P4 sp. z o.o. Group

Interim condensed consolidated financial statements

prepared in accordance with IAS 34
as at and for the 6-month period ended
June 30, 2023

PLAY

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Approval of financial statements

We hereby approve the interim financial statements of the P4 Sp. z o.o. Group as at and for the 6-month period ended June 30, 2023 consisting of the interim condensed statement of comprehensive income showing total income of PLN 317,444 thousand, the interim condensed statement of financial position with assets and liabilities and equity of PLN 19,957,587 thousand, the interim condensed statement of changes in equity showing a decrease in equity by PLN 2,082,366 thousand, the interim condensed statement of cash flows showing a decrease in net cash by PLN 558,261 thousand and other explanatory notes.

Jean-Marc Harion Management Board President	Mikkel Noesgaard Management Board Member
Beata Zborowska Management Board Member	Michał Ziółkowski Management Board Member

Warsaw, August 29, 2023

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
		Unaudited	**Unaudited**
Operating revenue	3	**4,792,045**	**4,073,908**
Service revenue		3,843,794	3,273,244
Sales of goods and other revenue		948,251	800,664
Operating expenses		**(3,943,010)**	**(3,168,086)**
Interconnection, roaming and other service costs	4	(1,006,714)	(788,794)
Contract costs		(232,992)	(222,577)
Cost of goods sold		(773,573)	(643,276)
Employee benefits	5	(280,610)	(210,923)
External services	6	(752,991)	(555,151)
Depreciation and amortization	7	(841,922)	(632,327)
Taxes and fees		(54,208)	(115,038)
Other operating income	8	637,952	525,859
thereof: gains from derecognition of financial assets measured at amortized costs	8	*19,351*	*13,659*
Other operating costs	8	(249,995)	(173,469)
thereof: impairment of financial assets	8	*(71,906)*	*(54,800)*
Share of profit of equity-accounted investee		12,575	-
Operating profit		**1,249,567**	**1,258,212**
Finance income	9	66,976	27,446
thereof: interest income from assets at amortized cost	9	*13,875*	*27,034*
Finance costs	9	(646,349)	(357,691)
Profit before income tax		**670,194**	**927,967**
Income tax charge	10	(236,744)	(169,826)
Net profit		**433,450**	**758,141**
- attributable to owners of P4 sp. z o.o.		*432,803*	*758,141*
- attributable to owners of non-controlling interest		647	-
Items that will not be reclassified to profit or loss			
Actuarial gains on post-employment benefits		14	-
Income tax relating to items not to be reclassified		(3)	-
Items that may be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedges	21.3	(143,231)	83,340
Income tax relating to items that may be reclassified	21.3	27,214	(15,835)
Other comprehensive income/(loss), net		**(116,006)**	**67,505**
Total comprehensive income		**317,444**	**825,646**
- attributable to owners of P4 sp. z o.o.		*316,797*	*825,646*
- attributable to owners of non-controlling interest		*647*	-

Notes and explanations are an integral part of these financial statements

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Interim Condensed Consolidated Statement of Financial Position

	Notes	June 30, 2023	December 31, 2022
		Unaudited	**Restated***
ASSETS			
Non-current assets			
Intangible assets	11	5,168,530	5,019,124
Property, plant and equipment	12	3,107,496	3,044,322
Right-of-use assets	13	4,334,233	4,120,877
Contract costs		478,807	449,277
Other long term financial assets	15	1,824,289	80,460
Long term prepaid expenses	19	32,428	48,238
Deferred tax asset		-	908
Total non-current assets		**14,945,783**	**12,763,206**
Current assets			
Inventories	16	634,467	326,502
Trade and other receivables	17	2,234,570	931,366
Contract assets	18	1,695,544	1,603,203
Current income tax receivables		128	128
Prepaid expenses	19	146,678	104,253
Cash and cash equivalents	20	199,128	625,617
Other short-term finance assets	15	63,732	90,717
Assets held for sale	2.7	37,557	5,009,228
Total current assets		**5,011,804**	**8,691,014**
TOTAL ASSETS		**19,957,587**	**21,454,220**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21.1	48,857	48,857
Other supplementary capital	21.2	(181,287)	(184,791)
Other reserves	21.3	61,411	1,552,650
Retained earnings	21.4	571,926	1,167,035
Equity attributable to the owners of P4 sp. z o.o.		**500,907**	**2,583,751**
Non-controlling interest		5,175	4,697
Total equity		**506,082**	**2,588,448**
Non-current liabilities			
Long-term finance liabilities	22	14,053,868	15,138,556
Long-term provisions	23	353,458	373,165
Deferred tax liability	10	315,643	389,987
Other non-current liabilities		7,748	8,639
Total non-current liabilities		**14,730,717**	**15,910,347**
Current liabilities			
Short-term finance liabilities	22	2,120,694	481,556
Trade and other payables	25	1,977,371	1,776,984
Contract liabilities	27	497,427	386,354
Current income tax payable	10	43,784	83,994
Accruals	26	77,500	129,901
Short-term provisions	23	4,012	5,381
Liabilities directly associated with assets held for sale		-	91,255
Total current liabilities		**4,720,788**	**2,955,425**
TOTAL LIABILITIES AND EQUITY		**19,957,587**	**21,454,220**

* The restatement of comparative data is due to the purchase price allocation of Redge Technologies sp. z o.o. on 30 June 2022. See Note 2.5

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Interim Condensed Consolidated Statement of Changes in Equity

	Notes	Attributable to equity holders of the parent					Non-controlling interest	Total equity
		Share capital	Other supplementary capital	Other reserves	Retained earnings	Total		
As at January 1, 2023		**48,857**	**(184,791)**	**1,552,650**	**1,168,464**	**2,585,180**	**1,690**	**2,586,870**
Change resulting from the final settlement of the acquisition of a subsidiary		-	-	-	(1,429)	(1,429)	3,007	1,578
As at January 1, 2023, restated		**48,857**	**(184,791)**	**1,552,650**	**1,167,035**	**2,583,751**	**4,697**	**2,588,448**
Net profit for the period		-	-	-	432,803	432,803	647	433,450
Other comprehensive income/(loss), net								
Actuarial gains on post-employment benefits with relating income tax		-	-	11	-	11	-	11
Gains/(losses) on cash flow hedges with relating income tax	21.3	-	-	(116,017)	-	(116,017)	-	(116,017)
Total comprehensive income		**-**	**-**	**(116,006)**	**432,803**	**316,797**	**647**	**317,444**
Acquisition of subsidiaries and increase of shares in subsidiaries	2.6	-	-	-	(3,145)	(3,145)	(169)	(3,314)
Recognition of costs of equity-settled incentive and retention programs	24	-	3,504	-	-	3,504	-	3,504
Increase of other reserves		-	-	132,667	(132,667)	-	-	-
Dividend payment	21.4	-	-	(1,507,900)	(892,100)	(2,400,000)	-	(2,400,000)
As at June 30, 2023, unaudited		**48,857**	**(181,287)**	**61,411**	**571,926**	**500,907**	**5,175**	**506,082**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Notes	Attributable to equity holders of the parent					Non-controlling interest	Total equity
		Share capital	**Other supplementary capital**	**Other reserves**	**Retained earnings**	**Total**		
As at January 1, 2022		**48,857**	**(191,876)**	**23,090**	**3,413,508**	**3,293,579**	**-**	**3,293,579**
Net profit for the period		-	-	-	758,141	758,141	-	758,141
<u>Other comprehensive income/(loss), net</u>								
Gains/(losses) on cash flow hedges with relating income tax		-	-	67,505	-	67,505	-	67,505
Total comprehensive income		**-**	**-**	**67,505**	**758,141**	**825,646**	**-**	**825,646**
Acquisition of subsidiaries		-	-	-	-	-	969	969
Recognition of costs of equity-settled incentive and retention programs	24	-	3,429	-	-	3,429	-	3,429
Increase of other reserves		-	-	1,507,901	(1,507,901)	-	-	-
Dividend payment		-	-	-	(1,902,104)	(1,902,104)	-	(1,902,104)
As at June 30, 2022, unaudited		**48,857**	**(188,447)**	**1,598,496**	**761,644**	**2,220,550**	**969**	**2,221,519**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
		Unaudited	**Unaudited**
Profit before income tax		**670,194**	**927,967**
Depreciation and amortization		841,922	632,327
Change in contract costs	29	(29,530)	7,210
Interest expense (net)		602,428	304,733
Loss on finance instruments at fair value		672	11,729
Foreign exchange (gains)/losses		(34,228)	6,403
Share of profit of equity-accounted investee		(12,575)	-
Gain on disposal of non-current assets and termination of lease contracts		(336,702)	(341,878)
Impairment of non-current assets		4,110	2,129
Change in provisions		(37,059)	2,948
Change in share premium from equity-settled retention programs		3,504	3,428
Changes in working capital and other	29	(242,105)	(147,108)
Change in contract assets	29	(92,342)	(30,800)
Change in contract liabilities	29	76,751	13,973
Cash provided by operating activities		**1,415,040**	**1,393,061**
Interest received		13,705	7,565
Interest paid		(53)	(8)
Income tax paid		(318,624)	(1,349,150)
Net cash provided by operating activities		**1,110,068**	**51,468**
Proceeds from sale of non-current assets		11,884	2,733
Purchase of fixed assets and intangibles		(627,485)	(488,955)
Cash inflows related to sale of infrastructure	2.7	467,126	442,767
Cash outflows related to assets held for sale	2.7	(11,339)	(97,690)
Proceeds from sale of a subsidiary	2.3	1,711,468	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired	2.6	(161,986)	(7,006,682)
Proceeds from finance receivables		-	632,499
Net cash used in investing activities		**1,389,668**	**(6,515,328)**
Dividends (paid)	24.1	(2,400,000)	-
Proceeds from finance liabilities	30	1,545,659	6,060,000
Repayment of finance liabilities	30	(1,597,143)	(126,351)
Paid interest relating to finance liabilities	30	(590,180)	(257,954)
Paid other costs relating to finance liabilities	30	(16,333)	(65,310)
Net cash provided by/(used in) financing activities		**(3,057,997)**	**5,610,385**
Net change in cash and cash equivalents		**(558,261)**	**(853,475)**
Effect of exchange rate change on cash and cash equivalents		3,288	1,264
Cash and cash equivalents at the beginning of the period		**625,617**	**1,278,058**
Cash and cash equivalents at the end of the period	28	**70,644**	**425,847**

Notes and explanations

1. P4 and P4 Group

P4 sp. z o.o. (hereafter referred to as “P4” or the “Company”) was established under Polish law on September 6, 2004 under the name of Netia Mobile sp. z o.o. The Company was registered on September 15, 2004. On October 13, 2005, by resolution of the Shareholder Meeting, the Company name was amended from Netia Mobile Sp. z o.o. to P4 Sp. z o.o. The Company's registered office is in Warsaw, Poland at ul. Wynalazek 1.

As at June 30, 2023 the Company was controlled directly by Iliad Purple with its registered office in Paris (hereafter referred to as “Iliad Purple”), which held 100% shares in the Company. Iliad Purple S.A.S. is a fully-owned subsidiary of Iliad S.A. with its registered office in Paris, controlled by Xavier Niel.

The Company's business activity embraces the provision of mobile and landline telecommunications services, sales of mobile devices and managing a distribution network of mobile telecommunications products. On March 16, 2007 P4 started providing mobile telecommunications services using the brand “PLAY”.

The Company and its subsidiaries (together, the “P4 Group” or the “Group”) operate in the mobile and landline telecommunications sector in Poland. The Group provides telecommunication services under the “PLAY”, “UPC”, “VIRGIN” and “3S” brands, sells mobile devices and provides IT services via owned collocation centers.

These Financial Statements comprise:
- interim condensed consolidated statement of comprehensive income;
- interim condensed consolidated statement of financial position;
- interim condensed consolidated statement of changes in equity;
- interim condensed consolidated statement of cash flows;
- other explanatory notes

as at and for the 6-month period ended June 30, 2023 and the comparative period, i.e. the 6-month period ended June 30, 2022, hereafter the “Financial Statements”.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

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

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at June 30, 2023	**As at December 31, 2022**
Subsidiaries held directly and indirectly:				
Play Finance 1 S.A.	Luxembourg	Financing	100.00%	100.00%
3S Data Center S.A.	Poland	IT	100.00%	100.00%
3S BOX S.A.	Poland	IT	100.00%	100.00%
Polski Światłowód Otwarty sp. z o.o. [1]	Poland	Telecommunications	50.00%	100.00%
UPC Polska sp. z o.o.[2]	Poland	Telecommunications	100.00%	100.00%
Redge Technologies sp. z o.o.	Poland	IT	92.50%	92.50%
Redge Media PPV sp. z o.o.	Poland	IT	92.50%	92.50%
Vestigit sp. z o.o. [3]	Poland	IT	67.76%	-
MediaTool sp. z o.o. [3]	Poland	IT	90.00%	-
Vortanoria Investments sp. z o.o.	Poland	Holding	100.00%	100.00%
SferaNet S.A. [4]	Poland	Telecommunications	95.35%	-
Syrion sp. z o.o. [5]	Poland	Telecommunications	100.00%	-
PT sp. z o.o. [5]	Poland	Telecommunications	100.00%	-
Tacertille Investments sp. z o.o. [6]	Poland	None	100.00%	-

[1] On March 31, 2023, P4 sold 50% shares in Polski Światłowód Otwarty sp. z o.o. (see Note 2.3)
[2] On April 1, 2022, the Company purchased 100% shares in UPC Polska Sp. z o.o.
[3] In H1 2023, Redge Technologies purchased majority shares in Vestigit Sp. z o.o. and MediaTool Sp. z o.o. (see Note 2.5)
[4] On January 31, 2023, Vortanoria Investments sp. z o.o. acquired the majority shares in SferaNet S.A. (see Note 2.5)
[5] On June 2, 2023, Vortanoria Investments sp. z o.o. acquired 100% shares in Syrion sp. z o.o. (see Note 2.5). Syrion is the sole shareholder of PT Sp. z o.o.
[6] On June 23, 2023, Vortanoria Investments sp. z o.o. acquired 100% shares in Tacertille Investments sp. z o.o.

2. Basis of preparation

These Financial Statements were authorized for issue by the Company's Management Board on August 29, 2023.

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

These Financial Statements have been prepared with the underlying going concern assumption.

The Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* and in accordance with all the relevant accounting standards applicable to interim financial reporting, as endorsed by the European Union, published and in effect during the preparation of these Financial Statements.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

These Financial Statements do not include all disclosures required for annual financial statements and therefore they should be read together with the audited consolidated financial statements for the year ended December 31, 2022 approved on March 15, 2023, prepared in accordance with the IFRS ("Annual Financial Statements").

The Financial Statements have been prepared under the historical cost convention except for assets and liabilities on account of 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 Financial Statements in conformity with the International Financial Reporting Standards requires the use of certain material accounting estimates. The areas where assumptions and estimates are material to the Financial Statements are disclosed in Note 2.3 to the Annual Financial Statements.

2.1 New standards, interpretations and amendments to existing standards

The accounting policies applied in the Financial Statements have not changed as compared to the policies applied in the Financial Statements for the year ended December 31, 2022 approved on March 15, 2023, except for new standards and interpretations as described in the table below:

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
IFRS 17: Insurance contracts and amendments to IFRS 17	May 18, 2017	January 1, 2023	January 1, 2023	No impact
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	February 12, 2021	January 1, 2023	January 1, 2023	Insignificant impact
Amendments to IAS 8: Definition of Accounting Estimates	February 12, 2021	January 1, 2023	January 1, 2023	Insignificant impact
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	May 7, 2021	January 1, 2023	January 1, 2023	Insignificant impact
Amendments to IFRS 17 Insurance contracts: initial adoption of IFRS 17 and IFRS 9 - comparable data	December 9, 2021	January 1, 2023	January 1, 2023	No impact

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended June 30, 2023 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
Amendment to IAS 1: classification of liabilities as current or non-current	January 23, 2020	January 1, 2024	January 1, 2024	Assessment in progress
Amendments to IFRS 16: lease liability in a sale and leaseback	September 22, 2022	January 1, 2024	January 1, 2024	Assessment in progress
Amendments to IAS 1: non-current Liabilities with Covenants	October 31, 2022	January 1, 2024	Not endorsed yet	Assessment in progress
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	May 25, 2023	January 1, 2024	Not endorsed yet	Assessment in progress
Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules	May 23, 2023	January 1, 2023	Not endorsed yet	Assessment in progress

2.2 Consolidation

Subsidiaries, i.e. those entities over which the Group has a control, 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 arrangements 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 investments in associates, i.e. entities in which the Group has significant influence, as well as investments is joint ventures, are accounted for using the equity method (see also Note 2.3).

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the cost cannot be recovered. The accounting policies of subsidiaries are adjusted where necessary to ensure consistency with the policies adopted by the P4 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.

2.3 Sale of 50% shares in Polski Światłowód Otwarty sp. z o.o. ("PŚO")

On March 31, 2023, the sale of 50% shares in PŚO to Plug Finco S.à r.l. belonging to the InfraVia Capital Partners group, was finalized. The above transaction was the performance of the preliminary agreement signed on June 19, 2022 between P4 and Infravia V Invest S.à.r.L. (belonging to the InfraVia Capital Partners Group).

The Group received payment of PLN 1,765 million on the date of the transaction.

As a result of the sale of shares, PŚO became an entity jointly controlled by the Group and the InfraVia Capital Partners Group. Accordingly, as at March 31, 2023, the Group deconsolidated PŚO, i.e. derecognized PŚO's individual assets and liabilities from the consolidated statement of financial position, instead recognizing in the statement of financial position the initial amount of investment in PŚO, i.e. PLN 1,765 million. Proceeds from the sale of shares in PŚO presented in the statement of cash flows are reduced by PŚO cash balance as at the date of sale, due to deconsolidation.

Since April 1, 2023, the Group has measured shares in PŚO by the equity method, recognizing 50% of the net result generated by the company in profit or loss.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

2.4 Partnership with PŚO

On March 1, 2023, the Group transferred to PŚO, by way of spinning off, a part of UPC's business including in particular assets of the access network including approx. 3.7 million network connections employing HFC and FTTH technologies. PŚO makes its network infrastructure available to other telecommunications operators (including among others Play and UPC) on the wholesale access principles.

By the power of contracts signed on March 1, 2023 between P4, UPC and PŚO, the Group has been using the fiber optic infrastructure owned by PŚO. These costs are presented in the statement of comprehensive income in the "Other service costs" line item (see Note 4).

Under the agreement between UPC and PŚO, the Group has been providing construction work services to PŚO to expand and build new fiber optic connections. The expenditures made to perform this work that have not yet been completed are presented in the statement of financial position in the "Inventories under construction" line item. Revenues and expenses related to the implementation of the BTS program as well as under the maintenance service agreements concluded with PŚO are presented in other operating income and expenses in the "Income from partnership" and "Costs related to partnership" line items (please see Note 8).

2.5 Purchase price allocation of Redge Technologies sp. z o.o. and change in comparative data

On June 30, 2022, P4 acquired 92.5% shares in Redge Technologies Sp. z o.o. ("Redge"). In connection with the acquisition of the majority shares, Redge along with its subsidiary Redge Media PPV sp. z o.o., became fully consolidated subsidiaries. On July 13, 2023, the Company increased its holding in Redge to 95% by acquiring additional shares. Redge is a leading provider of online video distribution solutions in Eastern Europe.

The acquisition of shares in Redge is accounted for by the acquisition method in accordance with IFRS 3 Business Combinations. In the consolidated financial statements for H1 2022 and in the annual consolidated financial statements for 2022, the Group presented a provisional accounting of the transaction in connection with the continuing process of valuation of non-current assets and contingent liabilities. In H1 2023, the Group finalized the fair value measurement of the acquired assets by independent valuers.

The fair value of net assets was PLN 53,010 thousand, up by PLN 40,084 thousand relative to the provisional accounting of the transaction. The difference is due to a change in the valuation of intangible assets, which recognized, among others, customer relationships of PLN 37,888 thousand. The remaining change was due to the valuation of computer software and a trademark. Goodwill amounted to PLN 128,182 thousand.

Consideration transferred	**177,216**
Non-controlling interest	3,976
- fair value of the acquired assets	(119,027)
+ fair value of the acquired liabilities	66,017
= Goodwill	**128,182**

In accordance with IFRS 3, the purchase price allocation necessitated a restatement of comparative data as at December 31, 2022.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

The final fair values of the acquired assets and liabilities are presented below:

ASSETS		**LIABILITIES**	
Intangible assets	86,729	Long-term finance liabilities	35,781
Property, plant and equipment	6,167	Deferred tax liability	16,025
Right-of-use assets	8,622	**Non-current liabilities**	**51,806**
Other long term financial assets	1,000	Short-term finance liabilities	1,411
Long term prepaid expenses	8	Trade and other payables	4,432
Non-current assets	**102,526**	Contract liabilities	8,368
Prepaid expenses	501	**Current liabilities**	**14,211**
Trade and other receivables	15,010	**TOTAL LIABILITIES AND EQUITY**	**66,017**
Cash and cash equivalents	990		
Current assets	**16,501**		
TOTAL ASSETS	**119,027**	**NET ASSETS ACQUIRED**	**53,010**

2.6 Acquisition of subsidiaries

Acquisition of SferaNet, Syrion, Vestigit and MediaTool

In January 2023, the Group acquired 83.55% shares in SferaNet S.A. (“SferaNet”), a local operator offering services based on the fiber optic technology. As at June 30, 2023, the Group increased its shares to 95.35%. By the date of these financial statements, the Group acquired 100% shares in SferaNet.

In June 2023, the Group acquired 100% shares in Syrion Sp. z o.o. (“Syrion”), a local operator offering services based on the fiber optic technology.

In H1 2023, Redge Technologies acquired 51.3% shares in Vestigit Sp. z o.o. (“Vestigit”), a company specialized in identifying illegal distribution channels for clients around the world and providing tools that enable content creators to regain control of their intellectual property for the cash consideration. Redge has thus increased its share in the company to 67.8% as at June 30, 2023. In connection with the acquisition of the majority shares in 2023, Vestigit became a fully consolidated subsidiary.

In June 2023, Redge Technologies acquired 90% shares in MediaTool Sp. z o.o. (“MediaTool”), a company developing solutions for comprehensive management of the TV channel broadcasting process.

These acquisitions of the companies’ shares are accounted as a business combination under IFRS 3. The Group is currently undergoing a purchase price allocation for the 4 acquisitions, which should be concluded within 12 months of the purchase date and collects all material information about the facts and circumstances that existed as at the date of acquisition and that could affect the fair value of the acquired assets and liabilities.

2.7 Assets held for sale

“Built to Suit” (“BTS”) program – partnership with On Tower Poland

As at June 30, 2023, in the “Assets held for sale” line item, the Group presented among other expenditures for passive infrastructure (base stations) to be sold off to On Tower Poland sp. z o.o. (“OTP”) under the BTS program described in Note 2.5 of the Annual Financial Statements. The expenditures made for the base stations above the minimum number specified in the BTS program are presented in the statement of financial position in the “Inventories under construction” line item.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Revenues and expenses related to the implementation of the BTS program as well as under the maintenance service agreements concluded with OTP are presented in other operating income and expenses in the "Income from partnership" and "Costs related to partnership" lines (please see Note 8).

Proceeds from the sales of stations are presented in the statement of cash flows in the line item "Proceeds from disposal of passive infrastructure." The capital expenditures incurred in a given year for passive infrastructure elements sold in that year and held for sale in future periods are presented in the statement of cash flows in the line item "Expenditures for assets held for sale".

2.8 Foreign currency transactions

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

Currency	June 30, 2023	December 31, 2022
EUR	4.4503	4.6899
GBP	5.1796	5.2957
USD	4.1066	4.4018

2.9 Financial risk management

The P4 Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements. During the current period, there were no significant changes in financial risk management. Detailed information is presented in Note 3 to the Annual Financial Statements.

2.10 Fair value estimation

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

The fair values of financial instruments at June 30, 2023 are presented in Note 14.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

The nominal values of liabilities and receivables less the allowance for expected credit losses with a maturity up to one year are assumed to approximate their fair values.

3. Operating revenue

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

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Service revenue	**3,843,794**	**3,273,244**
Usage revenue	3,407,656	2,746,941
Interconnection revenue	436,138	526,303
Sales of goods and other revenue	**948,251**	**800,664**
	4,792,045	**4,073,908**

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Usage revenue by category		
Retail contract revenue	2,760,178	2,190,142
Retail prepaid revenue	457,409	417,679
Other usage revenue	190,069	139,120
	3,407,656	**2,746,941**

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.

4. Interconnection, roaming and other service costs

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Interconnection costs	(416,869)	(508,266)
National roaming/network sharing	(33,333)	(33,333)
Other service costs	(556,512)	(247,195)
	(1,006,714)	**(788,794)**

Other service costs include fees for using the PŚO infrastructure, international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top-ups),costs related to the distribution of TV shows and audiovisual content and fees paid to providers of content (e.g. TV, VoD, music) in transactions in which the Group acts as a principal.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

5. Costs of employee benefits

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Salaries	(233,108)	(175,982)
Social security	(43,998)	(31,513)
Equity settled incentive and retention programs	(3,504)	(3,428)
	(280,610)	**(210,923)**

6. External services

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Network maintenance, leased lines and energy	(413,095)	(284,646)
Advertising and promotion expenses	(97,049)	(106,958)
Customer relations costs	(33,539)	(31,811)
Office and points of sale maintenance	(17,423)	(11,348)
IT expenses	(84,253)	(45,591)
People related costs	(16,233)	(11,664)
Finance and legal services	(10,994)	(8,764)
Other external services	(80,405)	(54,369)
	(752,991)	**(555,151)**

A significant portion of the costs of network maintenance, leased lines and energy was comprised of the passive infrastructure lease and maintenance costs under agreements signed with OTP (please see also Note 2.7).

7. Depreciation and amortization

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Depreciation of property, plant and equipment	(395,892)	(292,183)
Amortization of intangibles	(275,259)	(191,373)
Depreciation of right-of-use assets	(170,771)	(148,771)
	(841,922)	**(632,327)**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

8. Other operating income and other operating costs

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Other operating income		
Gains from derecognition of financial assets measured at amortized costs	19,351	13,659
Income from partnership	523,780	449,241
Reversal of impairment of other non-current assets	25	894
Income from subleasing of right-of-use assets	9,122	7,781
Other miscellaneous operating income	85,674	54,284
	637,952	**525,859**
Other operating costs		
Costs related to partnership	(156,148)	(105,714)
Impairment of trade receivables	(37,238)	(27,150)
Impairment of contract assets	(34,668)	(27,650)
Impairment of non-current assets	(4,135)	(3,023)
Loss on disposal of non-current assets and termination of lease contracts	(1,552)	(2,117)
Other miscellaneous operating costs	(16,254)	(7,815)
	(249,995)	**(173,469)**

The “Income from partnership” and “Costs related to partnership” line items relate to the sale of passive infrastructure under the Built-to-Suit program to OTP, construction works to PŚO and other services provided to PŚO and OTP (see also Note 2.4 and 2.7).

Income from subleasing of right-of-use assets relate to agreements classified as operating leases in which the Group, as the lessor, subleases assets that are accounted for as assets under IFRS 16 in the statement of financial position.

Gains from derecognition of financial assets measured at amortized cost represent mainly the result on the sale of trade receivables.

Impairment of trade receivables

The line “Impairment of trade receivables” represents the amount charged to profit or loss according to IFRS 9. When calculating the impairment provision, the Group takes into account, among others, the price it expects to be able to recover in future from sales of receivables.

For movements of the provision for impairment of trade receivables please see Note 17.

Impairment of contract assets

For movements of the provision for impairment of contract assets please see Note 18.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

9. Finance income and finance costs

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Finance income		
Interest income from assets at amortized cost	13,875	27,034
Income from the net investment in the lease	498	412
Exchange rate gains	41,323	-
Other	11,280	-
	66,976	**27,446**
Finance costs		
Interest expense, including:	(630,125)	(332,090)
- on lease liabilities	*(122,632)*	*(105,615)*
- effect of cash flow hedges	*35,995*	*(2,814)*
Net loss on finance instruments at fair value	(8,054)	(11,326)
Exchange rate losses	-	(9,011)
Other	(8,170)	(5,264)
	(646,349)	**(357,691)**

The line item Net loss on financial assets at fair value represents the valuation of the ineffective portion of the cash flow hedge via interest rate swaps.

Interest expenses include the effect of using cash flow hedges (an adjustment related to the accrual of interest and settlement of interest rate swaps constituting cash flow hedges) – please see also Note 15.2.
Interest expense in H1 2023 increased versus H1 2022, driven mainly by an increase in bank loan debt and a hike in market interest rates.

Exchange rate gains were caused mainly by an appreciation of Polish Złoty against EUR in H1 2023 in comparison to H1 2022 when the Group recognized exchange rate losses due to a depreciation of Polish Zloty against EUR.

In H1 2023 and in H1 2022, the Group did not recognize any gains or losses related to liabilities measured at amortized cost.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

10. Income tax

	Six-month period ended June 30, 2023	**Six-month period ended June 30, 2022**
	Unaudited	**Unaudited**
Current tax charge	(281,401)	(221,584)
Deferred tax benefit	44,657	51,758
Income tax charge	**(236,744)**	**(169,826)**

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

	Six-month period ended June 30, 2023	**Six-month period ended June 30, 2022**
	Unaudited	**Unaudited**
Profit before income tax	**670,194**	**927,967**
Tax calculated at the prevailing tax rate applicable to profit (19%)	(127,337)	(176,314)
Effect of difference between tax rates in Luxembourg and in Poland	45	(10)
Expenses not subject to tax	(22,004)	(8,371)
Income not subject to tax	8,015	823
Previous years tax income included in current year accounting profit	31	1,516
Adjustments relating to previous tax years	979	12,846
Change in unrecognized deferred tax asset	(96,473)	(316)
Income tax charge	**(236,744)**	**(169,826)**
Effective Tax rate	35.3%	18.3%

Most of the P4 Group’s taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries registered in Poland was 19% and in Luxembourg 24.94% in H1 2023 and 2022.

The items reconciling the income tax amount in the table above represent the tax effect with the application of appropriate tax rates.

The line “Effect of difference between tax rates in Luxembourg and in Poland” consists of the effect of different tax rates used in Luxembourg and Poland.

As at December 31, 2022 and June 30, 2023, the Group did not recognize deferred tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.
The Group has not recognized an asset on tax losses incurred on the capital activity generated by P4 in 2023, tax losses incurred by Play Finance 1 S.A. in 2017-2023, which under Luxembourg tax law can be settled over 17 years, and on tax losses incurred by Vortanoria Investments sp. z o.o.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Beginning of period:		
Deferred tax assets	**908**	**-**
Deferred tax liabilities	**(380,920)**	**(169,737)**
Change resulting from the final settlement of the acquisition of a subsidiary	(9,067)	-
Deferred tax liability - Beginning of period, restated	**(389,987)**	**(169,737)**
credited / (charged) to the income statement	44,657	51,758
credited to equity	27,211	(15,835)
resulting from acquisition of subsidiaries	(635)	1,523
change in result of deconsolidation of PŚO	2,203	-
End of period		
Deferred tax assets	**-**	**-**
Deferred tax liabilities	**(315,643)**	**(132,291)**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

11. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2023	3,131,603	2,268,061	1,150,417	1,816,424	8,366,505
Change resulting from the final settlement of the acquisition of a subsidiary	-	5,662	1,952	43,825	51,439
As at January 1, 2023, restated	**3,131,603**	**2,273,723**	**1,152,369**	**1,860,249**	**8,417,944**
Increases	-	148,581	-	(146)	148,435
Transfers and reclassifications	-	(8,302)	-	(106)	(8,408)
Acquisition of subsidiaries	-	-	103,930	-	103,930
Decreases	(345,824)	(5,185)	-	-	(351,009)
Reclassification from Assets held for sale	-	-	186,184	-	186,184
Deconsolidation	-	(1,189)	-	-	(1,189)
As at June 30, 2023, unaudited	**2,785,779**	**2,407,628**	**1,442,483**	**1,859,997**	**8,495,887**
Accumulated amortization					
As at January 1, 2023	1,668,693	1,555,224	-	173,139	3,397,056
Change resulting from the final settlement of the acquisition of a subsidiary	-	283	-	1,481	1,764
As at January 1, 2023, restated	**1,668,693**	**1,555,507**	**-**	**174,620**	**3,398,820**
Charge	93,369	117,699	-	64,191	275,259
Decreases	(345,824)	(898)	-	-	(346,722)
As at June 30, 2023, unaudited	**1,416,238**	**1,672,308**	**-**	**238,811**	**3,327,357**
Net book value as at June 30, 2023, unaudited	**1,369,541**	**735,320**	**1,442,483**	**1,621,186**	**5,168,530**

The increase in goodwill in H1 2023 is due to the acquisition of subsidiaries (see Note 2.6) and a correction of the goodwill, which was transferred to Assets held for sale as at 31 December 2022 in connection with the PŚO subsidiary share sale transaction (see Note 2.3).

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Telecommunications licenses

Frequency band	License term from	License term to	Net book value as at June 30, 2023	Net book value as at December 31, 2022
2100 MHz	January 1, 2023	December 31, 2037	339,926	351,648
900 MHz	December 9, 2008	December 31, 2023	7,257	14,513
1800 MHz	February 13, 2013	December 31, 2027	154,552	171,724
800 MHz	January 25, 2016/ June 23, 2016	June 23, 2031	755,518	805,333
2600 MHz	January 25, 2016	January 25, 2031	112,288	119,692
			1,369,541	**1,462,910**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2022	2,779,955	1,859,202	412,031	223,584	5,274,772
Increases	-	101,558	-	1,359	102,917
Transfers and reclassifications	-	(2,640)	-	28	(2,612)
Acquisition of subsidiaries	-	163,443	6,153,530	16,150	6,333,123
Decreases	-	(15,374)	-	(49)	(15,423)
Reclassification to Assets held for sale	-	(2,070)	-	-	(2,070)
As at June 30, 2022, unaudited	**2,779,955**	**2,104,119**	**6,565,561**	**241,072**	**11,690,707**
Accumulated amortization					
As at January 1, 2022	1,483,557	1,349,207	-	83,557	2,916,321
Charge	92,568	87,120	-	11,685	191,373
Transfers and reclassifications	-	489	-	-	489
Decreases	-	(14,911)	-	(46)	(14,957)
Reclassification to Assets held for sale	-	(43)	-	-	(43)
As at June 30, 2022, unaudited	**1,576,125**	**1,421,862**	**-**	**95,196**	**3,093,183**
Accumulated impairment					
As at January 1, 2022	-	141	-	-	141
Impairment charge	-	-	-	-	-
As at June 30, 2022, unaudited	**-**	**141**	**-**	**-**	**141**
Net book value as at June 30, 2022, unaudited	**1,203,830**	**682,116**	**6,565,561**	**145,876**	**8,597,383**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

12. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2023	2,522	1,037,500	446,883	3,488,528	16,656	683,819	5,675,908
Increases	-	87,330	(241)	259,508	279	145,681	492,557
Transfers and reclassifications	-	2,637	21,910	(37,445)	1,377	22,516	10,995
Acquisition of subsidiaries	-	15,013	93	58,416	11	12	73,545
Decreases	-	(3,467)	(13,941)	(85,212)	(733)	(21,200)	(124,553)
Reclassification to Assets held for sale	-	(2,666)	-	(74,512)	-	-	(77,178)
Reclassification to Work in progress	-	-	-	(11,062)	-	-	(11,062)
Deconsolidation	-	-	(25)	-	-	(3,809)	(3,834)
As at June 30, 2023, unaudited	**2,522**	**1,136,347**	**454,679**	**3,598,221**	**17,590**	**827,019**	**6,036,378**
Accumulated depreciation							
As at January 1, 2023	-	271,264	281,198	1,805,547	3,658	256,396	2,618,063
Charge	-	25,266	25,722	239,625	3,055	102,224	395,892
Transfers and reclassifications	-	(24)	(1)	1,066	315	-	1,356
Decreases	-	(3,187)	(13,887)	(68,905)	(530)	(17,550)	(104,059)
Deconsolidation	-	-	(3)	-	-	-	(3)
As at June 30, 2023, unaudited	**-**	**293,319**	**293,029**	**1,977,333**	**6,498**	**341,070**	**2,911,249**
Accumulated impairment							
As at January 1, 2023	-	11,538	-	1,985	-	-	13,523
Impairment charge / (reversal of impairment charge)	-	4,127	-	(17)	-	-	4,110
As at June 30, 2023, unaudited	**-**	**15,665**	**-**	**1,968**	**-**	**-**	**17,633**
Net book value as at June 30, 2023, unaudited	**2,522**	**827,363**	**161,650**	**1,618,920**	**11,092**	**485,949**	**3,107,496**

Buildings represent mainly cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment and telecommunication towers remaining the Group's property can be installed.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

Certain proportion of the Property, plant and equipment is also used to generate revenue from operating leases where some assets (towers) are also being shared with other operators. Nevertheless, property, plant and equipment that the Group holds is used mainly for its own purposes and therefore the value of items leased to third parties is not material for the Financial Statements.

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2022	2,507	791,598	354,544	2,548,432	8,252	192,390	3,897,723
Increases	-	193,126	7,021	299,395	3,187	68,040	570,769
Transfers and reclassifications	-	(8,644)	(3,010)	567	1,467	14,162	4,542
Acquisition of subsidiaries	15	121,397	19,041	933,466	1,526	317,636	1,393,081
Decreases	-	(6,149)	(1,512)	(10,211)	(312)	(14,572)	(32,756)
Reclassification to Assets held for sale	-	(193,027)	(15)	(494,216)	-	(3,658)	(690,916)
As at June 30, 2022, unaudited	**2,522**	**898,301**	**376,069**	**3,277,433**	**14,120**	**573,998**	**5,142,443**
Accumulated depreciation							
As at January 1, 2022	-	240,336	242,868	1,500,589	2,242	119,515	2,105,550
Charge	-	20,545	17,858	199,188	(698)	55,290	292,183
Transfers and reclassifications	-	(20)	-	(68)	898	-	810
Decreases	-	(5,937)	(1,427)	(9,969)	(208)	(12,917)	(30,458)
Reclassification to Assets held for sale	-	(1,973)	(3)	(19,261)	-	-	(21,237)
As at June 30, 2022, unaudited	**-**	**252,951**	**259,296**	**1,670,479**	**2,234**	**161,888**	**2,346,848**
Accumulated impairment							
As at January 1, 2022	-	2,920	-	3,285	-	-	6,205
Impairment charge / (reversal of impairment charge)	-	3,023	-	(894)	-	-	2,129
As at June 30, 2022, unaudited	**-**	**5,943**	**-**	**2,391**	**-**	**-**	**8,334**
Net book value as at June 30, 2022, unaudited	**2,522**	**639,407**	**116,773**	**1,604,563**	**11,886**	**412,110**	**2,787,261**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

13. Right-of-use assets

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2023	79,562	4,750,422	22,293	88,951	32,254	-	4,973,482
Increases	40,453	373,598	-	23,685	-	-	437,736
Asset retirement obligation	-	3,190	-	-	-	-	3,190
Transfers and reclassifications	-	-	-	(1,367)	(1,220)	-	(2,587)
Acquisition of subsidiaries	-	-	136	6,017	1,530	73	7,756
Decreases	(26,489)	(54,352)	(598)	(1,669)	(935)	-	(84,043)
Deconsolidation	-	-	-	-	(178)	-	(178)
As at June 30, 2023, unaudited	**93,526**	**5,072,858**	**21,831**	**115,617**	**31,451**	**73**	**5,335,356**
Accumulated depreciation							
As at January 1, 2023	14,303	783,121	17,535	24,236	13,410	-	852,605
Charge	5,683	155,230	959	6,269	1,449	1	169,591
Charge from asset retirement obligation	-	1,180	-	-	-	-	1,180
Transfers and reclassifications	-	-	-	(1,041)	(315)	-	(1,356)
Acquisition of subsidiaries	-	-	-	(16)	-	-	(16)
Decreases	(3,356)	(15,065)	(598)	(1,480)	(376)	-	(20,875)
Deconsolidation	-	-	-	-	(6)	-	(6)
As at June 30, 2023, unaudited	**16,630**	**924,466**	**17,896**	**27,968**	**14,162**	**1**	**1,001,123**
Net book value as at June 30, 2023, unaudited	**76,896**	**4,148,392**	**3,935**	**87,649**	**17,289**	**72**	**4,334,233**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil in H1 2023 and H1 2022. 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 11,348 thousand in H1 2023 and PLN 14,994 thousand in H1 2022.

Income from subleasing of right-of-use assets is presented in Note 8. For information regarding lease liabilities and related costs, please see the notes 9 and 22.3.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Total
Cost						
As at January 1, 2022	75,087	4,192,446	23,574	57,832	26,285	4,375,224
Increases	25,183	345,757	-	1,714	480	373,134
Asset retirement obligation	-	3,689	-	-	-	3,689
Transfers and reclassifications	-	-	61	(426)	(1,565)	(1,930)
Acquisition of subsidiaries	-	96,788	-	15,041	11,846	123,675
Decreases	(26,295)	(33,540)	(524)	(2,265)	(3,352)	(65,976)
Reclassification to Assets held for sale	-	-	-	(284)	(49)	(333)
As at June 30, 2022, unaudited	**73,975**	**4,605,140**	**23,111**	**71,612**	**33,645**	**4,807,483**
Accumulated depreciation						
As at January 1, 2022	10,097	523,994	16,224	18,727	11,460	580,502
Charge	4,656	134,575	1,617	4,625	2,543	148,016
Charge from asset retirement obligation	-	755	-	-	-	755
Transfers and reclassifications	-	-	-	(401)	(898)	(1,299)
Acquisition of subsidiaries	-	-	-	(20)	-	(20)
Decreases	(3,080)	(11,621)	(524)	(2,114)	(1,790)	(19,129)
Reclassification to Assets held for sale	-	-	-	(10)	(2)	(12)
As at June 30, 2022, unaudited	**11,673**	**647,703**	**17,317**	**20,807**	**11,313**	**708,813**
Net book value as at June 30, 2022, unaudited	**62,302**	**3,957,437**	**5,794**	**50,805**	**22,332**	**4,098,670**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

14. Financial instruments

	Assets at fair value through profit or loss	Assets at amortized cost	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Note	Carrying amount	Fair value
June 30, 2023, unaudited							
Cash and cash equivalents	199,128	-	-	-	20	199,128	199,128
Trade receivables	-	1,032,322	-	-	17	1,032,322	1,032,322
Other receivables	-	1,202,248	-	-	17	1,202,248	1,202,248
Interest rate swaps	67,721	-	(176,512)	-	15.2	(108,791)	(108,791)
Loans given	-	10	-	-	15	10	10
Lease receivables	-	22,462	-	-	15.3	22,462	22,462
Long-term receivables	-	20,356	-	-	15	20,356	20,356
Bank loans	-	-	-	(8,692,312)	22.1	(8,692,312)	(8,730,848)
Notes	-	-	-	(1,251,749)	22.2	(1,251,749)	(1,220,659)
Lease	-	-	-	(4,493,105)	22.3	(4,493,105)	(4,493,105)
Other debt	-	-	-	(1,560,884)	22.4	(1,560,884)	(1,560,884)
	266,849	**2,277,398**	**(176,512)**	**(15,998,050)**		**(13,630,315)**	**(13,637,761)**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Assets at fair value through profit or loss	Assets at amortized cost	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Note	Carrying amount	Fair value
December 31, 2022							
Cash and cash equivalents	625,617	-	-	-	20	625,617	625,617
Trade receivables	-	926,342	-	-	17	926,342	926,342
Other receivables	-	5,024	-	-	17	5,024	5,024
Interest rate swaps	125,555	-	(90,445)	-	15.2	35,110	35,110
Loans given	-	250	-	-	15	250	250
Lease receivables	-	24,300	-	-	15.3	24,300	24,300
Long-term receivables	-	19,559	-	-	15	19,559	19,559
Bank loans	-	-	-	(10,001,926)	22.1	(10,001,926)	(10,054,537)
Notes	-	-	-	(1,252,101)	22.2	(1,252,101)	(1,199,342)
Lease	-	-	-	(4,263,765)	22.3	(4,263,765)	(4,263,765)
Other debt	-	-	-	(11,875)	22.4	(11,875)	(11,875)
	751,172	**975,475**	**(90,445)**	**(15,529,667)**		**(13,893,465)**	**(13,893,317)**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

15. Other finance assets

	June 30, 2023 Unaudited	December 31, 2022
Long-term investments	1,777,472	1,513
Interest rate swaps	13,577	44,898
Long-term receivables	20,356	19,559
Long-term lease receivables	12,884	14,490
Other long term financial assets	**1,824,289**	**80,460**
Interest rate swaps	54,144	80,657
Short-term lease receivables	9,578	9,810
Loans given	10	250
Other short-term finance assets	**63,732**	**90,717**
	1,888,021	**171,177**

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

15.1 Long-term investments

In connection with the sale of 50% shares in PŚO (see Note 2.3) on March 31, 2023, in the Long-term investments line item of the consolidated statement of financial position, the Group presented shares in the company that, since April 1, 2023, have been measured by the equity method, recognizing 50% of the net result generated by the company in profit or loss.

15.2 Interest rate swaps

As at June 30, 2023, the Group had swap instruments to hedge interest rate risk. The hedge covers both the debt arising under loan agreements as well as liabilities under Series A and B Unsecured Notes.
As at June 30, 2023, the total value of hedged debt was PLN 7.5 billion (PLN 7 billion as at December 31, 2022), while the ratio of the collateral to the nominal value of the hedged item was as follows:

Hedged item	**Nominal hedging value**	**IRS Settlement date**	**Share of hedging item in the hedged item**
Term and Revolving Facilities Agreement, „TRFA”	3,500,000	2024-2025	100%
Term Facility Agreement	2,800,000	2025	68%
Unsecured Notes series A, B	1,200,000	2025	96%
Total	**7,500,000**		

The above interest rate swaps have been established as hedges of cash flows linked to loans and bonds (hedged instruments) and therefore the Group applies hedge accounting principles to the measurement of these instruments. The contracts provide for a swap of the WIBOR 6M variable rate to a fixed rate and cash settlements over half-year periods.

The Group recognizes the effect of measurement of the above financial instruments, in the portion determined to be an effective hedge in “Other reserves” (Note 21.3).

As at June 30, 2023, the Group recognized both a financial asset and liability arising under interest rate swaps (please see also Note 22).

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

15.3 Finance lease receivables

Amounts due from leases when Group acts as a lessor and classifies its leases as finance leases according to IFRS 16 are recognized as receivables in the amount of the Group's investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As at June 30, 2023 the Group recognized finance lease receivables in relation to dark fiber and IT equipment lease contracts.

15.4 Operating leases

The Group enters also into lease agreements in which it is the lessor, which are classified as operating leases (i.e. when the terms of the lease don't transfer substantially all the risks and rewards of ownership to the lessee). Operating leases relate mainly to point of sales, base stations and fiber optic cables. Operating lease income is presented in other operating income (please see Note 8) in the "Income from subleasing of right-of-use assets" line item.

16. Inventories

	June 30, 2023 Unaudited	December 31, 2022
Goods for resale	262,852	180,628
Goods in dealers' premises	32,879	29,553
Materials	263	263
Work in progress	347,386	124,011
Impairment of goods for resale	(8,913)	(7,953)
	634,467	**326,502**

In the "Inventories under construction" line item, the Group presents expenditures incurred in connection with the performance of the construction work for PŚO and expenditures for base stations sold to OTP built outside of the minimum limit specified in the BTS program (see also Note 2.4 and 2.7).

The impairment of the P4 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, which will be achieved both from sales of goods and from sales of related telecommunications services. Inventories for resale outside of promotional offers are measured at the lower of: the cost of purchase or net recoverable amount.

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

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Beginning of period	**(7,953)**	**(7,925)**
- charged to income statement	(1,029)	(2,055)
- utilized	69	-
End of period	**(8,913)**	**(9,980)**

The net increase/decrease of the provision for inventories is recognized in the cost of goods sold.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

17. Trade and other receivables

	June 30, 2023 Unaudited	December 31, 2022
Trade receivables	1,178,697	1,063,716
Impairment of trade receivables	(146,375)	(137,374)
Trade receivables (net)	**1,032,322**	**926,342**
VAT and other government receivables	1,899	4,705
Other receivables	1,200,349	319
Other receivables (net)	**1,202,248**	**5,024**
	2,234,570	**931,366**

The total amount of trade receivables is comprised of receivables from contracts with customers.

Trade receivables include mainly receivables from the provision of telecommunication services as well as instalment receivables relating to sales of handsets and mobile computing devices.

The Group classifies trade receivables within business model, in which assets are held to collect contractual cash flows. As part of its receivables management the Group sells past due receivables to third party collection agencies; the receivables are then derecognized. Such sales are aimed at mitigating potential credit losses due to deterioration of credit-standing of the debtors.

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

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

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Beginning of period	**(137,374)**	**(101,481)**
- acquisition of a subsidiary	(757)	(20,310)
- charged to income statement	(37,238)	(27,150)
- utilized	28,994	26,009
End of period	**(146,375)**	**(122,932)**

Amounts charged to the allowance account are generally written down when there is no expectation of recovering additional cash. A decision to write down any receivables is made on a case-by-case basis for each business partner after all available methods of recovery have been exhausted or when the receivable becomes time-barred.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

18. Contract assets

	June 30, 2023 Unaudited	December 31, 2022
Contract assets	1,792,155	1,699,848
Impairment of contract assets	(96,611)	(96,645)
	1,695,544	**1,603,203**

The carrying amount of impairment of contract assets corresponds to the expected credit loss recognized in accordance with IFRS 9 upon initial recognition of the contract asset.

Movements of the impairment allowance for contract assets were as follows:

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Beginning of period	**(96,645)**	**(93,482)**
- charged to income statement	(34,668)	(27,650)
- utilization	34,702	30,219
End of period	**(96,611)**	**(90,913)**

The line „charged to income statement" represents the changes in estimated credit losses which the Group expects to incur in future while the line "utilization" is the value of the contract assets relating to contracts actually disconnected.

Movements in the value of contract assets in the 6-month periods ended: June 30, 2023 and June 30, 2022 were as follows:

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Contract assets, net - Beginning of period	**1,603,203**	**1,460,945**
Additions	780,075	677,300
Invoiced amounts transferred to trade receivables	(653,066)	(612,985)
Impairment, charged to income statement	(34,668)	(27,650)
Contract assets, net - End of period	**1,695,544**	**1,497,610**

Additions correspond to adjustments to revenue from sales of goods under IFRS 15 when services and devices are sold in bundled packages to customers.

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

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

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

19. Prepaid expenses

	June 30, 2023 Unaudited	December 31, 2022
Long term prepaid expenses		
Loan origination fees	9,400	12,585
Other	23,028	35,653
	32,428	**48,238**
Short term prepaid expenses		
Loan origination fees	7,978	9,401
Distribution and selling costs	7,423	6,726
Network and IT maintenance	12,378	7,264
Other	118,899	80,862
	146,678	**104,253**

20. Cash and cash equivalents

	June 30, 2023 Unaudited	December 31, 2022
Petty cash	431	567
Balances deposited with banks	197,437	624,857
Other cash assets	1,260	193
	199,128	**625,617**

As of June 30, 2023 and December 31, 2022 balances deposited with banks included, among others, cash related to VAT received through split payment process.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

21. Shareholders' equity

21.1 Share capital

As at June 30, 2023 and as at December 31, 2022, Iliad Purple held 100% shares in the Company and the Company's share capital was comprised of 97,713 shares with a par value of 500 per share.

21.2 Other supplementary capital

Supplementary capital is credited or charged with effects of measurement and settlements of equity-settled incentive and retention programs. For the detailed descriptions of the programs please see Note 30 of the Annual Financial Statements.

21.3 Other reserves

The Group recognizes in other reserves the effect of valuation of cash flow hedging instruments in the portion recognized as an effective hedge (please see Note 15.2), as well as actuarial gains/losses on post-employment employee benefits.

The table below presents changes in cash flow hedge reserves:

	Six-month period ended June 30, 2023 Unaudited	**Six-month period ended June 30, 2022 Unaudited**
Cash flow hedge reserves - Beginning of period	**43,940**	**23,001**
- before tax	*54,247*	*28,396*
- deferred tax	*(10,307)*	*(5,395)*
Effective part of gains/(losses) on cash flow hedge instruments	(107,236)	80,526
Reclassification to the income statement - interest expense presented in finance costs	(35,995)	2,814
Income tax charge	27,214	(15,835)
Cash flow hedge reserves - End of period	**(72,077)**	**90,506**
- before tax	*(88,984)*	*111,736*
- deferred tax	*16,907*	*(21,230)*

21.4 Retained earnings

On April 25, 2023, the Shareholder Meeting adopted a resolution on the distribution of P4's 2022 profit, according to which the 2022 net profit in the amount of PLN 1,024,766 thousand was distributed as follows:

- The amount of PLN 892,100 thousand was used to pay out a dividend for 2022.
- The remaining part of the net profit in the amount of PLN 132,667 thousand was used to create reserve capital to be used for future dividends or interim dividends.

On April 26, 2023, the Group paid out a dividend to Iliad Purple in the total amount of PLN 2,400,000 thousand from the reserve capital created from the 2021 profit in the amount of PLN 1,507,900 and from a portion of the 2022 profit in the amount of PLN 892,100 thousand.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

22. Finance liabilities

Finance liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities and notes liabilities are subsequently measured at amortized cost. Loan origination fees incurred in relation to the loan are included in the calculations of the effective interest rate. The effective interest rate reflects the interest costs as well as amortization of the loan origination fees.

	June 30, 2023 Unaudited	**December 31, 2022**
Long-term finance liabilities		
Long-term bank loans	8,453,784	9,802,020
Long-term notes liabilities	1,248,490	1,248,331
Long-term lease liabilities	4,212,288	4,008,149
Interest rate swaps	139,298	80,056
Other debt	8	-
	14,053,868	**15,138,556**
Short-term finance liabilities		
Short-term bank loans	238,528	199,906
Short-term notes liabilities	3,259	3,770
Short-term lease liabilities	280,817	255,616
Interest rate swaps	37,214	10,389
Other debt	1,560,876	11,875
	2,120,694	**481,556**
	16,174,562	**15,620,112**

22.1 Bank loans

	June 30, 2023 Unaudited	**December 31, 2022**
Long-term bank loans	8,453,784	9,802,020
Short-term bank loans	238,528	199,906
	8,692,312	**10,001,926**
the balance of unamortized fees	38,536	52,611
the weighted average effective interest rate	8.84%	9.52%

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

The table below presents the list of the Group's current loan agreements. "Amount used" represents the amount of financing disbursed before repayments made until June 30, 2023.

Agreement	**Note**	**Disbursement date**	**Final maturity**	**Repayment type**	**Interest rate**	**Amount used**	**Remaining amount available**
Term and Revolving Facilities Agreement – the term part	22.1.1	March 30, 2021	March 29, 2026	At the end of the agreement	floating	3,500,000	-
Term and Revolving Facilities Agreement – the revolving part	22.1.1	March 30, 2021	March 29, 2024	At the end of the agreement	floating	-	2,000,000
Term Facility Agreement	22.1.2	April 1, 2022	March 26, 2026	At the end of the agreement	floating	5,500,000	-
Investment loan	22.1.3					431,283	68,717
Tranche 1		October 31, 2022	September 20, 2026	Instalments	fixed	148,547	
Tranche 2		December 29, 2022	September 20, 2026	Instalments	fixed	137,077	
Tranche 3		March 31, 2023	September 20, 2026	Instalments	fixed	60,288	
Tranche 4		May 31, 2023	September 20, 2026	Instalments	fixed	85,371	
Facility agreement for the purchase of electronic equipment	22.1.4					464,360	-
Tranche 1		March 9, 2022	December 22, 2026	Instalments	floating	235,000	
Tranche 2		June 22, 2022	December 22, 2026	Instalments	floating	125,000	
Tranche 3		December 23, 2022	December 22, 2026	Instalments	floating	104,360	
Investment loan from the European Investment Bank	22.1.5					235,000	235,000
Tranche 1		February 25, 2022	February 25, 2028	Instalments	fixed	150,000	
Tranche 2		June 27, 2022	June 27, 2028	Instalments	fixed	50,000	
Tranche 3		December 22, 2022	December 22, 2028	Instalments	floating	35,000	

22.1.1 Term and Revolving Facilities Agreement, „TRFA"

On March 26, 2021, the Company signed the new Term and Revolving Facilities Agreement ("TRFA") for the total amount of PLN 5,500,000 thousand, with Credit Agricole Corporate and Investment Bank, Raiffeisen Bank International AG and Santander Bank Polska acting as Lead Arrangers and Guarantors and with the above banks and Credit Agricole Bank Polska acting as Initial Lenders.

The Term Facility in the amount of PLN 3,500,000 thousand was granted for a period of 5 years, while the Revolving Facility in the amount of PLN 2,000,000 thousand will be available for a period of 3 years, with an option to extend it or replace it with a term loan upon consent of the Lenders. The Facilities are not secured. The proceeds under TRFA may be used for repayment of current debt and for general corporate purposes.

The TRFA contains a financial covenant, under which the P4 Group must ensure that the ratio of the consolidated total net debt to the consolidated EBITDAaL ("Leverage Ratio") does not exceed 3.25x as at the test dates. The covenant was satisfied as at June 30, 2022.

The TRFA also lists certain permitted acquisition transactions. Any acquisition transactions outside the list require prior written consent of the lenders. The TRFA also restricts the Group from making certain type of unusual payments at the same time allowing the Group to run normal operations under permitted payments definition.

Interest on each loan under the TRFA is calculated based on the WIBOR rate relevant for a given interest period plus margin and is payable in 3-month or 6-month periods. The level of the margin depends on the Leverage Ratio.

22.1.2 Term Facility Agreement

On December 10, 2021 the Company entered into a new Facility Agreement for PLN 5,500,000 thousand with BNP Paribas Bank Polska S.A., Crédit Agricole Corporate and Investment Bank, ING Bank N.V., Powszechna Kasa Oszczędności Bank Polski S.A., Raiffeisen Bank International AG, Santander Bank Polska S.A. and Sociéte Générale as lead arrangers and original lenders together with Crédit Agricole Bank Polska S.A. and ING Bank Śląski S.A. The financing was available for a drawdown in a single tranche during the 12-month availability period.

On April 1, 2022, the full amount of available financing, i.e. PLN 5.5 billion, was drawn down. The funds were used to cover part of the consideration for the purchase of UPC shares.

Interest is calculated using WIBOR plus margin, depending on the level of the Group's leverage ratio, the maximum level of which, calculated as consolidated net debt to consolidated adjusted EBITDAaL, has been set at 3.25x.

On May 22, 2023, the Company made a prepayment of the principal in the amount of PLN 1,400,000 thousand with due interest.

22.1.3 Investment loan

On October 15, 2021 the Company signed a PLN 500,000 thousand bilateral Investment Agreement with Bank Gospodarstwa Krajowego S.A. ("BGK Bank") ("BGK Financing"). Under this agreement, BGK provides a loan from the funds of the Operational Program Digital Poland 2014-2020 to finance investments associated with the construction, expansion or reconstruction of P4's telecommunications infrastructure network in Poland aimed at providing access to broadband Internet, including projects related to the development of the 5G mobile technology. On April 28, 2023 the Company signed amending agreement No.1 with Bank BGK under which, among others, the period of availability of funds under BGK Financing was extended until October 31, 2023.

The BGK Financing can be drawn in multiple tranches until October 31, 2023. Once drawn down, the loan will be repaid in equal quarterly instalments until final repayment on September 20, 2028.
The BGK Financing Agreement contains a financial covenant, under which the P4 Group must ensure that the ratio of net debt to the consolidated EBITDAaL ("Leverage Ratio") does not exceed 3.25x as at the test dates.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

On July 31, 2023, the Group disbursed another tranche of the loan under the agreement in the amount of PLN 68 717 thousand (see also Note 35).

22.1.4 Facility agreement for the purchase of electronic equipment

On December 22, 2021 the Company entered into a facility agreement with Banco Santander SA, with the insurance support of Korea Trade Insurance Corporation, in the amount of PLN 464,400 thousand ("ECA Financing"). The funds from the facility agreement were used to partially finance the purchases of electronic equipment from Samsung Electronics Polska Sp. z o.o. in 2021 and 2022.

The facility availability period was set at 12 months. The facility will be repaid in 8 equal semi-annual instalments, starting from the end of the facility availability period and the final repayment will be made on December 22, 2026. The interest rate is variable and based on WIBOR plus margin.

The agreement contains a financial covenant, under which the ratio of the consolidated net debt to the consolidated EBITDAaL may not exceed 3.25x as at each test date.

22.1.5 Investment loan from the European Investment Bank

On January 14, 2022, P4 signed a bilateral Facility Agreement with the European Investment Bank ("EIB") for the amount of PLN 470,000 thousand ("EIB Financing"). Under this agreement, the Company may use the funds to partially finance investments related to the expansion and technological modernization of its mobile network towards ultra-fast broadband services as part of the European Union's "2025 Gigabit Society" projects dedicated to eliminating territorial inequalities in broadband accessibility as well as cybersecurity and other digital transformation objectives announced in the “2030 Digital Compass".

The funding may be made available in up to 9 tranches over a 2-year availability period. The facility will be repaid in a single instalment 6 years after the disbursement or within 10 years after the disbursement in equal instalments after the end of the grace period, at the Company's discretion.

For each tranche, the Company may elect to pay interest based on a variable WIBOR rate plus margin or a fixed rate until the final maturity date of the facility.

22.2 Notes

	June 30, 2023 Unaudited	December 31, 2022
Long-term notes liabilities		
PLN Floating Rate Notes	1,248,490	1,248,331
	1,248,490	**1,248,331**
Short-term notes liabilities		
Accrued interest related to notes	3,259	3,770
	3,259	**3,770**
	1,251,749	**1,252,101**
the balance of unamortized fees	1,510	1,669
the weighted average effective interest rate	8.97%	9.27%

Note liabilities were measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate.

The inputs used in determining the fair value of the notes fall within Level 1 of the fair value hierarchy (fully observable inputs for assets and liabilities, e.g. prices from active markets for identical assets and liabilities).

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

22.2.1 Series A Unsecured Notes due in 2026

On October 23, 2019, the Group announced its intention to establish a Bond Issue Program (the "Program"), as part of which the issuer will be able to carry out a number of bond issues up to the maximum total nominal value of bonds issued under the Program and outstanding at any time of PLN 2 billion.

On December 13, 2019 P4 issued under the Program 1,500 series A unsecured notes, with the nominal value of PLN 500 thousand each and the total nominal value of PLN 750,000 thousand, which on 13 December 2019 were registered in the depository operated by the Central Securities Depository of Poland. On February 26, 2020, the Notes were admitted to trading in the Catalyst Alternative Trading System operated by the Warsaw Stock Exchange.

The notes maturity date is December 11, 2026. Interest, based on 6M WIBOR plus margin, is paid semi-annually.

22.2.2 Series B Unsecured Notes due in 2027

On December 29, 2020, P4 issued under the Program 500,000 series B unsecured notes with the nominal value of PLN 1 thousand each and the total nominal value of PLN 500,000 thousand, which on December 30, 2020 were registered in the depository operated by the Central Securities Depository of Poland. On March 9, 2021, the notes were admitted to trading in the Catalyst Alternative Trading System operated by the Warsaw Stock Exchange. On March 16, 2021, the notes were quoted for the first time.

The maturity date of series B notes is December 29, 2027. Interest, based on 6M WIBOR plus margin, will be paid semi-annually.

22.3 Lease liabilities

	June 30, 2023 Unaudited	**December 31, 2022**
Long-term lease liabilities		
Land and buildings for telecommunication sites and network	3,987,715	3,772,773
Points of sale	55,769	51,809
Dark fiber optic cable	27,353	23,988
Collocation centers	71,161	77,776
Offices and warehouse	61,019	70,699
IT equipment and telecommunications equipment	4,449	4,830
Motor vehicles	4,822	6,274
	4,212,288	**4,008,149**
Short-term lease liabilities		
Land and buildings for telecommunication sites and network	181,519	165,441
Points of sale	33,368	31,301
Dark fiber optic cable	17,632	12,320
Collocation centers	11,333	11,086
Offices and warehouse	23,011	21,360
IT equipment and telecommunications equipment	7,093	5,708
Motor vehicles	6,861	8,400
	280,817	**255,616**
	4,493,105	**4,263,765**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

22.4 Other finance liabilities

Other finance liabilities include, among others:

- Liabilities under the loan granted to P4 by iliad S.A. on May 12, 2023 with a nominal value of PLN 1,400,000 thousand. The loan was concluded for a 6-month period with interest based on 3M WIBOR plus margin.

- Liabilities under the cash pooling agreement, which was concluded on March 23, 2023, by the Group with Iliad and with BNP Paribas acting as a clearing agent. Interest on the cash pool balance is calculated based on 3M WIBOR plus margin and is payable quarterly. As at June 30, 2023, the balance of liabilities on this account was PLN 126,502 thousand.

- Liabilities under instalment purchase contracts relating to property, plant and equipment and intangible assets.

22.5 Assets pledged as security for finance liabilities

The Group's obligations under facility agreements in effect as at June 30, 2023 are not secured.

23. Provisions for liabilities

	June 30, 2023 Unaudited	December 31, 2022
Assets retirement provision	44,910	38,091
Other long-term provisions	308,548	335,074
Short-term provisions	4,012	5,381
	357,470	**378,546**

The Group recognizes a provision for asset retirement obligations primarily for the obligation to dismantle the telecommunications constructions and equipment from the leased property and other space ("sites") which need to be restored to previous state when the lease ends.

Other long-term and short-term provisions relate to legal, regulatory matters or arise under commercial contracts.

24. Incentive and retention programs

In H1 2023 and in 2022, the iliad Group (as the successor of Play Communications) operated the following incentive and retention programs: PIP, PIP 2, PIP 3, VDP 4, VDP 4 bis, the Iliad Purple Plan and the Holdco II Plan, in which individuals employed in the P4 Group participated. A detailed description of these equity-settled programs is in Note 27 of the Annual Financial Statements.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

25. Trade and other payables

	June 30, 2023 Unaudited	December 31, 2022 Restated*
Trade payables	1,466,613	1,283,945
Investment payables	319,881	302,379
Government payables	176,145	146,892
Other	14,732	43,768
	1,977,371	**1,776,984**

As at December 31, 2022, the Group restated its comparative data in connection with the purchase price allocation of the Redge acquisition (see Note 2.4) recognizing in the restated data the liability on account of the acquisition in the amount of PLN 39,029 thousand. As at June 30, 2023, the Group settled this liability in full by making a payment to the sellers in H1 2023.

26. Accruals

Accruals include accruals for employee bonuses and unused holidays.

27. Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the end customer or the amount is due as well as the value of prepaid products delivered to a distributor but not yet transferred to the end customer.
The balance of contract liabilities as at June 30, 2023 and December 31, 2022 consisted of the Group's obligation to perform services prepaid by contract and pre-paid services.

	June 30, 2023 Unaudited	December 31, 2022
Prepaid services	124,265	130,798
Contract services	373,162	255,556
	497,427	**386,354**

28. Cash and cash equivalents in the statement of cash flows

For the purposes of the consolidated statement of cash flows cash and cash equivalents are presented in the amount reduced by the bank overdrafts and cash pool balances (see also Note 22.4). Interests accrued and not received are excluded from cash and cash equivalents for the purposes of consolidated statement of cash flows.

	June 30, 2023 Unaudited	June 30, 2022 Unaudited
Cash and cash equivalents in statement of financial position	199,128	425,847
Cash pool	(127,670)	-
Bank overdrafts	(814)	-
Cash and cash equivalents in statement of cash flows	**70,644**	**425,847**

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

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

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
(Increase)/decrease of inventories	(279,113)	(73,299)
(Increase)/decrease of receivables	(134,944)	(31,976)
(Increase)/decrease of prepaid expenses	(28,190)	(33,148)
Increase/(decrease) of payables excluding investment payables	251,243	32,073
Increase/(decrease) of accruals	(49,537)	(40,737)
(Increase)/decrease of long-term receivables	(671)	(299)
Increase/(decrease) of other non-current liabilities	(893)	278
Changes in working capital and other	**(242,105)**	**(147,108)**
(Increase)/decrease in contract costs	(29,530)	7,210
(Increase)/decrease in contract assets	(92,342)	(30,800)
Increase/(decrease) in contract liabilities	76,751	13,973
	(287,226)	**(156,725)**

In H1 2023, the evolution of the “Changes in working capital and other” item was driven mainly by an increase in inventories and receivables.

The increase in inventories in 2023 was mainly due to expenditures incurred for infrastructure to be sold to On Tower Poland under the BTS program and expenditures for construction work performed for PŚO (see note 2.4 and 2.7).

The increase in contract assets in H1 2023 was driven by higher sales of goods versus the comparative period.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

30. Cash flows from finance liabilities

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Proceeds from finance liabilities		
loans	145,659	6,060,000
other debt	1,400,000	-
	1,545,659	**6,060,000**
Repaid finance liabilities and paid interest and other costs relating to finance liabilities		
Loans	(1,888,149)	(189,525)
- principal	*(1,458,045)*	-
- interests	*(413,771)*	*(124,304)*
- other	*(16,333)*	*(65,221)*
Notes	(53,654)	(27,489)
- interests	*(53,654)*	*(27,401)*
- other	-	*(88)*
Leases	(248,967)	(221,820)
- principal	*(126,697)*	*(115,713)*
- interests	*(122,270)*	*(106,107)*
Other debt	(12,886)	(10,781)
- principal	*(12,401)*	*(10,638)*
- interests	*(485)*	*(142)*
- other	-	*(1)*
	(2,203,656)	**(449,615)**

31. Segment reporting

The Company and its subsidiaries (together, the "P4 Group" or the "Group") operate in the mobile and landline telecommunications sector in Poland. The Group provides telecommunication services under the "PLAY", "UPC", "VIRGIN" and "3S" brands, sells mobile devices and provides IT services via owned collocation centers.

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 by the Management Board to make decisions about resources to be allocated and to assess its performance. The whole P4 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 EBITDAaL), only from the perspective of the P4 Group as a whole.

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

32. Related party transactions

32.1 Remuneration of management and supervisory bodies

Cost of remuneration (including accrued bonuses) of members of Management Boards and Executive Committees in Group entities incurred in H1 2023 were PLN 7,532 thousand (PLN 9,840 thousand in H1 2022).

Additionally, members of the P4's Management Board participate in the equity-settled incentive and retention programs (please see Note 24). As a result of the valuation of the programs, the Group did not recognize any costs in H1 2023 (cost of PLN 1,432 thousand in H1 2022). Costs related to the valuation of the programs have been included in costs of employee benefits in the consolidated statement of comprehensive income.

The cost of remuneration of former Management Board members of Group companies incurred after they stepped down from their positions amounted to PLN 421 thousand in H1 2023 (PLN 876 thousand in H1 2022).

The cost of remuneration of Supervisory Board members of Group companies incurred in H1 2023 amounted to zero (PLN 108 thousand in H1 2022).

Apart from the transactions mentioned above, the Group is not aware of any other material transactions between the Group and members of the Management Board and of the Executive Committee of P4, or Supervisory Boards and Management Board Member of companies within the Group.

32.2 Related party transactions with entities linked to Shareholders

Below we present the balances of transactions made with Iliad Purple S.A. ("Parent Company") and its related entities.
The transactions were concluded on the terms that do not differ materially from market terms.

	June 30, 2023 Unaudited	**December 31, 2022**
Trade receivables	**675,388**	**5,466**
Parent company	-	15
Other related parties	675,388	5,451
Long-term finance liabilities	**4,500**	**3,550,068**
Parent company	4,500	4,500
Other related parties	-	3,545,568
Short-term finance liabilities	**1,541,078**	**122,660**
Parent company	18	19
Higher level parent company	1,541,060	-
Other related parties	-	122,641
Trade and other payables	**162,460**	**23,303**
Parent company	8,398	4,713
Other related parties	154,062	18,590

(expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Six-month period ended June 30, 2023	Six-month period ended June 30, 2022
	Unaudited	**Unaudited**
Dividend payment	**(2,400,000)**	**(3,410,005)**
Parent company	(2,400,000)	(3,410,005)
Operating revenue	**859**	**1,077**
Other related parties	859	1,077
Operating costs	**(311,125)**	**(145,230)**
Parent company	(3,664)	(32,859)
Other related parties	(307,461)	(112,372)
Other operating income	**562,534**	**449,248**
Parent company	-	7
Other related parties	562,534	449,241
Finance income	**1,168**	**19,600**
Parent company	-	19,600
Higher level parent company	1,168	-
Finance costs	**(117,897)**	**(94,445)**
Parent company	(221)	(115)
Higher level parent company	(14,639)	-
Other related parties	(103,037)	(94,330)
Prepayments received	**49,573**	**-**
Other related parties	49,573	-
Prepaid expenses	**(10,005)**	**-**
Other related parties	(10,005)	-

33. License requirements

As of the date of these Financial Statements, the Group believes to have met the coverage obligations imposed in the frequency reservation in the spectrum mentioned in Note 11.

34. Contingencies and legal proceedings

There is a number of other proceedings involving the Group initiated among others by UKE President or President of the Office of Competition and Consumer Protection (UOKiK) and court proceedings resulting from appeals against regulators' decisions. The Group has recognized provisions for known and quantifiable risks related to these proceedings. The amount of the provisions represents 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 23.

On September 2, 2016, the UOKiK President launched proceedings against UPC for the use of prohibited clauses regarding: price increases, guarantees of a minimum number of TV programs, technician fee and contract termination. On July 17, 2019, the UOKiK President issued a decision, in which it prohibited the use of the above clauses, imposed on UPC a fine of PLN 33 million and an obligation to compensate the customers.
On June 20, 2023, the Appeal Court in Warsaw reduced the fine imposed on UPC in the UOKiK President's decision (see also Note 37 of the Annual Financial Statements) by approximately PLN 4.2 million, reinstated obligation of pecuniary compensation and annulled obligation to publish statement at UPC's website. The Appeal Court in Warsaw suspended enforcement of compensation and information obligation. On July 3, 2023, UPC paid the fine in the

amount of PLN 28.6 million. Both UPC and the UOKiK President have the right to file a cassation appeal with the Supreme Court.

On August 2, 2023, the President of UOKiK initiated proceedings against UPC regarding practices infringing collective consumer interests, which in opinion of President of UOKiK are constating in an unauthorized demand to pay the subscription fee in an increased amount in connection with increase in the number of available TV channels or launching an Internet access service with a higher maximum data transfer speed unilaterally introduced by UPC.

On January 3, 2023, PŚO, at that time a subsidiary of P4, signed a conditional Contract on common terms of financing of term facilities (investment loan and EBL loan) and renewable facility up to the maximum amount of PLN 5.8 billion, among others with BNP Paribas Bank Polska S.A., Crédit Agricole Corporate and Investment Bank, KfW IPEX-Bank GmbH, Santander Bank Polska S.A. and Société Générale as the main arrangers of the facilities and the European Investment Bank and related financing documents, in order to finance the expansion of the fiber optic telecommunications infrastructure providing wholesale broadband access to the Internet, amended on May 10, 2023 in connection with the reduction of the outstanding loan limit to the total amount of PLN 5.1 billion. P4 is not the borrower and incurs no finance liabilities to the financing party.
All the conditions precedent for the financing for PŚO were satisfied on June 15, 2023, which allowed PŚO to use loans in the total amount of PLN 5.1 billion. The financing was disbursed on June 23, 2023. The agreement imposes a joint and several obligation on PŚO shareholders: P4 and Plug Finco S.à r.l. (following the sale of 50% shares in PŚO to the InfraVia Group on March 31, 2023 – see also Note 2.3) to contribute capital or grant a loan if the conditions specified in the loan agreement occur.

In the first half of 2023 and up to the date of signing these Financial Statements, no material changes occurred in contingent tax liabilities, other than those described above, and no material; there were also no new material liabilities related to legal and regulatory proceedings, which are described in detail in Note 37 to the Annual Financial Statements.

35. Events after the reporting period

On July 13, 2023, the Group made a payment for the extension of validity of the 900 MHz frequency reservation for 15 years.

On July 24, 2023, the Group paid a security deposit of PLN 182 million for an auction for the 5G frequency (4 frequencies in the 3.6 GHz spectrum).

On July 31, 2023, the Group disbursed a loan tranche under the investment loan agreement with Bank BGK in the amount of PLN 68,717 thousand (see also Note 22.1.3).

On August 1, 2023, the Extraordinary General Meeting of UPC Shareholders adopted a resolution to merge UPC into P4. The merger will take place pursuant to Art. 492 § 1 item 1 of the Code of Commercial Companies, by transferring all assets of UPC as the merged company to P4 as surviving company, on the date of entry of the merger in the National Court Register by the District Court for the Capital City of Warsaw.

On August 2, 2023, the Group received the payment for redemption of shares from PŚO, a jointly controlled entity, in the amount of PLN 600 million.

On August 3, 2023, the Group received the payment for the sale of shares in PŚO in the amount of PLN 600 million.

On August 24, 2023 the Group made a prepayment of the loan under Term Facility Agreement (see Note 22.1.2) in the amount of PLN 700,000 thousand with due interest.

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