP4 Award shares, estimated based on historical performance of the Company's shares in comparison to peer companies for the period from the IPO date to June 30, 2018, amounts to 0.

	<b>Six-month period ended June 30, 2018</b>	<b>Six-month period ended June 30, 2017</b>	<b>Three-month period ended June 30, 2018</b>	<b>Three-month period ended June 30, 2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Net profit</b>	352,610	57,532	199,702	39,041
<u>Weighted average number of shares</u> (in thousands)				
Initial shares	250,000	250,000	250,000	250,000
VDP4 shares issued without consideration	538	538	538	538
PIP shares	3,170	-	3,170	-
<b>Weighted average number of shares (basic equals diluted)</b>	<b>253,708</b>	<b>250,538</b>	<b>253,708</b>	<b>250,538</b>
Earnings per share (in PLN) (basic equals diluted)	1.39	0.23	0.79	0.16

### 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. Interest accrued on cash is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows. In current and comparative period there were no differences between cash and cash equivalents presented in statement of financial position and in statement of cash flows.

	<b>June 30, 2018 Unaudited</b>	<b>June 30, 2017 Unaudited</b>
Cash and cash equivalents in statement of financial position	179,951	270,839
<b>Cash and cash equivalents in statement of cash flows</b>	<b>179,951</b>	<b>270,839</b>

### 32. Changes in working capital and other, change in contract costs, change in contract assets and change in contract liabilities presented in statement of cash flows

	Six-month period ended June 30, 2018 Unaudited	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2017 Unaudited
(Increase)/decrease of inventories	(83,944)	(38,330)	(25,478)	(12,166)
(Increase)/decrease of receivables	150,507	158,389	81,433	60,644
(Increase)/decrease of prepaid expenses	627	(1,139)	4,902	(2,241)
Increase/(decrease) of payables excluding investment payables	(26,145)	(74,036)	13,337	6,861
Increase/(decrease) of accruals	(21,872)	5,570	(1,159)	31,870
Increase/(decrease) of deferred income	26,001	28,759	33,012	29,736
(Increase)/decrease of long-term receivables	(395)	(362)	(254)	(45)
Increase/(decrease) of other non-current liabilities	(326)	(472)	66	(6)
<b>Changes in working capital and other</b>	<b>44,453</b>	<b>78,379</b>	<b>105,859</b>	<b>114,653</b>
(Increase)/decrease in contract costs	6,104	(892)	(7,883)	1,857
(Increase)/decrease in contract assets	(67,042)	(161,693)	(41,863)	(80,206)
Increase/(decrease) in contract liabilities	(8,338)	(12,408)	(12,710)	(13,213)

Changes in contract assets and receivables for the six-month period ended June 30, 2018 were adjusted by the impact of adoption of IFRS 9, please see Note 2.2. Changes in contract assets are also affected by the opening balance adjustment – please see Interim condensed consolidated statement of changes in equity.

The significant increase in contract assets in the six-month period ended June 30, 2017 resulted from the fact that since October 2016 the handsets had been sold primarily in the subsidy model for which the contract assets are significantly higher than in the instalment sales model.

In the six-month period ended June 30, 2018 the Group had a receivable in the amount of PLN 62,261.8 thousands resulting from the fact that P4 paid tax advances in the year 2017 whereas the final tax return presented a tax loss. This receivable was netted off against the VAT payables. Due to the non-cash nature of this settlement the corresponding decrease of payables is not presented in the table above.

### 33. Cash flows relating to finance liabilities

	Six-month period ended June 30, 2018 Unaudited	Six-month period ended June 30, 2017 Unaudited	Three-month period ended June 30, 2018 Unaudited	Three-month period ended June 30, 2017 Unaudited
<b>Proceeds from finance liabilities</b>				
loans	-	6,443,000	-	-
	<b>-</b>	<b>6,443,000</b>	<b>-</b>	<b>-</b>
<b>Repaid finance liabilities and paid interest and other costs relating to finance liabilities</b>				
loans	(340,709)	(182,140)	(73,148)	(81,880)
- principal	(195,440)	-	-	-
- interests	(143,141)	(83,313)	(72,091)	(74,653)
- other	(2,128)	(98,827)	(1,057)	(7,227)
notes	-	(4,660,706)	-	-
- principal	-	(4,425,794)	-	-
- interests	-	(156,223)	-	-
- other	-	(78,689)	-	-
leases	(102,510)	(98,218)	(51,530)	(48,732)
other debt	(5,857)	(1,979)	(3,137)	(1,427)
- principal	(5,409)	(1,876)	(2,890)	(1,335)
- interests	(448)	(103)	(247)	(92)
	<b>(449,076)</b>	<b>(4,943,043)</b>	<b>(127,815)</b>	<b>(132,039)</b>

Other payments relating to loans in the six-month period ended June 30, 2017 represent the loan origination fees incurred in relation with the Senior Facilities Agreement signed in March 2017. Other payments relating to notes represent the early redemption fees paid in relation to repayment of the Senior Secured Notes and Senior Notes upon refinancing in March 2017. Please see Note 17 of the Annual Financial Statements.

The Group presents cash outflows relating to purchase of notes issued by Impera Holdings S.A. in March 2017 in cash flows from financing activities in the six-month period ended June 30, 2017. See Note 8 of the Annual Financial Statements). 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 the Financial Statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums. 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 the Group on June 14, 2013 outlined a set of regulatory requirements towards the Group. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment had to be pursued in rural or suburban areas or towns with population less than 100 thousand people.

Additionally, the Group had to commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of the Financial Statements, the Group has fulfilled all these obligations.

### **34.3 800 MHz license requirements**

The 800 MHz frequency reservation decision granted to the Group on January 25, 2016 and replaced by decision granted to the Group on June 23, 2016 outlines a set of regulatory requirements towards the Group ("Decision"). These pertain mainly to realization of investment in telecommunications network covering 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, the Group had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation. Due to reasons entirely beyond Company's control part of the infrastructure necessary to provide the network coverage for the areas indicated in the Decision was not ready by 23 June 2018. The likely non-fulfilment of P4's obligations within the deadline set out in the Decision has already been pre-emptively notified and then discussed with the President of UKE. At the moment no administrative proceedings aimed at amending or cancelling the Decision have been instigated by the UKE President, according to discussions held so far, the President of UKE has no such intention.

### **34.4 2600 MHz license requirements**

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

## **35. Contingencies and legal proceedings**

### **35.1 Tax contingent liabilities**

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

Currently, there are two ongoing tax audits in the Group being conducted with respect to corporate income tax settlements of P4 for the financial year ended December 31, 2013 (initiated in 2016), and for the financial year ended December 31, 2014 (initiated in 2018). The Group has been informed that the 2014 audit should be completed by November 14, 2018 and the 2013 audit should be completed by September 27, 2018, please note that these deadlines are likely to be further extended (this is a common practice of the Polish tax authorities). The tax authorities investigate in particular: (i) intra-group transactions and settlements, with special emphasis on the settlements between P4 and former subsidiary, subsequently merged with P4, Play Brand Management Limited and (ii) trademarks-related settlements. Moreover, the tax authorities have requested documents concerning different types of related party transactions (e.g., transfer pricing documentation, fee calculations, and other similar documentation). The Group has received the final result of the tax audit for the financial year ended December 31, 2012 (initiated in 2017), dated August 3, 2018. The tax audit did not reveal any irregularities. With respect to other audits, no formal or informal findings have been communicated or notified to the Group so far. We cannot exclude the risk that the tax authorities will apply a different approach from the one adopted by the Group.

On 15 July 2016, amendments were made to the Polish Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realizing tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realized or continue to be realized. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realized by tax remitters as restructuring or reorganization.

The Play Group is not aware of any circumstances, which may currently give rise to a potential material liability in connection with application of GAAR.

### **35.2 Legal and regulatory proceedings**

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Plus and PIRC and requested that the UKE President dismiss the applications for annulment. President of UKE in its decision of August 3, 2016 upheld the decision refusing to invalidate the 1800 MHz tender. The President UKE's decision was appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel, PIRC and Sferia. The Voivodship Administrative Court in its judgment of September 25, 2017 dismissed Polkomtel's, Sferia's and PIRC's appeals. The judgement was appealed against at the Supreme Administrative Court by Polkomtel, PIRC and Sferia in January 2018. The Group assesses the risk of the outcome that would be unfavorable for the Group as low.

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender is finalized. UKE President in its decisions of October 30, 2015 upheld the 3 decisions on reservation for P4 of the frequencies in the 1800 MHz spectrum. UKE President's decisions were appealed against at the lower administrative court by Polkomtel. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel's motion to withhold the enforceability of the decisions and requested the court to dismiss the motion. In three of the proceedings the court refused to withhold the enforceability of the three P4's decisions. In July 2016, we filed our answers to the Polkomtel's appeals against the reservation decisions and requested the court to dismiss the appeals in the whole. The Voivodship Administrative Court in judgments of August 25, 2016 and August 30, 2016 dismissed Polkomtel's complaints against three decisions. The judgements were appealed against at the Supreme Administrative Court by Polkomtel. The Group assesses the risk of the outcome that would be unfavorable for the Group 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. President of UOKiK filed a cassation against the judgment, the Supreme Court hasn't

decided on its admissibility yet. The Group assesses the risk of the unfavorable change of judgement of District Court in Warsaw as low.

In November 2015, Polkomtel, T-Mobile and Net sp. z o.o. applied to the UKE President for the annulment of the auction for the 800/2600 MHz frequency in its entirety, claiming the violation of procedures applicable to the allocation of frequencies. The motions to invalidate the auction tender initiated administrative proceeding before the UKE President. President of UKE in its decision of June 15, 2018 refused to invalidate the auction. The UKE President has not reviewed the case yet. It is difficult to assess the legal risk of the aforementioned motions at this stage.

In February 2016, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for reconsideration of the decision on reservation of 800/2600 MHz frequencies for P4. Polkomtel, T-Mobile and Net Net sp. z o.o. demand inter alia the cancelation of the decision on reservation of 800 MHz and relocation of the 800 MHz block of frequency. The motions initiate administrative procedures before the President of UKE. In June 2016, The UKE President issued new decisions on reservation of 800/2600 MHz frequencies and in case of P4 decided about the relocation of the 800 MHz block of frequency (P4 received the Block C instead of the Block D). The UKE President's decisions on reservation of 800/2600 MHz frequencies were appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel. T-Mobile also appealed against the decisions on reservation of 800 MHz with regard to Block C and E. The Voivodship Administrative Court in judgments of 30 January 2017 dismissed Polkomtel's and T-Mobile's complaints against the P4's decisions. The judgements were appealed against at the Supreme Administrative Court by Polkomtel and T-Mobile. It is difficult to assess the legal risk at this stage.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. The Group has recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are probable to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. For the total amount of provisions, including the provisions for pending legal cases, please see Note 17.

On June 14, 2015 P4 filed a statement of claim for PLN 315,697 thousand to be paid jointly and severally by Orange Polska S.A., Polkomtel sp. z o.o., T-Mobile Polska sp. z o.o. ("Discriminatory Pricing Dispute between Play and T-Mobile, Orange and Plus"). The said amount comprises of PLN 231,000 thousand of damages for an act of unfair competition consisting in the setting up excessive fees for voice connections with Play network (and other form of discrimination of such connections) for a period from July 1, 2009 to March 31, 2012 and capitalized interests. On July 2, 2018 P4 extended the claim demanding payment of additional PLN 313,572 thousand (PLN 258,000 thousand of damages and capitalized interests) for a consecutive period from April 1, 2012 to December 31, 2014. As the receipt of the above amounts is not certain, the Group did not recognize any income in relation to this claim.

On June 8, 2018 the Court of Appeal changed the verdict of the District Court and confirmed P4's approach in the case against Orange Polska S.A. for underpayments due to the undervaluation of P4 mobile termination rates in the period from August 2011 to December 2012. As a result in the six-month period ended June 30, 2018 Orange Polska S.A. paid to P4 the amount of underpayments (PLN 12,735 thousand) as well as interest for late payment (PLN 6,578 thousand).

### 36. Related party transactions

			<b>June 30, 2018</b>	<b>December 31,</b>
			<b>Unaudited</b>	<b>2017</b>
Trade and other receivables			819	8,743
Trade and other payables			17,500	35,176
	<b>Six-month period ended June 30, 2018 Unaudited</b>	<b>Six-month period ended June 30, 2017 Unaudited</b>	<b>Three-month period ended June 30, 2018 Unaudited</b>	<b>Three-month period ended June 30, 2017 Unaudited</b>
Operating revenue	672	-	399	-
Management fees	(122)	(34,295)	-	(26,975)
Other operating income	186	51	-	6
Recharge of operating and finance costs	-	2,519	-	(177)
Other operating costs	-	(34)	-	(77)
Interest income	-	36,871	-	28,556

The outstanding trade and other payables balance as at December 31, 2017 and as at June 30, 2018 results mainly from the fact that settlement of payables resulting from the IPO advisory services agreement was due in two instalments – the first was payable within 6 months from the IPO and the second is payable within 12 months from the IPO.

The trade receivable balance as at December 31, 2017 resulted primarily from certain commercial agreements with Folx S.A. (formerly Beta S.A.) and BeamUp Payments S.A. (formerly Pejer S.A.), portfolio companies which are beneficially owned by Olympia Development S.A. and Telco Holdings S. à r. l. The Group had entered into transactions of certain asset sales as well as a recharge of operating costs previously incurred by the Group to Folx S.A. and BeamUp Payments S.A. These receivables were settled during the six-month period ended June 30, 2018.

Interest income in the six-month period ended June 30, 2017 was earned on the notes issued by Impera Holdings S.A. (former indirect shareholder of the Company).

### 37. Remuneration of management and supervisory bodies

Cost of remuneration (including accrued bonuses and special bonuses) of members of Boards of Directors or Boards of Managers in Group entities incurred for the six-month period ended June 30, 2018 amounted to PLN 5,751 thousand (PLN 27,899 thousand for the six-month period ended June 30, 2017).

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. The Supervisory Board ceased to exist in June 2017.

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 18 of the Financial Statements as well as Note 19 of the Annual Financial Statements). The valuation of the programs resulted in cost in the amount of PLN 4,032 thousand for the six-month period ended June 30, 2018 and cost of PLN 223,860 thousand for the six-month period ended June 30, 2017. 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 Board of Directors of Play Communications S.A., Supervisory Board or the Management Board of P4, or supervisory or management bodies of any other entities within the Group.

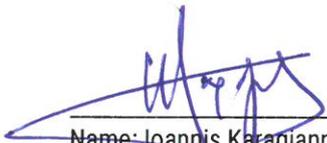
### 38. Events after the reporting period

Jørgen Bang-Jensen had decided to step down from his position as Chief Executive Officer of P4 sp. z o.o., a wholly owned subsidiary of the Company. Jean-Marc Harion succeeded Jørgen Bang-Jensen and commenced his role as the new Chief Executive Officer of P4 sp. z o.o. on 1 July 2018. Jean-Marc Harion participates in a new Performance Incentive Plan 2. The valuation of this program will be reflected in the financial statements for the nine-month period ended September 30, 2018.

Georgios Xirouchakis has submitted his resignation from the office of class B director of the Board of Directors of the Company effective as of July 25th, 2018. Tollerton Investment Limited proposed the nominee - Rouben Bourlas who was temporarily appointed by the remaining Board of Directors members until the next General Meeting of the Company, which shall resolve on his permanent appointment.

Play selected a second vendor, Ericsson Polska sp. z o.o. ("Ericsson"), to accelerate nationwide mobile network expansion in Poland. On July 24, 2018, P4 sp. z o.o. and Ericsson have entered into contracts for supply and maintenance of radio access network. Agreements are effective as of the date of signature.

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



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Name: Ioannis Karagiannis  
Title: Class B director



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Name: Bruce McInroy  
Title: Class C director