



**PLAY**

# **PLAY COMMUNICATIONS S.A.**

**REPORT ON THE ACTIVITY  
IN THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2019**

Play Communications S.A. and its subsidiaries  
13 May 2019

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# **PART I**

## **GENERAL INFORMATION**

**PLAY**

## 1. DEFINITIONS

Unless otherwise required by the context or explicitly stated, the following definitions shall apply throughout the document. Certain terms relating to Play and industry-specific terms are defined in the Glossary of Technical Terms attached hereto beginning on page 38.

"ATO Act" .....	Refers to the Act dated June 10, 2016 on Anti-terrorist Operations (Journal of Laws 2016, item 904), which came into force in Poland in July 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards.
"DNB Overdraft Facility" .....	Overdraft agreement between the Group and DNB Bank Polska Spółka Akcyjna in an aggregate principal amount of PLN 50 million.
"EC" .....	European Commission.
"EU" .....	European Union.
"euro," "EUR" or "€" .....	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
"Group," "we," "us," "our" or "ourselves" .....	Refers to the Company and its consolidated subsidiaries.
"IFRS" .....	International Financial Reporting Standards, as adopted by the EU.
"IFRS 15" .....	International Financial Reporting Standard 15 "Revenue from contracts with customers".
"IFRS 16" .....	International Financial Reporting Standard 16 "Leases".
"IPO" .....	Initial Public Offering of shares of the Play Communications S.A. on the Warsaw Stock Exchange
"Kenbourne Invest SA" .....	Kenbourne Invest SA, a Luxembourg société anonyme with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B227157, a successor entity of Telco Holdings S.à r.l after their merger effective October 8, 2018.
"mBank Overdraft Facility" .....	Overdraft agreement between the Group and mBank S.A. in an aggregate principal amount of PLN 50 million.
"Millennium Overdraft Facility" .....	Overdraft agreement between the Group and Millennium S.A. in an aggregate principal amount of PLN 50 million.
"MNP" .....	Mobile Number Portability, regulation allowing for swift change of mobile operator maintaining owned mobile number.
"Novator Partners LLP" .....	Novator Partners LLP, a private equity company with registered office in the United Kingdom, at 25 Park Lane, London, W1K 1RA.
"NPS" .....	Net Promoter Score, a measure of customer experience based on likelihood of recommending a particular brand to a friend or colleague.
"OTT TV" .....	Over-the-top television service which delivers content streamed over internet in an on-demand manner.
"PLN" or "złoty" .....	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 three-month period ended March 31, 2019"
"Revolving Credit Facility" .....	The PLN 400 million multi-currency revolving credit facility made available pursuant to the Senior Facilities Agreement.
"Santander Overdraft Facility" .....	Overdraft agreement between the Group and Santander Bank Polska S.A. (previously: Bank Zachodni WBK S.A.) in an aggregate principal amount of PLN 50 million.
"SEC" .....	The United States Securities and Exchange Commission.
"Senior Facilities Agreement" or "SFA" .....	Refers to Senior Facilities Agreement with syndication of banks entered into on March 7, 2017, and Amendment and Restatement Agreements installed afterwards.
"Telco Holdings S.à r.l." .....	Telco Holdings S.à r.l., a Luxembourg société à responsabilité limitée with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg, which was merged with Kenbourne Invest SA effective October 8, 2018..
"Tollerton Investments Limited" .....	Tollerton Investments Ltd is a private equity holding company established in 2006 with registered office in Cyprus, at Arch. Makariou III Av. & Nikolaou Gyzi str. 2, 3060 Limassol.
"U.S." or "United States" .....	United States of America.
"U.S. GAAP" .....	Generally accepted accounting principles in the United States.
"U.S. Securities Act" .....	The United States Securities Act of 1933, as amended.

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

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

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them, or make any representation or warranty as to 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, based on SIM card or eSIM, until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards and eSIM which are registered on our network and have not been disconnected.
<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, Play Internet postpaid, fixed line, Play NEXT and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM or eSIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a number of SIM or eSIM cards that have been issued pursuant to family calling plans.
<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, Play Internet postpaid, fixed line, Play NEXT and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM or eSIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for active contract subscribers <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. The key functionality of the techSIM card, from the Company's perspective, is to consolidate all family members SIM cards and support the billing structure. A TechSIM which is not used (within the last 90 calendar days) by a subscriber becomes inactive. TechSIMs not actively used for data transfer do not represent active contract subscribers.
<b>TV Box service</b>	We define TV Box service (commercially: Play Now TV) as a value added TV service for big screen users, which is network agnostic and can be subscribed to by our or third party subscriber. TV Box services are not accounted for in our subscriber base, they are reported separately as long as there is a standing contract for the service.
<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.
<b>contract gross additions</b>	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.
<b>prepaid gross additions</b>	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.
<b>churn</b>	<p>We define churn as the subscribers that we no longer recognize in our reported subscriber base and were disconnected in a given period.</p> <p>Contract subscribers are recognized as churned when they voluntarily applied to terminate their agreement with us (voluntary churn), where we disconnect them due to a lack of payment (collection churn) or due to certain other events such as the non-renewal of contracts by new subscribers who subscribed for services on a trial basis, or extraordinary events (such as the death of a subscriber).</p>



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

Migration of a subscriber:

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

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

#### **churn rate/churn (%)**

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

#### **migrations**

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

### **Terms related to service usage**

#### **4G LTE Ultra**

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

#### **ARPU ("average revenue per user")**

We define ARPU as service revenue recognized in accordance with IFRS 15 and divided by the average active subscriber base in a given period. ARPU is calculated on a monthly basis, therefore ARPU for over a one-month period (e.g., quarterly or annual) is calculated as the sum of service revenue divided by the number of months and further divided by the average active subscriber base for a given period.

In our definition of ARPU, service revenue includes usage revenue (i.e., monthly fees, payments above commitment, one-time payments for minutes, SMS or data bundles, etc.) and charges for incoming traffic (interconnection revenue). We do not take into account roaming services rendered to subscribers of other international networks and transit of traffic services. Unless otherwise stated, we calculate ARPU net of any VAT payable.

#### **data usage per subscriber**

We define data usage per subscriber as total billed data transfer from and to our mobile subscribers divided by the average subscriber base (with the average subscriber base for these purposes being the sum of active prepaid subscribers and contract subscribers) in a given period. Data usage per subscriber is calculated on a monthly basis, therefore data usage per subscriber for over a one-month period (e.g., quarterly or annual) is calculated as a sum of data transfer from and to our mobile subscribers over the period divided by the number of months and further divided by the average subscriber base for a given period.

#### **on-net and off-net traffic**

We define on-net traffic as a traffic originated and terminated within our network, while off-net traffic originates in our network and terminates in another operator's network.

### **Terms related to costs**

**subscriber acquisition costs**

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

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

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

**unit SAC**

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

**unit SAC cash**

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

**unit contract SAC**

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

**unit contract SAC cash**

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

**unit prepaid SAC**

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

**unit prepaid SAC cash**

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

**subscriber retention costs**

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

**unit SRC**

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

**unit SRC Cash**

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

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

## **2. INTRODUCTION**

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

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

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

As of March 31, 2019, 58.87% of the outstanding shares were controlled by shareholders Tollerton Investments Limited and Kenbourne Invest S.A., 5.34% by Nationale-Nederlanden Otwarty Fundusz Emerytalny and 5.02% by Investec Asset Management Ltd / Investec Asset Management (Pty) Ltd (acting in concert). The remaining 30.77% was owned by other shareholders. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

## **3. FORWARD-LOOKING STATEMENTS**

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

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

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

## 4. PRESENTATION OF FINANCIAL INFORMATION

### General

The consolidated financial information presented herein has been prepared in accordance with IFRS - as presented in the Company and its subsidiaries unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34 as at and for the three-month period ended March 31, 2019 (the “**Financial Statements**” or “**Interim Condensed Financial Statements**”) issued by the Group, included elsewhere in this Report.

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

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

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

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

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

### Non-IFRS Measures

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

Under our presentation:

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

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

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

- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Free cash flow to equity (post lease payments) do not reflect our future requirements, for capital expenditures or contractual commitments;

- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect changes in, or cash requirements for, our working capital needs;
- Free cash flow to equity (post lease payments) does not reflect future cash requirements for our working capital needs;
- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect the significant interest expense, income taxes, or the cash requirements necessary to service interest or principal payments, on our debts;
- Free cash flow to equity (post lease payments) does not reflect all past expenses and cash outflows as well as does not reflect the future cash requirements necessary to pay significant interest expense, income taxes, or the future cash requirements necessary to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect any cash requirements for such replacements;
- EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Free cash flow to equity (post lease payments) differently than we do, limiting its usefulness as a comparative measure.

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



## **PART II**

# **BUSINESS REPORT**

**PLAY**

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

### Interim Condensed Consolidated Statement of Comprehensive Income

	Three-Month Period Ended		Notes to the Financial Statements
	March 31, 2019	March 31, 2018	
	unaudited (PLN m)	unaudited (PLN m)	
<b>Operating revenue</b>	<b>1,685.9</b>	<b>1,637.3</b>	3
Service revenue	1,268.1	1,235.8	
Sales of goods and other revenue	417.8	401.4	
<b>Operating expenses</b>	<b>(1,306.4)</b>	<b>(1,309.7)</b>	
Interconnection, roaming and other services costs	(436.8)	(479.8)	4
Contract costs, net	(102.7)	(112.0)	5
Cost of goods sold	(327.8)	(318.9)	
General and administrative expenses	(223.1)	(210.4)	6
Depreciation and amortization	(216.0)	(188.5)	7
Other operating income	12.4	17.3	8
Other operating costs	(34.1)	(23.2)	8
<b>Operating profit</b>	<b>357.7</b>	<b>321.7</b>	
Finance income	0.2	1.3	9
Finance costs	(83.5)	(96.4)	9
<b>Profit before income tax</b>	<b>274.5</b>	<b>226.6</b>	
Income tax charge	(60.9)	(73.7)	10
<b>Net profit</b>	<b>213.6</b>	<b>152.9</b>	
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>1.2</b>	<b>(10.1)</b>	25
<b>Total comprehensive income</b>	<b>214.8</b>	<b>142.8</b>	
Earnings per share (in PLN) (basic)	0.84	0.60	11
Earnings per share (in PLN) (diluted)	0.84	0.60	11
Weighted average number of shares (in millions) (basic)	253.9	253.9	11
Weighted average number of shares (in millions) (diluted)	255.3	254.8	11

## Interim Condensed Consolidated Statement of Cash Flows

	Three-Month Period Ended		Notes to the Financial Statements
	March 31, 2019	March 31, 2018	
	unaudited (PLN m)	unaudited (PLN m)	
<b>Profit before income tax</b>	<b>274.5</b>	<b>226.6</b>	
Depreciation and amortization	216.0	188.5	
Change in contract costs	3.5	14.0	
Interest expense (net)	82.7	93.7	
Loss on finance instruments at fair value	-	0.2	
Foreign exchange losses	0.5	1.1	
Gain on disposal of non-current assets	(2.0)	(2.9)	
Impairment of non-current assets	0.5	0.7	
Change in provisions and liabilities or equity related to incentive and retention programs	2.7	1.7	
Changes in working capital and other	2.1	(61.4)	32
Change in contract assets	(15.2)	(25.2)	32
Change in contract liabilities	4.2	4.4	
<b>Cash provided by operating activities</b>	<b>569.4</b>	<b>441.5</b>	
Interest received	0.3	1.3	
Income tax paid	(36.3)	(29.6)	
<b>Net cash provided by operating activities</b>	<b>533.4</b>	<b>413.2</b>	
Proceeds from sale of non-current assets	1.6	4.4	
Purchase of fixed assets and intangibles and prepayments for assets under construction	(239.5)	(185.7)	
Purchase of frequency reservation acquisition	-	(1.5)	
<b>Net cash used in investing activities</b>	<b>(237.9)</b>	<b>(182.8)</b>	
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(315.0)	(321.3)	24
<b>Net cash used in financing activities</b>	<b>(315.0)</b>	<b>(321.3)</b>	
<b>Net change in cash and cash equivalents</b>	<b>(19.4)</b>	<b>(90.9)</b>	
Effect of exchange rate change on cash and cash equivalents	(0.0)	0.3	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>353.6</b>	<b>628.5</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>334.2</b>	<b>537.9</b>	31



## Interim Condensed Consolidated Statement of Financial Position

	March 31, 2019 unaudited (PLN m)	December 31, 2018 (PLN m)	Notes to the Financial Statements
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2,443.4	2,513.4	12
Property, plant and equipment	1,675.9	1,511.1	13
Right-of-use assets	879.1	868.1	14
Assets under construction	338.2	438.3	15
Contract costs	369.2	372.7	16
Other long-term receivables	14.5	14.4	17
<b>Total non-current assets</b>	<b>5,720.4</b>	<b>5,718.0</b>	
<b>Current assets</b>			
Inventories	185.6	169.5	18
Trade and other receivables	845.4	863.9	19
Contract assets	1,407.9	1,392.6	20
Current income tax receivables	0.1	0.7	
Prepaid expenses	20.2	22.2	21
Cash and cash equivalents	334.2	353.7	22
<b>Total current assets</b>	<b>2,793.4</b>	<b>2,802.5</b>	
<b>TOTAL ASSETS</b>	<b>8,513.7</b>	<b>8,520.5</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	0.1	0.1	23
Share premium	3,673.4	3,673.4	
Other reserves	33.4	29.5	27
Retained losses	(3,689.9)	(3,903.5)	
<b>Total equity</b>	<b>16.9</b>	<b>(200.5)</b>	
<b>Non-current liabilities</b>			
Long-term finance liabilities - debt	6,303.5	6,250.6	24
Other long-term finance liabilities	2.3	3.9	25
Long-term provisions	51.3	49.1	26
Deferred tax liability	142.5	130.5	10
Other non-current liabilities	10.0	9.8	
<b>Total non-current liabilities</b>	<b>6,509.7</b>	<b>6,443.7</b>	
<b>Current liabilities</b>			
Short-term finance liabilities - debt	519.8	755.8	24
Other short-term finance liabilities	9.0	8.7	25
Trade and other payables	982.9	1,027.8	28
Contract liabilities	97.4	93.1	
Current income tax payable	105.1	93.1	
Accruals	39.2	55.6	29
Short-term provisions	4.7	3.4	26
Deferred income	229.0	239.8	30
<b>Total current liabilities</b>	<b>1,987.2</b>	<b>2,277.4</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,513.7</b>	<b>8,520.5</b>	

## **2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF MARCH 31, 2019**

The following discussion and analysis of our financial condition and results of operations are based on the interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows as of and for the three-month period ended March 31, 2019, and March 31, 2018, which have been derived from the Financial Statements, which are reproduced elsewhere in this Report. See "Presentation of Financial Information" in this Report. This section should be read in conjunction with the above mentioned interim condensed consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the interim condensed consolidated financial statements is set forth in the Financial Statements – please see Note 2.7 to the Financial Statements, included elsewhere in this Report. In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

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

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

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

### **Overview**

We are a consumer-focused mobile network operator ("**MNO**") in Poland, providing also TV and VoD offerings, with 15.0+ million subscribers as of March 31, 2019 with which we reconfirmed our #1 position among mobile operators in Poland. In Q1 2019, we have added 51 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 three-month period ended March 31, 2019. During the three-month period ended March 31, 2019, we generated total revenues of PLN 1,685.9 million and an increase of 3.0% year on year with strong contribution from growth in usage revenue, while our Adjusted EBITDA for the three-month period ended March 31, 2019, amounted to PLN 576.4, an increase of 11.2% year on year mainly thanks to reduced international and national roaming costs as well as lower acquisition costs, partially offset by higher network maintenance as well as advertising and promotion costs.

We provide mobile voice, messaging, TV and video streaming and data offerings and services to consumers and businesses (in particular to small office/home office subscribers ("**SOHO**") and small/medium enterprises ("**SME**") on a contract and prepaid basis). We provide TV offerings to our clients. The package includes wide range of channels (inter alia: sport, lifestyle, news, music, history, and some kids channels) as well as VoD offerings. Mobile TV service was launched in 2016 with its basic version included in mobile subscription. In 2018 we have developed and started tests of TV Box service, which is network agnostic DTH, online TV streaming and VoD offer for use with big screen. Our principal focus is at contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of March 31, 2019, contract subscribers accounted for 66.0% of our reported subscriber base (a ratio that is in line with the Polish telecommunications market) and 79.5% of our usage revenues for the three-month period ended March 31, 2019. In the three-month period ended March 31, 2019 we successfully launched of new Play Internet family offers for contract segment, which facilitate use of our 5G-Ready network where available. Also, we continued Friendly User Tests of TV Box – network agnostic service for big screen.

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

promoter score (a ratio measuring the willingness of subscribers to recommend their current provider) of the four major Polish MNOs. According to research performed by an external agency in the first quarter of 2019, the net promoter score for "PLAY" was 18<sup>1</sup>. The net promoter score improved in Q1'19 versus Q1'18 (when it was 17).

We market our offerings and services primarily through our nationwide distribution network of 784 "PLAY" branded stores, a significant number of which are situated in prime locations across Poland. We exercise significant control over the network, enabling us to deliver a uniform look and feel designed to promote brand recognition and what we believe is a best-in-class retail experience in a cost-efficient manner. We optimize number of points of sale by the least profitable, at the same time focusing on the most profitable locations.

Our growth has been supported by a favorable domestic regulatory framework and industry dynamics, as well as our extensive, modern and cost-efficient 2G/3G/4G LTE 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 98.4% of the Polish population as of March 31, 2019, and we extend our available network to 99% of the population through national roaming agreements with the other three major Polish MNOs. In November 2013, we were the second major MNO in Poland to launch its 4G LTE network, and as of March 31, 2019, we provided 4G LTE and 4G LTE Ultra coverage, to 97.4% and 87.2% of the Polish population, respectively (compared to 93.8% and 82.6% as of March 31, 2018).

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

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

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<sup>1</sup> Calculated as average for months January – March 2019

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.

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

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

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

#### **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:

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
<b>Foreign exchange rates</b>		
Zloty per euro (EOP) <sup>(1)</sup> .....	4.3013	4.2085
Zloty per euro (average in period) <sup>(2)</sup> .....	4.3032	4.1811

(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;

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

- fees for international interconnection agreements;
- portions of leases for land on which our telecommunications network is installed;
- office lease agreements and certain stores lease agreements.

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

### ***Competition***

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with Play, as of March 31, 2019, held above 98% of the reported subscriber market share. As of March 31, 2019 our total number of reported mobile subscribers amounted to 15.0+ million.

We believe the Polish mobile telecommunications market is balanced in terms of the relative market share of the largest four MNOs, and the relatively similar manner in which they operate, providing a supportive environment for the four major Polish MNOs (Plus, Orange and T-Mobile and us) to co-exist. Owing to the growth of the market and the successful implementation of our controlled growth strategy that did not target any specific competitor, we have been able to grow our subscriber base through market share gained from competitors roughly equally, while our three main competitors were securing their revenues by protecting ARPU levels rather than trying to maximize market share which would lead to price instability. We believe that our revenues and profitability will be supported by our strong focus on value and improvement of our quality mix of subscribers by attracting more contract subscribers), the up-selling of services, TV, VOD and music platform, increased coverage of the 4G LTE network, including 4G LTE ULTRA mobile broadband 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 March 31, 2019, while MVNOs and other operators represented together between 1% - 2%. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players.

### ***Investment in our network***

Investment in our network has been an important component of our strategy. In 2016, the Group has taken the decision to reduce reliance on national roaming in the coming years by deploying a nationwide network. We are currently executing a strategy of a further nationwide roll-out of our own network, which aims to extend our network to rural areas currently covered by our national roaming agreements. Even though we believe that the existing network (including national roaming) currently more than sufficiently covers the traffic needs of our customers, we are currently executing a strategy of a further nationwide roll-out of our own network. It aims to extend our network to areas currently covered by our national roaming agreements. As a result, since 2017 we have additional costs driven by continued national roaming agreements and incremental costs of own network maintenance and operation.

In addition to our nationwide roll-out strategy we have in place national roaming/network sharing agreements. Through our own network, we provide coverage to 98.4% of the Polish population as of March 31, 2019, while we also provide 2G/3G/4G LTE coverage under national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile which extends our available network to 99% of the population and provides our subscribers with unmatched network coverage with access to all four major mobile networks in Poland. This allows us to use three back-up networks available while we are expanding our own network. In Q1'19 we continued our nationwide network rollout, putting on air 121 sites over last three months and achieving in total 7,124 sites.

Following the acquisition of 1800 MHz technology neutral frequency license in June 2013, we launched a roll-out of our 4G LTE network utilizing the 1800 MHz frequency. We believe we will have sufficient capacity to service our expected subscriber base in the medium term, and our reduced capital expenditures required for further upgrades and new sites following the

completion of certain ongoing network investments will further support growth in our free cash flow generation in the medium term, although any new frequency reservations we acquire could require significant capital outlays and additional investments in our networks.

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

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

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

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

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

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

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

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

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

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

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

### *Reported and active subscriber base and TV Box services*

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

The following table presents our subscriber base breakdown by the number of contract and prepaid subscribers, as well as separately TV Box services (mobile TV is not reported separately as being sold in mobile bundle):

	Three-month period ended		Change
	March 31, 2019	March 31, 2018	
<b>Reported subscribers (thousands)</b>	<b>15,032.3</b>	<b>15,175.6</b>	<b>(0.9%)</b>
Contract	9,917.3	9,589.9	3.4%
Prepaid	5,115.0	5,585.7	(8.4%)
<b>Reported TV Box services (thousands)</b>	<b>7.0</b>	<b>-</b>	<b>n.a.</b>
<b>Active subscribers (thousands)</b>	<b>12,666.1</b>	<b>12,386.7</b>	<b>2.3%</b>
Contract	9,052.9	8,735.3	3.6%
Prepaid	3,613.2	3,651.5	(1.0%)
<b>Active TV Box services (thousands)</b>	<b>7.0</b>	<b>-</b>	<b>n.a.</b>

As of March 31, 2019, the total number of our reported subscriber base was approximately 15.0+ million, of which 66.0% were contract subscribers. Over the last years we have successfully gained subscriber market share by continuously focusing on our “value-for-money” positioning by effectively promoting our brand and by maintaining what we believe is a best-in-class distribution network. Our contract subscriber base increased from 9.6 million as of March 31, 2018, to 9.9 million as of March 31, 2019. This increased the share of contract subscribers as a proportion of our total reported subscriber base from 63.2% as of March 31, 2018, to 66.0% as of March 31, 2019.

As of March 31, 2019, the total number of our active subscriber base was approximately 12.7 million, of which 71.5% were contract subscribers. The number of active contract subscribers increased from 8.7 million as of March 31, 2018 to 9.1 million as of March 31, 2019. This change is in line with our strategy to increase the number of contract subscribers, who generate higher ARPU on average compared to prepaid subscribers and provide greater revenue security through fixed-term contracts.

Our prepaid reported base decreased by 8.4% YoY basis, from 5.6 million as of March 31, 2018, to 5.1 million as of March 31, 2019. The prepaid active base trend was also slightly negative, it dropped from 3.65 million as of March 31, 2018 to 3.61 million as of March 31, 2019. The change results from our strong focus on contract base and some migrations from prepaid to postpaid base.

### *Net additions and Churn*

For the three months ended March 31, 2019, contract net additions were 51 thousand, representing a decrease of 68.0% relative to the comparable period in 2018.

In the three months ended March 31, 2019, we continued adding new subscribers. We believe that 51 thousand PLN of contract net additions was driven by the “duo”, “family” and “generations” plans and offers whereby groups of two up to ten individuals can enjoy discounts on mobile voice and data services as well as other benefits. These offerings have been successful since their introduction. Additionally, since the Act on Anti-terrorist Operations has been implemented in early 2017, we were experiencing the partial shift of net additions from prepaid to contract in 2018. Now, once majority of migration is done, for the three months ended March 31, 2019, prepaid net additions were negative 34.5 thousand versus negative 203.7 thousand net additions in Q1’18.

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

	Three-month period ended		Change
	March 31, 2019	March 31, 2018	
<b>Net additions (thousands)</b>	<b>16.6</b>	<b>(44.2)</b>	<b>na</b>
Contract	51.1	159.5	(68.0%)
Prepaid	(34.5)	(203.7)	83.1%
<b>Net additions in TV Box services (thousands)</b>	<b>7.0</b>	<b>-</b>	<b>n.a.</b>
<b>Churn (%)<sup>(1)</sup></b>	<b>1.8%</b>	<b>2.1%</b>	<b>(0.4) pp</b>
Contract	0.8%	0.8%	0.0 pp
Prepaid	3.7%	4.5%	(0.7) pp

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

Average monthly contract churn rate has remained stable at the level of 0.8% in the three-month period ended March 31, 2019 versus comparable period ended March 31, 2018. Due to the nature of prepaid offerings, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

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

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

In the three-month period ended March 31, 2019, our ARPU was PLN 31.8, stable relative to the comparable period in 2018. Contract ARPU for the three-month period ended March 31, 2019, amounted to PLN 37.1, a decrease of 1.0% compared to the same period in 2018, while prepaid ARPU for the three-month period ended March 31, 2019, amounted to PLN 18.6, an increase of 0.4% compared to the same period in 2018. Blended ARPU is stable on YoY basis. Growth in prepaid ARPU resulted mainly from increase in voice and data usage. The slight decrease of contract ARPU was predominantly an effect of growing number of customers using family, duo and generations offers which were introduced in Q2 2014, Q2 2016 and Q3 2018 respectively. Thanks to selling these packages the number of subscribers increased, however, these tariffs were sold with a discount for bundling.

The following table presents ARPU during the periods under review:

	Three-month period ended		Change
	March 31, 2019	March 31, 2018	
<b>ARPU (PLN)<sup>(1)</sup></b>	<b>31.8</b>	<b>31.8</b>	<b>0.0%</b>
Contract	37.1	37.5	(1.0%)
Prepaid	18.6	18.5	0.4%

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



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

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

#### *Data traffic*

Overall data usage per subscriber increased from 5,059.5 MB monthly in the three-month period ended March 31, 2018, to 6,223.7 MB in the three-month period ended March 31, 2019, representing a growth of 23.0%. This growth can be observed for prepaid as well as contract subscribers, and as a result of the increased adoption of 4G LTE smartphones and other devices and enriching our TV and VoD offerings.

The following table presents a breakdown of data transmission usage:

	Three-month period ended		Change
	March 31, 2019	March 31, 2018	
<b>Data usage per subscriber (MB)<sup>(1)</sup></b>	<b>6,224.9</b>	<b>5,059.5</b>	<b>23.0%</b>
Contract	7,351.1	6,122.9	20.1%
Prepaid	3,413.6	2,560.4	33.3%

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

#### *Unit SAC cash and unit SRC cash*

We present unit SAC cash and unit SRC cash as metrics for the operating analysis of cash impact of acquisition and retention, as the most meaningful performance indicator versus unit SAC and unit SRC that have been prepared before IFRS 15 adoption (distorted by instalment sales impact) or unit SAC and unit SRC that would be prepared using data after IFRS 15 adjustment, which would not present clearly the relevant level of subsidies, sales / retention commissions or other costs related to acquisition and retention activities of the Group. In the three month period ended March 31, 2019, our unit contract SAC cash amounted to PLN 327.3, a decrease of 4.4% compared to the three month period ended March 31, 2018. In the three-month period ended March 31, 2019, our unit prepaid SAC cash amounted to PLN 6.2, which represents 12.1% decrease versus comparable period in 2018.

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

	Three-month period ended		Change
	March 31, 2019	March 31, 2018	
<b>unit SAC cash (PLN)</b>			
Contract	327.3	342.4	(4.4%)
Prepaid	6.2	7.1	(12.1%)
<b>unit SRC cash (PLN)</b>	<b>332.5</b>	<b>307.6</b>	<b>8.1%</b>
<b>unit SAC (PLN)</b>			
Contract	314.6	319.3	(1.5%)
Prepaid	6.2	7.1	(12.1%)
<b>unit SRC (PLN)</b>	<b>330.3</b>	<b>304.9</b>	<b>8.3%</b>

**Results of Operations: Comparison of the three-month period ended March 31, 2019 and the three-month period ended March 31, 2018.**

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
<b>Operating revenue</b>	<b>1,685.9</b>	<b>1,637.3</b>	<b>48.6</b>	<b>3.0</b>
Service revenue	1,268.1	1,235.8	32.3	2.6
Sales of goods and other revenue	417.8	401.4	16.3	4.1
<b>Operating expenses</b>	<b>(1,306.4)</b>	<b>(1,309.7)</b>	<b>3.3</b>	<b>(0.2)</b>
Interconnection, roaming and other services costs	(436.8)	(479.8)	43.0	(9.0)
Contract costs, net	(102.7)	(112.0)	9.3	(8.3)
Cost of goods sold	(327.8)	(318.9)	(8.9)	2.8
General and administrative expenses	(223.1)	(210.4)	(12.7)	6.0
Depreciation and amortization	(216.0)	(188.5)	(27.5)	14.6
Other operating income	12.4	17.3	(4.9)	(28.4)
Other operating costs	(34.1)	(23.2)	(11.0)	47.3
<b>Operating profit</b>	<b>357.7</b>	<b>321.7</b>	<b>36.0</b>	<b>11.2</b>
Finance income	0.2	1.3	(1.0)	(80.4)
Finance costs	(83.5)	(96.4)	12.9	(13.4)
<b>Profit before income tax</b>	<b>274.5</b>	<b>226.6</b>	<b>47.9</b>	<b>21.1</b>
Income tax charge	(60.9)	(73.7)	12.8	(17.3)
<b>Net profit</b>	<b>213.6</b>	<b>152.9</b>	<b>60.7</b>	<b>39.7</b>
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>1.2</b>	<b>(10.1)</b>	<b>11.3</b>	<b>(112.2)</b>
<b>Total comprehensive income</b>	<b>214.8</b>	<b>142.8</b>	<b>72.0</b>	<b>50.4</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.

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
<b>Service revenue</b>	<b>1,268.1</b>	<b>1,235.8</b>	<b>32.3</b>	<b>2.6</b>
Usage revenue	948.1	915.3	32.8	3.6
Retail contract revenue	754.1	724.8	29.3	4.0
Retail prepaid revenue	150.5	148.2	2.4	1.6
Other usage revenue	43.5	42.3	1.2	2.7
Interconnection revenue	320.1	320.6	(0.5)	(0.2)
<b>Sales of goods and other revenue</b>	<b>417.8</b>	<b>401.4</b>	<b>16.3</b>	<b>4.1</b>
<b>Operating revenue</b>	<b>1,685.9</b>	<b>1,637.3</b>	<b>48.6</b>	<b>3.0</b>

### ***Usage revenue***

Revenues related to contract subscribers consist of subscription fees, charges for recurring voice and non-voice services (e.g. Value Added Services - "VAS", mobile TV, TV Box service) rendered by us to our contract subscribers and fees resulting from usage of the international roaming. The increase in revenue from retail contract usage was primarily due to growth in the reported contract subscriber base of 0.3 million, or 3.3%, from March 31, 2018, to March 31, 2019, due to the continued success of our subscriber acquisition and retention strategy and constant migration of customers from prepaid to contract offers.

The increase in revenue from prepaid usage was primarily due to increase in ARPU, partly offset by decrease in the reported prepaid subscriber base of 0.5 million, or 8.4%, from March 31, 2018, to March 31, 2019, due to constant migration of customers from prepaid to contract offers.

The increase in other usage revenue in the three-month period ended March 31, 2019 resulted mainly from the increase in revenue from the agreements with *MVNO* and other wholesale partners.

### ***Interconnection revenue***

The interconnection revenue remained stable in the analyzed periods.

### ***Sales of goods and other revenue***

Revenue from sales of goods increased in the three-month period ended March 31, 2019 mainly due to the higher sales of devices without contract, incl. wholesale transactions.

## Operating expenses

### Interconnection, roaming and other services costs

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
Interconnection costs	(330.4)	(332.8)	2.3	(0.7)
National roaming/network sharing	(44.5)	(64.2)	19.7	(30.7)
Other services costs	(61.9)	(82.9)	21.0	(25.3)
<b>Interconnection, roaming and other services costs</b>	<b>(436.8)</b>	<b>(479.8)</b>	<b>43.0</b>	<b>(9.0)</b>

Interconnection, roaming and other services costs decreased mainly due to decrease of other services costs.

Other service costs are mainly impacted by new international roaming regulations (RLAH) introduced since June 15, 2017 (see section 6 of the Annual Report). The decrease of international roaming costs in the three-month period ended March 31, 2019 in comparison to the three-month period ended March 31, 2018, was primarily caused by introduction of sustainability measures as a response to RLAH and better pricing from roaming partners.

The interconnection costs remained stable.

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

### Contract costs, net

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
Contract costs incurred	(99.2)	(98.0)	(1.2)	1.2
Contract costs capitalized	92.7	88.1	4.6	5.2
Amortization and impairment of contract costs	(96.1)	(102.0)	5.9	(5.8)
<b>Contract costs, net</b>	<b>(102.7)</b>	<b>(112.0)</b>	<b>9.3</b>	<b>(8.3)</b>

Contract costs remained stable in the period under review.

## Cost of goods sold

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
Cost of goods sold	(327.8)	(318.9)	(8.9)	2.8
Sales of goods margin (%)	21.5%	20.6%	1.0 pp	4.8

In the three-month period ended March 31, 2019 cost of goods sold increased in comparison to the three-month period ended March 31, 2018 in line with the increase of sales of goods.

## General and administrative expenses

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
Salaries and social security	(66.0)	(61.6)	(4.4)	7.2
Special bonuses, incentive and retention programs	(2.6)	(6.0)	3.4	(56.2)
<b>Employee benefits</b>	<b>(68.6)</b>	<b>(67.6)</b>	<b>(1.1)</b>	<b>1.6</b>
Network maintenance, leased lines and energy	(40.9)	(34.1)	(6.8)	19.9
Advertising and promotion expenses	(44.5)	(36.1)	(8.3)	23.1
Customer relations costs	(14.5)	(15.3)	0.9	(5.6)
Office and points of sale maintenance	(5.1)	(4.1)	(1.1)	26.0
IT expenses	(9.9)	(7.9)	(1.9)	24.6
People related costs	(3.4)	(4.6)	1.3	(27.1)
Finance and legal services	(2.8)	(2.9)	0.1	(2.1)
Management fees	-	(0.1)	0.1	(100.0)
Other external services	(11.5)	(15.8)	4.3	(27.3)
<b>External services</b>	<b>(132.4)</b>	<b>(120.9)</b>	<b>(11.5)</b>	<b>9.5</b>
<b>Taxes and fees</b>	<b>(22.1)</b>	<b>(22.0)</b>	<b>(0.1)</b>	<b>0.5</b>
<b>General and administrative expenses</b>	<b>(223.1)</b>	<b>(210.4)</b>	<b>(12.7)</b>	<b>6.0</b>

### Salaries and social security

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

### Network maintenance, leased lines and energy

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

### Taxes and fees

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

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

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
Other operating income	12.4	17.3	(4.9)	(28.4)
Other operating costs	(34.1)	(23.2)	(11.0)	47.3

Other operating costs increased mainly due to the loss on receivables management in the three-month period ended March 31, 2019 compared to gain in the three-month period ended March 31, 2018. When calculating the provision for impairment of receivables the Group takes into account the price it expects to be able to recover in future from sales of receivables. Due to unfavorable change in market conditions for receivables sales the expected recovery ratio decreased in current period and therefore the impairment provision for expected credit losses increased in the three-month period ended March 31, 2019 in comparison to the three-month period ended March 31, 2018.

The movements of the provision for impairment of contract assets were stable when comparing the analyzed periods. In current and in comparative periods there were no significant changes in the time frame of recognition and value of contract assets and therefore also the provision of impairment remained on a comparable level.

## Finance Income and Costs

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
Interest income	0.2	1.1	(0.8)	(77.1)
Interest expense	(83.0)	(94.8)	11.8	(12.5)
Exchange rate losses	(0.5)	(1.4)	0.9	(65.3)
Net gain on finance instruments at fair value	0.0	0.0	(0.0)	(90.0)
<b>Finance income and costs</b>	<b>(83.2)</b>	<b>(95.1)</b>	<b>11.9</b>	<b>(12.5)</b>

### Interest expense

Lower interest expense in the three-month period ended March 31, 2019, compared to the three-month period ended March 31, 2018, resulted mainly from the lower nominal value of the SFA following the scheduled and voluntary repayments.

## Liquidity and Capital Resources

### Liquidity

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

- (i) PLN 50 million available for drawing under Santander (Bank Zachodni WBK) Overdraft Facility until May 31, 2019
- (ii) PLN 50 million available for drawing under Millennium Overdraft Facility until November 12, 2019
- (iii) PLN 50 million available for drawing under mBank Overdraft Facility until April 16, 2020
- (iv) PLN 50 million available for drawing under DNB Overdraft Facility until September 06, 2019

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

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



## Cash flows

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

	Three-month period ended		Change PLN m	Change %
	March 31, 2019	March 31, 2018		
	Unaudited (PLN m)	Unaudited (PLN m)		
<b>Profit before income tax</b>	<b>274.5</b>	<b>226.6</b>	<b>47.9</b>	<b>21.1</b>
Depreciation and amortization	216.0	188.5	27.5	14.6
Change in contract costs	3.5	14.0	(10.5)	(75.2)
Interest expense (net)	82.7	93.7	(11.0)	(11.8)
Loss on finance instruments at fair value	-	0.2	(0.2)	(100.0)
Foreign exchange losses	0.5	1.1	(0.6)	(54.9)
Gain on disposal of non-current assets	(2.0)	(2.9)	0.8	(28.4)
Impairment of non-current assets	0.5	0.7	(0.2)	(33.9)
Change in provisions and liabilities or equity related to incentive and retention programs	2.7	1.7	0.9	52.3
Changes in working capital and other	2.1	(61.4)	63.5	(103.4)
Change in contract assets	(15.2)	(25.2)	9.9	(39.5)
Change in contract liabilities	4.2	4.4	(0.1)	(2.8)
<b>Cash provided by operating activities</b>	<b>569.4</b>	<b>441.5</b>	<b>127.8</b>	<b>29.0</b>
Interest received	0.3	1.3	(0.9)	(73.4)
Income tax paid	(36.3)	(29.6)	(6.6)	22.4
<b>Net cash provided by operating activities</b>	<b>533.4</b>	<b>413.2</b>	<b>120.3</b>	<b>29.1</b>
Proceeds from sale of non-current assets	1.6	4.4	(2.8)	(62.6)
Purchase of fixed assets and intangibles and prepayments for assets under construction	(239.5)	(185.7)	(53.8)	28.9
Purchase of frequency reservation acquisition	-	(1.5)	1.5	(100.0)
<b>Net cash used in investing activities</b>	<b>(237.9)</b>	<b>(182.8)</b>	<b>(55.0)</b>	<b>30.1</b>
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(315.0)	(321.3)	6.3	(2.0)
<b>Net cash used in financing activities</b>	<b>(315.0)</b>	<b>(321.3)</b>	<b>6.3</b>	<b>(2.0)</b>
<b>Net change in cash and cash equivalents</b>	<b>(19.4)</b>	<b>(90.9)</b>	<b>71.5</b>	<b>(78.7)</b>
Effect of exchange rate change on cash and cash equivalents	(0.0)	0.3	(0.3)	(106.7)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>353.6</b>	<b>628.5</b>	<b>(274.9)</b>	<b>(43.7)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>334.2</b>	<b>537.9</b>	<b>(203.7)</b>	<b>(37.9)</b>

### *Net cash provided by operating activities*

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

The working capital change was primarily driven by the lower increase of inventories in the three-month period ended March 31, 2019 compared to the three-month period ended March 31, 2018.

The increase of income tax paid for the three-month period ended March 31, 2019 in comparison to the three-month period ended March 31, 2018, resulted from an increase in tax advances paid by P4 Sp. z o.o. Income tax for the fiscal year 2018 was paid by P4 Sp. z o.o. on April 1, 2019 in accordance with the fiscal deadlines, therefore it is not included in the figures above. The total income taxes to be paid in 2019 are expected to be higher compared to 2018.

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

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

### *Net cash used in financing activities*

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

### **Other Operating and Financial Information**

	<b>Three-Month Period Ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>unaudited</b>	<b>unaudited</b>
	<b>(PLN m, except %)</b>	<b>(PLN m, except %)</b>
Adjusted EBITDA <sup>(1)</sup>	576.4	518.4
Adjusted EBITDA margin <sup>(1)</sup>	34.2%	31.7%
Total cash capital expenditures <sup>(2)</sup>	237.9	182.8
of which cash outflows in relation to frequency reservation acquisition	-	1.5
Adjusted EBITDA less total cash capital expenditures (excl. cash outflows in relation to frequency reservation acquisition)	338.6	337.1
Free cash flow to equity (post lease payments) <sup>(1)(3)</sup>	180.5	117.0

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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 reconciliation".
- (2) "Total cash capital expenditures" means cash outflows for purchases of fixed assets and intangibles and prepayments for assets under construction, less proceeds from the sale of non-current assets in each period. The increase in cash capital expenditures for three-month period ended March 31, 2019, as compared to the same period of 2018 is a result of payments overflow from the end of 2018 as well as higher current investment activity.
- (3) For a reconciliation of Free cash flow to equity (post lease payments) to Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) see "Consolidated Financial and Other Information—Free cash flow to equity (post lease payments) scheme."

## EBITDA and Adjusted EBITDA reconciliation

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

	Three-Month Period Ended	
	March 31, 2019	March 31, 2018
	unaudited (PLN m)	unaudited (PLN m)
<b>Operating profit</b>	<b>357.7</b>	<b>321.7</b>
Add depreciation and amortization	216.0	188.5
<b>EBITDA</b>	<b>573.7</b>	<b>510.2</b>
Add management fees	-	0.1
Add valuation of incentive and retention programs and special bonuses <sup>(a)</sup>	2.6	6.0
Add other non-recurring costs/(income) <sup>(b)</sup>	0.1	2.0
<b>Adjusted EBITDA</b>	<b>576.4</b>	<b>518.4</b>

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(a) We estimate the value of our management and employee incentive and retention programs based on the triggers affecting the programs and the value of additional shares which may be required to be awarded to beneficiaries under equity-settled programs. The respective charge/benefit is added back to our Adjusted EBITDA; for more information see Note 27 of the Interim Condensed Financial Statements included elsewhere in this Report as well as Note 29 of the Annual Financial Statements.

(b) Other non-recurring income for the three-month period ended March 31, 2019 resulted from non-recurring costs out of the scope of our usual business. Other one-off costs for the three-month period ended March 31, 2018 mainly comprised of cost of non-deductible VAT of PLN 1.5 million relating to the management fees incurred in connection with the IPO.

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

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

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

	Three-Month Period Ended	
	March 31, 2019	March 31, 2018
	unaudited (PLN m)	unaudited (PLN m)
Adjusted EBITDA	576.4	518.4
Total cash capital expenditures <sup>(1)</sup>	(237.9)	(181.3)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	(5.4)	(68.2)
Cash interest <sup>(2)</sup>	(66.1)	(71.3)
Income tax paid	(36.3)	(29.6)
Lease payments	(50.2)	(51.0)
<b>Free cash flow to equity (post lease payments)</b>	<b>180.5</b>	<b>117.0</b>

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

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

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

### Capitalization

Voluntary prepayment of Senior Facilities and increase in adjusted EBITDA drive lower leverage, evolving as expected towards mid-term target below 3x.

As of March 31, 2019 - unaudited	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>
Senior Facilities <sup>(2)</sup>	5,880.1	2.65x
Leases	998.2	0.45x
Other debt	24.6	0.01x
<b>Total debt</b>	<b>6,902.8</b>	<b>3.11x</b>
Cash and cash equivalents	334.2	0.15x
<b>Net debt</b>	<b>6,568.6</b>	<b>2.96x</b>

As of December 31, 2018	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>
Senior Facilities <sup>(2)</sup>	6,052.1	2.80x
Leases	985.2	0.46x
Other debt	29.6	0.01x
<b>Total debt</b>	<b>7,066.9</b>	<b>3.27x</b>
Cash and cash equivalents	353.7	0.16x
<b>Net debt</b>	<b>6,713.2</b>	<b>3.11x</b>

(1) LTM Adjusted EBITDA amounted to PLN 2,217.4 million as of March 31, 2019, and PLN 2,159.4 million as of December 31, 2018. For the purpose of this Report, we define LTM Adjusted EBITDA as the sum of Adjusted EBITDA for the last four quarters preceding the reporting date.

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

### 3. OUTLOOK FOR THE GROUP IN 2019

For the year 2019, the Company expects:

	<b>FY 2019 Guidance</b>	<b>Comments</b>
<b>Revenue</b>	<b>Growth below 2018 result</b>	Service revenue growth, partly offset by softer handset sales
<b>Adjusted EBITDA</b>	<b>PLN 2.2-2.3bn</b>	Driven by growing Service margin, partly offset by higher opex (network, new services)
<b>Cash capex</b>	<b>Up to PLN 800m</b>	Network capex rebalanced from radio to core, increase from digitalisation and CPE capitalization
<b>FCFE</b>	<b>PLN 670-750m</b>	Impacted YoY by increased cash capex and significantly higher cash taxes
<b>Distribution to Shareholders</b>	<b>40-50% of FCFE</b>	Intention as per 2019-2022 ambition <sup>3</sup>

Business trends in Q1 2019 indicate possibility to achieve higher end of Adjusted EBITDA guidance range.

<sup>3</sup> Assuming that no spectrum auction takes place.



## **PART III**

# **A GLOSSARY OF TECHNICAL TERMS**

**PLAY**

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

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

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



## **PART IV**

# **FINANCIAL STATEMENTS**

**PLAY**

## RESPONSIBILITY STATEMENT

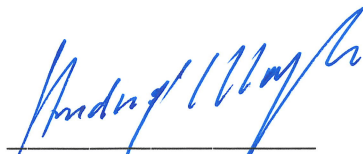
Play Communications S.A.  
*Société anonyme*  
4/6, rue du Fort Bourbon, L-1249 Luxembourg  
Grand Duchy of Luxembourg  
R.C.S. Luxembourg: B 183.803  
(the **Company**)

May 13, 2019

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

- the interim condensed consolidated financial statements of the Company and its subsidiaries prepared in accordance with IAS 34 as at and for the three-month period ended March 31, 2019 give a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole; and
- the director's report on the activity of the Company and its subsidiaries in the three-month period ended March 31, 2019 provides a fair view of the important events of the past three-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

  
Ioannis Karagiannis  
Director  
Andrzej Klesyk  
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 31 March 2019 and the related interim condensed consolidated statement of financial position as at 31 March 2019, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the three-month period then ended and other explanatory notes ('the interim condensed consolidated financial statements').

*Responsibilities of the Group's Management for the financial statements*

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

*Auditor's responsibilities*

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

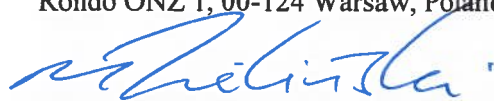
A review of the interim condensed consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement, primarily consisting of performing procedures by making inquiries of the Management and others within the Group, as appropriate, applying analytical procedures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

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2019, and its financial performance and cash flows for the three-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

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



Marcin Zieliński  
Partner

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

Warsaw, 13 May 2019



**PLAY**

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS PREPARED  
IN ACCORDANCE WITH IAS 34  
AS AT AND FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH, 2019**

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## Interim condensed consolidated statement of comprehensive income

	Notes	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
		Unaudited	Unaudited
<b>Operating revenue</b>	3	<b>1,685,869</b>	<b>1,637,291</b>
Service revenue		1,268,119	1,235,845
Sales of goods and other revenue		417,750	401,446
<b>Operating expenses</b>		<b>(1,306,403)</b>	<b>(1,309,655)</b>
Interconnection, roaming and other services costs	4	(436,800)	(479,785)
Contract costs, net	5	(102,666)	(111,986)
Cost of goods sold		(327,794)	(318,925)
General and administrative expenses	6	(223,147)	(210,438)
Depreciation and amortization	7	(215,996)	(188,521)
Other operating income	8	12,362	17,261
Other operating costs	8	(34,124)	(23,171)
<i>thereof: impairment of financial assets</i>	8	<i>(41,804)</i>	<i>(17,989)</i>
<b>Operating profit</b>		<b>357,704</b>	<b>321,726</b>
Finance income	9	245	1,253
Finance costs	9	(83,453)	(96,391)
<b>Profit before income tax</b>		<b>274,496</b>	<b>226,588</b>
Income tax charge	10	(60,852)	(73,680)
<b>Net profit</b>		<b>213,644</b>	<b>152,908</b>
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income		1,226	(10,090)
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	25	<b>1,226</b>	<b>(10,090)</b>
<b>Total comprehensive income</b>		<b>214,870</b>	<b>142,818</b>
Earnings per share (in PLN) (basic)	11	0.84	0.60
Earnings per share (in PLN) (diluted)	11	0.84	0.60
Weighted average number of shares (in thousands) (basic)	11	253,913	253,913
Weighted average number of shares (in thousands) (diluted)	11	255,320	254,836

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

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

## Interim condensed consolidated statement of financial position

	Notes	March 31, 2019 Unaudited	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	2,443,430	2,513,429
Property, plant and equipment	13	1,675,912	1,511,091
Right-of-use assets	14	879,148	868,125
Assets under construction	15	338,150	438,342
Contract costs	16	369,187	372,653
Other long-term receivables	17	14,534	14,362
<b>Total non-current assets</b>		<b>5,720,361</b>	<b>5,718,002</b>
<b>Current assets</b>			
Inventories	18	185,620	169,494
Trade and other receivables	19	845,413	863,913
Contract assets	20	1,407,864	1,392,630
Current income tax receivables		114	654
Prepaid expenses	21	20,188	22,155
Cash and cash equivalents	22	334,169	353,690
<b>Total current assets</b>		<b>2,793,368</b>	<b>2,802,536</b>
<b>TOTAL ASSETS</b>		<b>8,513,729</b>	<b>8,520,538</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	23	128	128
Share premium		3,673,350	3,673,350
Other reserves		33,361	29,509
Retained losses		(3,689,881)	(3,903,525)
<b>Total equity</b>		<b>16,958</b>	<b>(200,538)</b>
<b>Non-current liabilities</b>			
Long-term finance liabilities - debt	24	6,303,513	6,250,554
Other long-term finance liabilities	25	2,261	3,858
Long-term provisions	26	51,327	49,079
Deferred tax liability	10	142,520	130,455
Other non-current liabilities		10,046	9,774
<b>Total non-current liabilities</b>		<b>6,509,667</b>	<b>6,443,720</b>
<b>Current liabilities</b>			
Short-term finance liabilities - debt	24	519,832	755,776
Other short-term finance liabilities	25	9,026	8,654
Trade and other payables	28	982,909	1,027,813
Contract liabilities		97,367	93,118
Current income tax payable		105,085	93,145
Accruals	29	39,214	55,640
Short-term provisions	26	4,660	3,435
Deferred income	30	229,011	239,775
<b>Total current liabilities</b>		<b>1,987,104</b>	<b>2,277,356</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,513,729</b>	<b>8,520,538</b>

## Interim condensed consolidated statement of changes in equity

	Notes	Attributable to equity holders of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained losses	
<b>As at January 1, 2019</b>		<b>128</b>	<b>3,673,350</b>	<b>29,509</b>	<b>(3,903,525)</b>	<b>(200,538)</b>
Net profit for the period		-	-	-	213,644	213,644
<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		-	-	1,226	-	1,226
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>1,226</b>	<b>213,644</b>	<b>214,870</b>
Effect of valuation of equity-settled incentive and retention programs	27	-	-	2,626	-	2,626
<b>As at March 31, 2019, unaudited</b>		<b>128</b>	<b>3,673,350</b>	<b>33,361</b>	<b>(3,689,881)</b>	<b>16,958</b>

	Notes	Attributable to equity holders of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained losses	
<b>As at January 1, 2018</b>		<b>128</b>	<b>3,673,350</b>	<b>28,228</b>	<b>(3,914,285)</b>	<b>(212,579)</b>
Impact of adoption of IFRS 9		-	-	-	(59,854)	(59,854)
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		-	-	-	152,908	152,908
<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		-	-	(10,090)	-	(10,090)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(10,090)</b>	<b>152,908</b>	<b>142,818</b>
Effect of valuation of equity-settled incentive and retention programs	27	-	-	5,637	-	5,637
<b>As at March 31, 2018, unaudited</b>		<b>128</b>	<b>3,673,350</b>	<b>23,775</b>	<b>(3,843,190)</b>	<b>(145,937)</b>

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

## Interim condensed consolidated statement of cash flows

	Notes	Three-month period ended March 31, 2019 Unaudited	Three-month period ended March 31, 2018 Unaudited
<b>Profit before income tax</b>		<b>274,496</b>	<b>226,588</b>
Depreciation and amortization		215,996	188,521
Change in contract costs	32	3,466	13,987
Interest expense (net)		82,718	93,733
Loss on finance instruments at fair value		-	178
Foreign exchange losses		510	1,131
Gain on disposal of non-current assets and termination of lease contracts		(2,047)	(2,858)
Impairment of non-current assets		483	731
Change in provisions and liabilities or equity related to incentive and retention programs		2,661	1,747
Changes in working capital and other	32	2,113	(61,406)
Change in contract assets	32	(15,234)	(25,179)
Change in contract liabilities	32	4,249	4,372
<b>Cash provided by operating activities</b>		<b>569,411</b>	<b>441,545</b>
Interest received		339	1,273
Income tax paid		(36,312)	(29,632)
<b>Net cash provided by operating activities</b>		<b>533,438</b>	<b>413,186</b>
Proceeds from sale of non-current assets		1,645	4,402
Purchase of fixed assets and intangibles and prepayments for assets under construction		(239,500)	(187,234)
<b>Net cash used in investing activities</b>		<b>(237,855)</b>	<b>(182,832)</b>
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	24	(314,990)	(321,261)
<b>Net cash used in financing activities</b>		<b>(314,990)</b>	<b>(321,261)</b>
<b>Net change in cash and cash equivalents</b>		<b>(19,407)</b>	<b>(90,907)</b>
Effect of exchange rate change on cash and cash equivalents		(19)	284
<b>Cash and cash equivalents at the beginning of the period</b>		<b>353,595</b>	<b>628,508</b>
<b>Cash and cash equivalents at the end of the period</b>	31	<b>334,169</b>	<b>537,885</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 23.

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

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

These interim condensed consolidated financial statements comprise:

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

as at and for the three-month period ended March 31, 2019, hereafter the "Financial Statements".

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

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at March 31, 2019	As at December 31, 2018
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%
P4 Sp. z o.o.	Poland	Operating	100%	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	100%	100%

P4 Sp. z o.o. ("P4") is a mobile network operator in Poland. Since March 16, 2007 P4 has been providing mobile telecommunications services using the brand "PLAY".

## 2. Basis of preparation

The Financial Statements were authorized for issue by the Board of Directors of the Company on May 13, 2019.

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

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

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

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

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

The accounting policies applied in the Financial Statements are consistent with the policies applied and described in Annual Financial Statements, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2019 as described below. For the purpose of the Financial Statements the Group has adopted the following standards, amendments to standards and interpretations issued and effective as at March 31, 2019:

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

There is no material impact of the abovementioned regulations on the Financial Statements.

Please note that in the year ended December 31, 2016 the Group had early adopted IFRS 15: Revenues from contracts with customers and IFRS 16: Leases as of January 1, 2013, applying the full retrospective method.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the three-month period ended March 31, 2019 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Group's assessment of the regulation
Amendments to References to the Conceptual Framework in IFRS Standards	March 29, 2018	January 1, 2020	Not endorsed yet	Assessment in progress
Amendments to IFRS 3: Business Combination	October 22, 2018	January 1, 2020	Not endorsed yet	Assessment in progress
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018	January 1, 2020	Not endorsed yet	Assessment in progress
IFRS 17: Insurance contracts	May 18, 2017	January 1, 2021	Not endorsed yet	Assessment in progress

## 2.2 Going concern

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

## 2.3 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 złoty ("PLN"), which is the Company's presentation and functional currency, due to the fact that the operating activities of the Group are conducted primarily in Poland.

### **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>March 31, 2019</b>	<b>December 31, 2018</b>
EUR	4.3013	4.3000
GBP	4.9960	4.7895
USD	3.8365	3.7597

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

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

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

## **2.5 Financial risk management**

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

## **2.6 Fair value estimation**

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

The level of the fair value hierarchy within which the fair value measurements are categorized are disclosed in respective Notes to the Financial Statements relating to items valued at fair value. For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Since there are no market prices available for the derivative financial instruments (interest rate swaps, foreign exchange forward contracts) in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

The methods and assumptions used to estimate the equity relating to incentive and retention programs are described in Note 2.7.4.

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

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

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

### **2.7.1 Recognition of revenue**

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers (please see also Note 3). These include:

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

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

### **Significant financing component**

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

### **Material right considerations**

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

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

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

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

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

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities (please see Note 24.2) and the valuation of right-of-use assets (please see Note 14). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

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

For all contracts signed since January 1, 2018 relating to properties for telecommunication sites, the Group has concluded that there are a number of scenarios where the Group might elect not to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by a potential use of an option to extend the lease were excluded from the lease term. For leases with indefinite term the Group estimates the non-cancellable period of such types of leases to be equal to the average or typical market contract term of particular type of lease. The Group will continue to monitor these assumptions in the future as a result of a review of the industry practice and the evolution of the accounting interpretations in relation to estimation of the lease terms among peer telecommunications entities when they also apply IFRS 16.

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

### **2.7.3 Estimation of provision for impairment of financial assets**

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The expected credit loss is calculated as expected gross carrying amount of the financial asset at default date multiplied by expected credit loss rate.

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

For other trade receivables the Group performs assessment for each individual debtor taking into account the probability of default or delinquency in payments and the probability that debtor will enter into financial difficulties or bankruptcy. The Group uses all reasonable and supportable information regarding debtors available at the assessment date, including the information about securities, e.g. guarantees, deposits and insurance.

When calculating the loss allowance for contract assets the Group considers a financial asset in default when the Group is unlikely to receive the cash flows from customers which would be used to settle the outstanding contract assets balance, e.g. when the customer is disconnected as a result of breach of the contract. The Group uses professional judgement to calculate probability-weighted estimate of credit losses over the expected life of contract assets.

#### **2.7.4 Valuation of the equity-settled incentive and retention programs**

Upon the IPO, on July 27, 2017, the members of the Management Board of P4 and key employees have entered into equity-settled incentive and retention programs PIP and VDP 4. During financial year 2018, the Group established new equity-settled incentive and retention programs PIP 2 and VDP 4 bis. For the description of the programs please see Note 29 of the Annual Financial Statements.

##### **PIP and VDP 4**

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

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

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

##### **VDP 4 bis**

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

- the share price at the IPO date of PLN 36,
- expected annualized volatility of 24% calculated based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 2.33%)
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price.

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

##### **PIP 2**

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

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

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

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

The assets retirement obligation provision relates primarily to obligation to dismantle the telecommunications constructions from the leased property.

The discount period reflects the expected timing of outflows relating to dismantling and equals the period covered by the telecommunication licenses owned by the Group. As at March 31, 2019 the assets retirement obligation provision (please see Note 26) was calculated using discount rate of 2.37% (2.46% as at December 31, 2018), representing interest rate of 10-years treasury bonds as at that date.

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

On January 15, 2018, the Group entered into a set of agreements with Virgin Mobile Polska sp. z o.o. ("VMP") and its shareholders as well as with the group of leading investors in VMP. These agreements give the Group, among others, a call option to acquire all shares in VMP during 2020 at the price calculated according to an agreed valuation methodology based on VMP's one time annual revenue adjusted by certain elements. The investors in VMP undertook to procure that all shares in VMP are sold to the Group in case the Group exercises the call option. The fair value of the option at initial recognition equals the consideration given to acquire the option, which is PLN nil. The Group estimates that the agreed price of shares in VMP will approximate their fair value, therefore the fair value of this option amounts to PLN nil at the reporting date. The inputs used in determining the fair value fall within Level 3 of the fair value hierarchy (significant unobservable inputs).

#### **2.7.7 Deferred tax**

As part of the process of preparing the Financial Statements, the Group is required to estimate the Play Group's income taxes (please see Note 10). This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

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

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

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

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at March 31, 2019, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2018. No impairment loss has been recognized. For the key assumptions and description of uncertainties please see Note 2.5.9 to the Annual Financial Statements.

## 2.8 Segment reporting

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

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

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

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Operating profit</b>	<b>358</b>	<b>322</b>
Add depreciation and amortization	216	189
<b>EBITDA</b>	<b>574</b>	<b>510</b>
Add valuation of incentive and retention programs and special bonuses	3	6
Add other non-recurring costs/(income)	0	2
<b>Adjusted EBITDA</b>	<b>576</b>	<b>518</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.

There were no significant other non-recurring cost or income for the three-month period ended March 31, 2019.

Other non-recurring costs for the three-month period ended March 31, 2018 comprised: (i) cost of non-deductible VAT of PLN 1.5 million relating to the management fee invoices due to one-off fees incurred in connection with the IPO and (ii) non-recurring costs of strategic projects out of usual scope of our business of PLN 0.5 million.

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

### 3. Operating revenue

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Service revenue</b>	<b>1,268,119</b>	<b>1,235,845</b>
Usage revenue	948,057	915,290
Interconnection revenue	320,062	320,555
<b>Sales of goods and other revenue</b>	<b>417,750</b>	<b>401,446</b>
	<b>1,685,869</b>	<b>1,637,291</b>

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Usage revenue by category</b>		
Retail contract revenue	754,065	724,810
Retail prepaid revenue	150,526	148,172
Other usage revenue	43,466	42,308
	<b>948,057</b>	<b>915,290</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.

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	80,163	72,815

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>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>Unaudited</b>	
Transaction price allocated to the remaining performance obligation to be satisfied within:		
1 year	1,929,345	1,906,184
later than 1 year and not later than 2 years	783,004	785,707
later than 2 years and not later than 3 years	79,445	71,380
later than 3 years	976	1,058
	<b>2,792,770</b>	<b>2,764,329</b>

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

	<b>Three-month period ended March 31, 2019</b>	<b>Three-month period ended March 31, 2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Interconnection costs	(330,414)	(332,762)
National roaming/network sharing	(44,482)	(64,164)
Other services costs	(61,904)	(82,859)
	<b>(436,800)</b>	<b>(479,785)</b>

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

Other 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 decrease of other services costs in the three-month period ended March 31, 2019 in comparison to the three-month period ended March 31, 2018, was primarily caused by the decrease of international roaming costs thanks to introduction of sustainability measures as a response to new international roaming regulations ("Roam Like At Home") and better pricing from roaming partners.

#### 5. Contract costs, net

	<b>Three-month period ended March 31, 2019</b>	<b>Three-month period ended March 31, 2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Contract costs incurred	(99,199)	(97,999)
Contract costs capitalized	92,673	88,051
Amortization and impairment of contract costs	(96,140)	(102,038)
	<b>(102,666)</b>	<b>(111,986)</b>

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

## 6. General and administrative expenses

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Employee benefits</b>	<b>(68,607)</b>	<b>(67,551)</b>
Salaries	(56,909)	(52,943)
Social security	(9,072)	(8,608)
Incentive and retention programs, including:	(2,626)	(6,000)
- <i>equity settled</i>	(2,626)	(5,637)
<b>External services</b>	<b>(132,424)</b>	<b>(120,890)</b>
Network maintenance, leased lines and energy	(40,862)	(34,075)
Advertising and promotion expenses	(44,450)	(36,105)
Customer relations costs	(14,450)	(15,310)
Office and points of sale maintenance	(5,117)	(4,061)
IT expenses	(9,860)	(7,911)
People related costs	(3,377)	(4,630)
Finance and legal services	(2,838)	(2,900)
Management fees	-	(122)
Other external services	(11,470)	(15,776)
<b>Taxes and fees</b>	<b>(22,116)</b>	<b>(21,997)</b>
	<b>(223,147)</b>	<b>(210,438)</b>

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 three-month period ended March 31, 2019 and the three-month period ended March 31, 2018. The Group is not required to make any contributions in excess of this statutory rate.

The increase of salaries costs resulted from higher accruals for employee bonuses in connection with strong Group's performance in the current reporting period.

The valuation of incentive and retention programs decreased due to termination of employment in the Play Group of certain members of the programs in the year ended December 31, 2018 (see Note 29 of the Annual Financial Statements).

The increase in advertising and promotion expenses resulted mainly from the intensification of marketing activities in the three-month period ended March 31, 2019.

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

Taxes and fees include primarily fees for the use of telecommunication frequencies, real estate taxes and other administrative duties, as well as non-deductible VAT.



## 7. Depreciation and amortization

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Depreciation and amortization</b>		
Depreciation of property, plant and equipment	(82,898)	(62,090)
Amortization of intangibles	(90,774)	(86,301)
Depreciation of right-of-use assets	(42,324)	(40,130)
	<b>(215,996)</b>	<b>(188,521)</b>

Depreciation and amortization increased due to increase in gross book value of assets following the development of the Group's telecommunications network as well as due to reviewed and adjusted assets' residual values and useful lives to reflect some faster changes in telecommunications technology.

## 8. Other operating income and other operating costs

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Other operating income</b>		
Gain on receivables management	-	2,275
Gain on disposal of non-current assets and termination of lease contracts	2,105	2,827
Income from subleasing of right-of-use assets	3,620	3,978
Interest income on trade receivables and cash	2,742	2,940
Other miscellaneous operating income	3,895	5,241
	<b>12,362</b>	<b>17,261</b>
<b>Other operating costs</b>		
Loss on receivables management	(10,336)	-
Impairment of contract assets	(22,664)	(21,978)
Impairment of non-current assets	(483)	(731)
Exchange rate losses	(88)	(156)
Other miscellaneous operating costs	(553)	(306)
	<b>(34,124)</b>	<b>(23,171)</b>
<i>thereof: impairment of financial assets</i>		
Impairment of contract assets	(22,664)	(21,978)
Impairment of trade receivables	(19,140)	3,989
	<b>(41,804)</b>	<b>(17,989)</b>

### Gain / loss on receivables management

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

When calculating the impairment provision the Group takes into account the price it expects to be able to recover in future from sales of receivables. Due to unfavorable change in market conditions for receivables sales the expected recovery ratio decreased in current period and therefore the impairment provision for expected credit losses increased in the three-month period ended March 31, 2019 in comparison to the three-month period ended March 31, 2018.

For movements of the provision for impairment of trade and other receivables please see also Note 19.

#### Impairment of contract assets

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

## 9. Finance income and finance costs

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Finance income</b>		
Interest income	244	1,065
Net gain on finance instruments at fair value	1	188
	<b>245</b>	<b>1,253</b>
<b>Finance costs</b>		
Interest expense, including:	(82,962)	(94,798)
- on lease liabilities	(13,755)	(15,799)
Net loss on finance instruments at fair value	-	(178)
- loss relating to ineffective portion of hedging instruments at fair value through other comprehensive income	-	(178)
Exchange rate losses	(491)	(1,415)
	<b>(83,453)</b>	<b>(96,391)</b>

The interest expense decreased in the three-month period ended March 31, 2019 in comparison to the three-month period ended March 31, 2018 mainly due to lower nominal value of the SFA following the scheduled and voluntary repayments.

Interest expense relating to lease liabilities decreased due to reassessment of lease terms as at March 31, 2018 which resulted in lower lease liabilities (see Note 2.5.2 of Annual Financial Statements).

## 10. Taxation

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
Current tax charge	(48,787)	(40,826)
Deferred tax charge	(12,065)	(32,854)
<b>Income tax charge</b>	<b>(60,852)</b>	<b>(73,680)</b>

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Profit before income tax</b>	<b>274,496</b>	<b>226,588</b>
Tax calculated at the prevailing tax rate applicable to profit (19%)	(52,154)	(43,052)
Effect of difference between tax rates in Luxembourg and in Poland	1,109	1,348
Expenses not subject to tax	(12,647)	(15,532)
Income not subject to tax	1,509	2,027
Previous years tax income included in current year accounting profit	840	1,647
Adjustments relating to previous tax years	6,985	7,059
Change in unrecognized deferred tax asset	(6,545)	(27,177)
Taxable costs not included in accounting profit	51	-
<b>Income tax charge</b>	<b>(60,852)</b>	<b>(73,680)</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 March 31, 2019 and March 31, 2018.

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland. As at March 31, 2019 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

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

#### Deferred income tax

	March 31, 2019 Unaudited	December 31, 2018
<b>Base for deferred income tax calculation:</b>		
net deductible temporary differences	(750,172)	(739,094)
carry-forwards of unused tax losses	395,947	419,574
	<b>(354,225)</b>	<b>(319,520)</b>
<b>Potential deferred income tax net asset/(liability) arising from:</b>		
net deductible temporary differences	(142,531)	(140,440)
carry-forwards of unused tax losses	90,198	93,588
	<b>(52,333)</b>	<b>(46,852)</b>
Recognized deferred income tax assets	-	-
Recognized deferred income tax liability	<b>(142,520)</b>	<b>(130,455)</b>
Not recognized deferred income tax assets	<b>90,187</b>	<b>83,603</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 2019 and long term financial projections. As at March 31, 2019 and December 31, 2018 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

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

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

## 11. Earnings per share

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

Diluted earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares are shares which will potentially be issued under the equity-settled incentive and retention programs as Award Shares or Loyalty Shares – please see Note 27. As at March 31, 2019 the number of potential Award Shares and Loyalty Shares, estimated based on historical performance of the Company's shares in comparison to peer companies for the period from the IPO date (or Start Date) to March 31, 2019, amounts to 1,407 thousand.

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Net profit</b>	213,644	152,908
<u>Weighted average number of shares (in thousands)</u>		
Initial shares	250,000	250,000
VDP4 shares issued without consideration in 2017	538	538
PIP shares issued in 2017	3,170	3,170
PIP 2 shares issued without consideration in 2018	204	204
<b>Weighted average number of shares (basic)</b>	<b>253,913</b>	<b>253,913</b>
Potential PIP 2 Loyalty and Award Shares	755	793
Potential PIP, VDP4 and VDP4bis Award Shares	652	131
<b>Weighted average number of shares (diluted)</b>	<b>255,320</b>	<b>254,836</b>
Earnings per share (in PLN) (basic)	0.84	0.60
Earnings per share (in PLN) (diluted)	0.84	0.60

## 12. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
<b>Cost</b>					
As at January 1, 2019	2,869,695	1,311,569	238,301	50,870	4,470,435
Transfers and reclassifications	-	19,656	-	1,553	21,209
Decreases	-	(23,706)	-	(11,760)	(35,466)
<b>As at March 31, 2019, unaudited</b>	<b>2,869,695</b>	<b>1,307,519</b>	<b>238,301</b>	<b>40,663</b>	<b>4,456,178</b>
<b>Accumulated amortization</b>					
As at January 1, 2019	974,899	948,413	-	33,694	1,957,006
Charge	56,158	31,912	-	2,704	90,774
Transfers and reclassifications	-	434	-	-	434
Decreases	-	(23,706)	-	(11,760)	(35,466)
<b>As at March 31, 2019, unaudited</b>	<b>1,031,057</b>	<b>957,053</b>	<b>-</b>	<b>24,638</b>	<b>2,012,748</b>
<b>Net book value as at March 31, 2019, unaudited</b>	<b>1,838,638</b>	<b>350,466</b>	<b>238,301</b>	<b>16,025</b>	<b>2,443,430</b>

The transfers recorded during three-month period ended March 31, 2019 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer and network software and other intangible assets.

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

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.

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**Telecommunications licenses**

Frequency band	License term		Net book value as at March 31, 2019	Net book value as at December 31, 2018
	from	to	Unaudited	
2100 MHz	July 1, 2016	December 31, 2022	81,906	87,366
900 MHz	December 9, 2008	December 31, 2023	68,938	72,566
1800 MHz	February 13, 2013	December 31, 2027	300,517	309,103
800 MHz	January 25, 2016/ June 23, 2016	June 22, 2031	1,178,940	1,203,848
2600 MHz	January 25, 2016	January 24, 2031	175,219	178,921
3700 MHz (nationwide)	October 1, 2017	December 29, 2019	27,000	36,000
3700 MHz (regional)	July 1, 2018	December 31, 2020	6,118	6,992
			<b>1,838,638</b>	<b>1,894,796</b>

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	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	-	34,928	-	2,859	37,787
<b>As at March 31, 2018, unaudited</b>	<b>2,860,955</b>	<b>1,182,313</b>	<b>238,301</b>	<b>47,005</b>	<b>4,328,574</b>
<b>Accumulated amortization</b>					
As at January 1, 2018	752,015	831,325	-	22,994	1,606,334
Charge	55,284	28,027	-	2,990	86,301
<b>As at March 31, 2018, unaudited</b>	<b>807,299</b>	<b>859,352</b>	<b>-</b>	<b>25,984</b>	<b>1,692,635</b>
<b>Accumulated impairment</b>					
As at January 1, 2018	-	596	-	-	596
Impairment charge	-	-	-	-	-
<b>As at March 31, 2018, unaudited</b>	<b>-</b>	<b>596</b>	<b>-</b>	<b>-</b>	<b>596</b>
<b>Net book value as at March 31, 2018, unaudited</b>	<b>2,053,656</b>	<b>322,365</b>	<b>238,301</b>	<b>21,021</b>	<b>2,635,343</b>

### 13. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
<b>Cost</b>							
As at January 1, 2019	46	1,199,597	264,680	1,433,598	2,885	82,849	2,983,655
Transfers and reclassifications	-	115,962	14,230	113,076	12	10,126	253,406
Decreases	-	(257)	(1,363)	(6,237)	(233)	(998)	(9,088)
<b>As at March 31, 2019, unaudited</b>	<b>46</b>	<b>1,315,302</b>	<b>277,547</b>	<b>1,540,437</b>	<b>2,664</b>	<b>91,977</b>	<b>3,227,973</b>
<b>Accumulated depreciation</b>							
As at January 1, 2019	5	452,373	182,011	774,463	2,849	60,863	1,472,564
Charge	-	16,272	7,902	55,197	15	3,512	82,898
Transfers and reclassifications	-	(4)	5,512	4	-	-	5,512
Decreases	-	(257)	(1,363)	(6,228)	(232)	(833)	(8,913)
<b>As at March 31, 2019, unaudited</b>	<b>5</b>	<b>468,384</b>	<b>194,062</b>	<b>823,436</b>	<b>2,632</b>	<b>63,542</b>	<b>1,552,061</b>
<b>Net book value as at March 31, 2019, unaudited</b>	<b>41</b>	<b>846,918</b>	<b>83,485</b>	<b>717,001</b>	<b>32</b>	<b>28,435</b>	<b>1,675,912</b>

The transfers recorded during three-month period ended March 31, 2019 relate mainly to transfers from assets under construction to property, plant and equipment due to the completion of investment projects. Buildings represent mainly own telecommunications towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.



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	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
Transfers and reclassifications	-	46,587	30,509	92,979	-	1,475	171,550
Decreases	-	(5,428)	(15,950)	(70,914)	-	(378)	(92,670)
<b>As at March 31, 2018, unaudited</b>	<b>46</b>	<b>1,014,642</b>	<b>249,333</b>	<b>1,280,120</b>	<b>320</b>	<b>78,389</b>	<b>2,622,850</b>
<b>Accumulated depreciation</b>							
As at January 1, 2018	4	410,027	137,015	661,910	305	50,675	1,259,936
Charge	-	10,064	6,284	42,408	3	3,330	62,089
Transfers and reclassifications	-	(17)	42,675	24,307	-	670	67,635
Decreases	-	(5,428)	(15,950)	(70,690)	-	(320)	(92,388)
<b>As at March 31, 2018, unaudited</b>	<b>4</b>	<b>414,646</b>	<b>170,024</b>	<b>657,935</b>	<b>308</b>	<b>54,355</b>	<b>1,297,272</b>
<b>Accumulated impairment</b>							
As at January 1, 2018	-	-	503	984	-	200	1,687
Reversal of impairment charge	-	-	(503)	(760)	-	-	(1,263)
Utilization of impairment provision	-	-	-	(224)	-	-	(224)
<b>As at March 31, 2018, unaudited</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>200</b>
<b>Net book value as at March 31, 2018, unaudited</b>	<b>42</b>	<b>599,996</b>	<b>79,309</b>	<b>622,185</b>	<b>12</b>	<b>23,834</b>	<b>1,325,378</b>

## 14. Right-of-use assets

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
<b>Cost</b>							
As at January 1, 2019	222,483	1,440,064	23,059	32,626	24,032	27	1,742,291
Increases	15,180	25,601	-	3,990	-	-	44,771
Asset retirement obligation	-	3,148	-	-	-	-	3,148
Transfers and reclassifications	-	-	(1,530)	-	2,927	-	1,397
Decreases	(407)	(11,607)	(298)	(2,627)	(2,388)	-	(17,327)
<b>As at March 31, 2019, unaudited</b>	<b>237,256</b>	<b>1,457,206</b>	<b>21,231</b>	<b>33,989</b>	<b>24,571</b>	<b>27</b>	<b>1,774,280</b>
<b>Accumulated depreciation</b>							
As at January 1, 2019	69,490	761,311	15,755	15,201	12,402	7	874,166
Charge	5,072	31,561	1,474	1,892	1,837	2	41,838
Charge from asset retirement obligation	-	486	-	-	-	-	486
Transfers and reclassifications	-	-	(5,946)	-	-	-	(5,946)
Decreases	(201)	(9,913)	(296)	(2,627)	(2,375)	-	(15,412)
<b>As at March 31, 2019, unaudited</b>	<b>74,361</b>	<b>783,445</b>	<b>10,987</b>	<b>14,466</b>	<b>11,864</b>	<b>9</b>	<b>895,132</b>
<b>Net book value as at March 31, 2019, unaudited</b>	<b>162,895</b>	<b>673,761</b>	<b>10,244</b>	<b>19,523</b>	<b>12,707</b>	<b>18</b>	<b>879,148</b>

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the three-month period ended March 31, 2019.

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

The expenses relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 2,622 thousand for the three-month period ended March 31, 2019.

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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, 2018	163,454	1,369,463	63,000	72,995	27,095	745	1,696,752
Increases	9,074	42,831	-	912	-	-	52,817
Asset retirement obligation	-	(18,758)	-	-	-	-	(18,758)
Transfers and reclassifications	-	-	(35,937)	(24,285)	1,287	(718)	(59,653)
Decreases	(2,045)	(44,299)	(246)	(4,314)	(2,398)	-	(53,302)
<b>As at March 31, 2018, unaudited</b>	<b>170,483</b>	<b>1,349,237</b>	<b>26,817</b>	<b>45,308</b>	<b>25,984</b>	<b>27</b>	<b>1,617,856</b>
<b>Accumulated depreciation</b>							
As at January 1, 2018	54,829	658,115	53,432	59,315	14,516	678	840,885
Charge	3,065	29,132	3,004	2,225	1,949	1	39,376
Charge from asset retirement obligation	-	754	-	-	-	-	754
Transfers and reclassifications	-	-	(42,675)	(24,284)	-	(676)	(67,635)
Decreases	-	(1,836)	(244)	(3,372)	(2,396)	-	(7,848)
<b>As at March 31, 2018, unaudited</b>	<b>57,894</b>	<b>686,165</b>	<b>13,517</b>	<b>33,884</b>	<b>14,069</b>	<b>3</b>	<b>805,532</b>
<b>Net book value as at March 31, 2018, unaudited</b>	<b>112,589</b>	<b>663,072</b>	<b>13,300</b>	<b>11,424</b>	<b>11,915</b>	<b>24</b>	<b>812,324</b>

The decreases in gross book value of Right-of-Use assets: Land and Buildings recorded during the three-month period ended March 31, 2018 result mainly from reassessment of estimation of lease term. In the three-month period ended March 31, 2018 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 2,573 thousand in the three-month period ended March 31, 2018.

## 15. Assets under construction

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
<b>Cost</b>	<b>Unaudited</b>	<b>Unaudited</b>
As at January 1	440,561	309,569
Additions	176,302	107,861
Radio network	128,115	85,317
Core network and network operations center	15,749	2,226
IT	19,343	15,859
Other capital expenditures	13,095	4,459
Transfers and reclassifications	(276,012)	(149,684)
Disposals	(1,787)	(8)
<b>As at March 31</b>	<b>339,064</b>	<b>267,738</b>
<b>Accumulated impairment</b>		
As at January 1	2,219	6,218
Impairment charge, net	482	731
Utilization of impairment provision	(1,787)	-
<b>As at March 31</b>	<b>914</b>	<b>6,949</b>
<b>Net book value as at March 31</b>	<b>338,150</b>	<b>260,789</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 1,801 thousand as at March 31, 2019 and PLN 2,523 thousand as at March 31, 2018.

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

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

## 16. Contract costs

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
<b>Cost</b>	<b>Unaudited</b>	<b>Unaudited</b>
As at January 1	732,553	728,964
Additions	92,673	88,051
Disposals - terminated contracts	(95,254)	(91,713)
<b>As at March 31</b>	<b>729,972</b>	<b>725,302</b>
<b>Accumulated amortization</b>		
As at January 1	359,900	367,962
Charge (including impairment)	96,140	102,038
Disposals (including impairment) - terminated contracts	(95,255)	(91,713)
<b>As at March 31</b>	<b>360,785</b>	<b>378,287</b>
<b>Net book value as at March 31</b>	<b>369,187</b>	<b>347,015</b>

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

## 17. Other long-term receivables

	March 31, 2019 Unaudited	December 31, 2018
Long-term receivables	14,902	14,730
Impairment of long-term receivables	(368)	(368)
	<b>14,534</b>	<b>14,362</b>

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

## 18. Inventories

	March 31, 2019 Unaudited	December 31, 2018
Goods for resale	163,272	154,909
Goods in dealers' premises	40,046	29,560
Impairment of goods for resale	(17,698)	(14,975)
	<b>185,620</b>	<b>169,494</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 both from sales of inventories as well as related telecommunications services. Inventories intended to be sold outside promotional offers are stated at the lower of cost or probable net realizable value.

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Beginning of period</b>	<b>(14,975)</b>	<b>(9,654)</b>
- charged to income statement	(2,723)	(1,561)
<b>End of period</b>	<b>(17,698)</b>	<b>(11,215)</b>

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

## 19. Trade and other receivables

	March 31, 2019 Unaudited	December 31, 2018
Trade receivables	1,026,904	1,017,599
Impairment of trade receivables	(182,936)	(163,796)
<b>Trade receivables (net)</b>	<b>843,968</b>	<b>853,803</b>
VAT and other government receivables	997	9,929
Other receivables	448	181
<b>Other receivables (net)</b>	<b>1,445</b>	<b>10,110</b>
	<b>845,413</b>	<b>863,913</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.

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:

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Beginning of period</b>	<b>(163,796)</b>	<b>(130,169)</b>
Adoption of IFRS 9 - opening balance adjustment	-	(1,879)
- (charged)/credited to income statement	(19,140)	3,989
<b>End of period</b>	<b>(182,936)</b>	<b>(128,059)</b>

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

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

## 20. Contract assets

	March 31, 2019	December 31, 2018
	<b>Unaudited</b>	
Contract assets	1,482,971	1,467,318
Impairment of contract assets	(75,107)	(74,688)
	<b>1,407,864</b>	<b>1,392,630</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 2.7.3.

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Beginning of period</b>	(74,688)	-
Adoption of IFRS 9 - opening balance adjustment	-	(72,015)
- charged to income statement	(22,664)	(21,978)
- utilization	22,245	26,278
<b>End of period</b>	<b>(75,107)</b>	<b>(67,715)</b>

For explanation of changes in the impairment charged to income statement – please see Note 8.

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

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

## 21. Prepaid expenses

	March 31, 2019	December 31, 2018
	<b>Unaudited</b>	
Distribution and selling costs	5,250	5,537
Network and IT maintenance	6,094	6,353
Other	8,844	10,265
	<b>20,188</b>	<b>22,155</b>

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

## 22. Cash and cash equivalents

	March 31, 2019 Unaudited	December 31, 2018
Petty cash	747	806
Balances deposited with banks	333,386	352,466
Other cash assets	36	418
	<b>334,169</b>	<b>353,690</b>

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

## 23. Shareholders' equity

On 2 July 2018, based on the IPO Prospectus as well as Annual General Meeting resolution of June 7, 2018 the Board of Directors resolved to increase the Company's share capital by an amount of EUR 24.53 raising it from EUR 30,445 to EUR 30,469 through the issue of 204,450 shares in bearer form with a nominal value of EUR 0.00012 each. The shares were admitted to trading on November 7, 2018.

As of March 31, 2019, the Company's share capital amounted to EUR 30,469 and comprised of 253,912,894 bearer shares with a nominal value of EUR 0.00012 each. Tollerton Investments Limited controlled 29.09% of shares, Kenbourne Invest S.A. (a successor entity of Telco Holdings S.à r.l. after their merger effective October 8, 2018) controlled 29.78% of shares, Nationale-Nederlanden Otwarty Fundusz Emerytalny 5.34% of shares and Investec Asset Management Ltd / Investec Asset Management (Pty) Ltd (acting in concert) 5.02% of shares. The remaining 30.77% was owned by other shareholders.

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

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

## 24. Finance liabilities - debt

	March 31, 2019 Unaudited	December 31, 2018
<b>Long-term finance liabilities</b>		
Long-term bank loans	5,457,401	5,410,198
Long-term lease liabilities	838,275	829,609
Other debt	7,837	10,747
	<b>6,303,513</b>	<b>6,250,554</b>
<b>Short-term finance liabilities</b>		
Short-term bank loans	343,235	581,319
Short-term lease liabilities	159,878	155,587
Other debt	16,719	18,870
	<b>519,832</b>	<b>755,776</b>
	<b>6,823,345</b>	<b>7,006,330</b>

Other debt represents purchases of IT equipment on installment.



## 24.1 Bank loans

	March 31, 2019 Unaudited	December 31, 2018
<b>Long-term bank loans</b>		
SFA	5,457,401	5,410,198
	<b>5,457,401</b>	<b>5,410,198</b>
<b>Short-term bank loans</b>		
SFA	343,235	581,319
	<b>343,235</b>	<b>581,319</b>
	<b>5,800,636</b>	<b>5,991,517</b>
the balance of unamortized fees	79,473	60,603
the weighted average effective interest rate	4.73%	4.87%

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

The carrying amount of bank loans approximates their fair value.

On January 8, 2019, the Play Group has entered into a Second Amendment and Restatement Agreement to the Senior Facilities Agreement, which, among other, has the following amendments to the SFA:

1. Amending the SFA amortization profile by decreasing annual capital repayments to PLN 346.8 million (from PLN 586.3 million) in the years 2019-2021 and increasing repayment in March 2022 to PLN 1,011.7 million (from PLN 293.1 million);
2. Ability to allocate voluntary prepayment to any term loan or any instalment of the SFA at Play Group's sole discretion;
3. Ability to request release of security established in connection with the SFA (excluding the release of guarantees granted pursuant to the SFA) when the level of consolidated net debt to consolidated EBITDA (the "Total Leverage") is less than or equal to 2.00:1 with an obligation to re-establish the released security if the Total Leverage becomes greater than 2.00:1;
4. Modification of Change of Control definition in a way that change of control occurs if any shareholders, other than the Relevant Holders, possess more than 33⅓% of share capital, while any restrictions on Relevant Holders have been removed;
5. Decrease of the margin over WIBOR by 0.25pp when Total Leverage falls below 3.00:1 and introduction of new levels of total Leverage which trigger further decrease of margin.
6. Amendment to the financial covenant changing the level of Total Leverage below which interest cover is tested instead of cashflow cover from 2.75:1 to 3.00:1;
7. Amending the Consolidated EBITDA calculation base from last half a year annualized to last twelve months;
8. Optional introduction of unsecured bond program as part of Permitted Financial Indebtedness in the amount of up to PLN 2 billion;
9. Other amendments to definitions of Consolidated Cashflow, Consolidated EBITDA, Acceptable Funding Sources and Permitted Acquisitions, with adjustments to the Calculations clause;
10. Other technical amendments and clean-ups.

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

## 24.2 Lease liabilities

	March 31, 2019 Unaudited	December 31, 2018
<b>Long-term lease liabilities</b>		
Telecommunications sites	746,129	740,756
Points of sale	50,180	47,813
Dark fiber optic cable	13,872	12,366
Collocation centers	9,057	9,969
Offices and warehouse	8,780	11,533
IT equipment and telecommunications equipment	5,011	2,524
Motor vehicles	5,246	4,648
	<b>838,275</b>	<b>829,609</b>
<b>Short-term lease liabilities</b>		
Telecommunications sites	96,363	95,020
Points of sale	28,919	26,835
Dark fiber optic cable	7,003	6,821
Collocation centers	5,732	5,910
Offices and warehouse	11,146	11,233
IT equipment and telecommunications equipment	4,889	4,331
Motor vehicles	5,826	5,437
	<b>159,878</b>	<b>155,587</b>
	<b>998,153</b>	<b>985,196</b>

## 25. Other finance liabilities

	March 31, 2019 Unaudited	December 31, 2018
Interest rate swaps	2,261	3,858
<b>Non-current finance liabilities at fair value through other comprehensive income</b>	<b>2,261</b>	<b>3,858</b>
Interest rate swaps	9,026	8,654
<b>Current finance liabilities at fair value through other comprehensive income</b>	<b>9,026</b>	<b>8,654</b>

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

The inputs used in determining the fair value of interest rate swaps fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities). For more details please see Note 20.1 of the Annual Financial Statements.

The effective portion of changes in the fair value of the above mentioned finance liabilities resulted in other comprehensive gain of PLN 1,226 thousand for the three-month period ended March 31, 2019.

## 26. Provisions

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>Unaudited</b>	
Assets retirement provision	46,899	43,463
Other long-term provisions	4,428	5,616
Short-term provisions	4,660	3,435
	<b>55,987</b>	<b>52,514</b>

## 27. Incentive and retention programs

In the three-month period ended March 31, 2019 the Group operated the following incentive and retention programs: PIP, PIP 2, VDP 4, VDP 4 bis (in the comparative period accordingly: PIP, VDP 3, VDP 4).

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

### Change of value of the programs

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

	Short-term cash-settled incentive and retention programs liabilities	Other reserves - effect of valuation of equity- settled incentive and retention programs
<b>As at January 1, 2019</b>	-	<b>39,123</b>
Changes in valuation during the period	-	2,626
<b>As at March 31, 2019, unaudited</b>	-	<b>41,749</b>
Vested at March 31, 2019	-	n/a
Exercised at March 31, 2019	n/a	24,466

	Short-term cash-settled incentive and retention programs liabilities	Other reserves - effect of valuation of equity- settled incentive and retention programs
<b>As at January 1, 2018</b>	<b>17,743</b>	<b>28,110</b>
Changes in valuation during the period	363	5,637
<b>As at March 31, 2018, unaudited</b>	<b>18,106</b>	<b>33,747</b>
Vested at March 31, 2018	18,106	n/a
Exercised at March 31, 2018	n/a	19,379

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

## 28. Trade and other payables

	March 31, 2019 Unaudited	December 31, 2018
Trade payables	725,190	711,572
Investment payables	149,195	219,966
Government payables	102,012	91,503
Employee payables	86	87
Other	6,426	4,685
	<b>982,909</b>	<b>1,027,813</b>

## 29. Accruals

Accruals include accruals for employee bonuses and unused holidays.

## 30. Deferred income

	March 31, 2019 Unaudited	December 31, 2018
Prepaid services	90,140	96,039
Contract services	138,871	143,736
	<b>229,011</b>	<b>239,775</b>

## 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 period there were no differences between cash and cash equivalents presented in statement of financial position and in statement of cash flows.

	March 31, 2019 Unaudited	March 31, 2018 Unaudited
Cash and cash equivalents in statement of financial position	334,169	537,894
Interest accrued on cash	-	(9)
<b>Cash and cash equivalents in statement of cash flows</b>	<b>334,169</b>	<b>537,885</b>

### 32. Impact of changes in working capital and other, change in contract costs, change in contract assets and change in contract liabilities on statement of cash flows

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
(Increase)/decrease of inventories	(16,126)	(58,466)
(Increase)/decrease of receivables	18,500	69,074
(Increase)/decrease of prepaid expenses	1,967	(4,275)
Increase/(decrease) of payables excluding investment payables	24,862	(39,482)
Increase/(decrease) of accruals	(16,426)	(20,713)
Increase/(decrease) of deferred income	(10,764)	(7,011)
(Increase)/decrease of long-term receivables	(172)	(141)
Increase/(decrease) of other non-current liabilities	272	(392)
<b>Changes in working capital and other</b>	<b>2,113</b>	<b>(61,406)</b>
(Increase)/decrease in contract costs	3,466	13,987
(Increase)/decrease in contract assets	(15,234)	(25,179)
Increase/(decrease) in contract liabilities	4,249	4,372
	<b>(5,406)</b>	<b>(68,226)</b>

Changes in contract assets and receivables for the three-month period ended March 31, 2018 were adjusted by the impact of adoption of IFRS 9, please see Note 2.3 to the Annual Financial Statements. Changes in contract assets for the three-month period ended March 31, 2018 are also affected by the opening balance adjustment – please see Interim condensed consolidated statement of changes in equity.

### 33. Cash flows relating to finance liabilities

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
<b>Repaid finance liabilities and paid interest and other costs relating to finance liabilities</b>		
loans	(259,546)	(267,561)
- <i>principal</i>	(173,404)	(195,440)
- <i>interests</i>	(65,938)	(71,050)
- <i>other</i>	(20,204)	(1,071)
leases	(50,184)	(50,980)
other debt	(5,260)	(2,720)
- <i>principal</i>	(5,082)	(2,519)
- <i>interests</i>	(178)	(201)
	<b>(314,990)</b>	<b>(321,261)</b>

## **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 83% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunications network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, the Group had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation. Due to reasons entirely beyond Group's control part of the infrastructure necessary to provide the network coverage for the areas indicated in the Decision was not ready by 23 June 2018. The non-fulfilment of P4's obligations within the deadline set out in the Decision had been pre-emptively notified and then discussed with the President of UKE. At the moment no administrative proceedings aimed at amending or cancelling the Decision have been instigated by the UKE President, according to discussions held so far, the President of UKE has no such intention.

### **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. The Group has met these requirements.

## **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 May 14, 2019 and the 2013 audit should be completed by May 24, 2019, 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. 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, however on October 10, 2018 PIRC withdrew the appeal to the Supreme Administrative Court. The Group assesses the risk of the outcome that would be unfavorable for the Group as low.

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender is finalized. UKE President in its decisions of October 30, 2015 upheld the 3 decisions on reservation for P4 of the frequencies in the 1800 MHz spectrum. UKE President's decisions were appealed against at the lower administrative court by Polkomtel. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel's motion to withhold the enforceability of the decisions and requested the court to dismiss the motion. In three of the proceedings the court refused to withhold the enforceability of the three P4's decisions. In July 2016, we filed our answers to the Polkomtel's appeals against the reservation decisions and requested the court to dismiss the appeals

in the whole. The Voivodship Administrative Court in judgments of August 25, 2016 and August 30, 2016 dismissed Polkomtel's complaints against three decisions. The judgements were appealed against at the Supreme Administrative Court by Polkomtel. On March 5 and April 10, 2019 the Supreme Administrative Court dismissed Polkomtel's complaints against two out of P4's three 1800 MHz reservations. The judgements are final. The proceedings regarding the third reservation are still in progress. 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 found it admissible, but it haven't issued a judgment yet. The Group assesses the risk of the unfavorable change of judgement of District Court in Warsaw as low.

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

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

In December 2018 Polkomtel sp. z o.o. filed a lawsuit in which it demands that the State Treasury or P4 (as defendants *in solidum*) pay missing MTR remuneration that Polkomtel would have received from P4, if UKE had not decreased its MTRs by means of a decision which was subsequently annulled by court, as issued in violation of the law (procedural errors committed by UKE), and accumulated interest plus statutory interest from the time of filing the lawsuit. The claim against the State Treasury is based on the liability for damages caused by a public authority (UKE) and the claim against P4 is based on the unjust enrichment regime. It is difficult to assess the legal risk of the aforementioned motions at this stage.

There is a number of other proceedings involving the Group initiated among others by President of UKE or President of UOKiK. The Group has recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are probable to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. For the total amount of provisions, including the provisions for pending legal cases, please see Note 26.



### 36. Related party transactions

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Unaudited	Unaudited
Operating revenue	-	273
Management fees	-	(122)
Other operating income	-	186

### 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 three-month period ended March 31, 2019 amounted to PLN 3,989 thousand (PLN 2,572 thousand for the three-month period ended March 31, 2018).

Additionally, the members of the P4's Management Board participated in the incentive and retention programs (see Note 27 of the Financial Statements as well as Note 29 of the Annual Financial Statements). The valuation of the programs resulted in income in the amount of PLN 2,194 thousand for the three-month period ended March 31, 2019 and cost of PLN 4,889 thousand for the three-month period ended March 31, 2018. Relating costs are included in general and administrative expenses in the consolidated statement of comprehensive income.

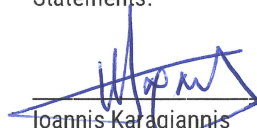
Cost of benefits for former Members of Boards of Directors or Boards of Managers in Group entities incurred after their step down from their positions for the three-month period ended March 31, 2019 amounted to PLN 417 thousand.


Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Board of Directors of Play Communications S.A., 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

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

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

  
Ioannis Karagiannis  
Director

  
Andrzej Klesyk  
Director