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
30 June, 2022

PLAY

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Approval of financial statements

We hereby approve the interim financial statements of the P4 Sp. z o.o. Group for the 6-month period year ended June 30, 2022 consisting of the interim condensed statement of comprehensive income showing total income of PLN 825,646 thousand, the interim condensed statement of financial position with assets and liabilities and equity of PLN 20,059,106 thousand, the interim condensed statement of changes in equity showing a decrease in equity by PLN 1,072,060 thousand, the interim condensed statement of cash flows showing a decrease in net cash by PLN 853,475 thousand and other explanatory notes.

Jean-Marc Harion
Management Board President

Piotr Kuriata
Management Board Member

Mikkel Noesgaard
Management Board Member

Beata Zborowska
Management Board Member

Michał Ziółkowski
Management Board Member

Warsaw, August 29, 2022

(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, 2022	Six-month period ended June 30, 2021
		Unaudited	**Unaudited**
Operating revenue	3	**4,073,908**	**3,636,309**
Service revenue		3,273,244	2,861,702
Sales of goods and other revenue		800,664	774,607
Operating expenses		**(3,168,086)**	**(2,781,173)**
Interconnection, roaming and other service costs	4	(788,794)	(911,283)
Contract costs		(222,577)	(207,570)
Cost of goods sold		(643,276)	(634,857)
Employee benefits	5	(210,923)	(171,092)
External services	6	(555,151)	(339,211)
Depreciation and amortization	7	(632,327)	(475,566)
Taxes and fees		(115,038)	(41,594)
Other operating income	8	525,859	6,014,742
thereof: gains from derecognition of financial assets measured at amortized costs	8	*13,659*	*13,018*
Other operating costs	8	(173,469)	(186,700)
thereof: impairment of financial assets	8	*(54,800)*	*(59,717)*
Operating profit		**1,258,212**	**6,683,178**
Finance income	9	27,446	28,751
thereof: interest income from assets at amortized cost	9	*27,034*	*23,059*
Finance costs	9	(357,691)	(141,349)
Profit before income tax		**927,967**	**6,570,580**
Income tax charge	10	(169,826)	(1,270,525)
Net profit		**758,141**	**5,300,055**
- attributable to owners of P4 sp. z o.o.		*758,141*	*5,300,055*
- attributable to owners of non-controlling interest		-	-
Items that may be reclassified subsequently to profit or loss			
Gains on cash flow hedges	21.3	83,340	-
Income tax relating to items that may be reclassified	21.3	(15,835)	-
Other comprehensive income, net		**67,505**	**-**
Total comprehensive income		**825,646**	**5,300,055**
- attributable to owners of P4 sp. z o.o.		*825,646*	*5,300,055*
- attributable to owners of non-controlling interest		-	-

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, 2022	December 31, 2021
		Unaudited	
ASSETS			
Non-current assets			
Intangible assets	11	8,597,383	2,358,310
Property, plant and equipment	12	2,787,261	1,785,968
Right-of-use assets	13	4,098,670	3,794,722
Contract costs		441,548	398,787
Other long term financial assets	15	113,795	56,125
Long term prepaid expenses	19	65,497	47,841
Total non-current assets		**16,104,154**	**8,441,753**
Current assets			
Inventories	16	244,269	154,824
Trade and other receivables	17	834,957	748,675
Contract assets	18	1,497,610	1,460,945
Current income tax receivables		2,001	1,999
Prepaid expenses	19	104,424	68,295
Cash and cash equivalents	20	425,847	1,278,222
Other short-term finance assets	15	70,362	2,525,402
Assets held for sale	2.4	775,482	214,600
Total current assets		**3,954,952**	**6,452,962**
TOTAL ASSETS		**20,059,106**	**14,894,715**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	48,857	48,857
Other supplementary capital	21	(188,447)	(191,876)
Other reserves	21	1,598,496	23,090
Retained earnings	21	761,644	3,413,508
Equity attributable to the owners of P4 sp. z o.o.		**2,220,550**	**3,293,579**
Non-controlling interest		969	-
Total equity		**2,221,519**	**3,293,579**
Non-current liabilities			
Long-term finance liabilities	22	14,707,454	8,385,515
Long-term provisions	23	185,955	144,973
Deferred tax liability	10	132,291	169,737
Other non-current liabilities		10,596	10,318
Total non-current liabilities		**15,036,296**	**8,710,543**
Current liabilities			
Short-term finance liabilities	22	365,156	227,289
Trade and other payables	25	1,826,382	1,001,908
Contract liabilities	27	395,186	354,127
Current income tax payable	10	122,505	1,194,138
Accruals	26	76,886	110,570
Short-term provisions	23	2,496	2,561
Liabilities directly associated with assets held for sale	2.4	12,680	-
Total current liabilities		**2,801,291**	**2,890,593**
TOTAL LIABILITIES AND EQUITY		**20,059,106**	**14,894,715**

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

Interim Condensed Consolidated Statement of Changes in Equity

	Notes	Attributable to the owners of P4 sp. z o.o.					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
Other comprehensive income, net								
Gains on cash flow hedges with relating income tax	21	-	-	67,505	-	67,505	-	67,505
Total comprehensive income		**-**	**-**	**67,505**	**758,141**	**825,646**	**-**	**825,646**
Acquisition of subsidiaries	2.3	-	-	-	-	-	969	969
Recognition of costs of equity-settled incentive and retention programs	24	-	3,429	-	-	3,429	-	3,429
Increase of other reserves	21	-	-	1,507,901	(1,507,901)	-	-	-
Dividend payment	21	-	-		(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**

Notes and explanations are an integral part of these financial statements

This document is a working translation of the financial statements into English. The Polish version of the financial statements is the only legally binding version of this document. In case of any inconsistencies or discrepancies between the Polish and English versions of these financial statements, the Polish version shall prevail.

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

	Notes	Attributable to owners of P4 sp. z o.o.					Non-controlling interest	Total equity
		Share capital	Other supplementary capital	Other reserves	Retained earnings	Total		
As at January 1, 2021		**48,857**	**(198,400)**	**-**	**2,605,147**	**2,455,604**	**-**	**2,455,604**
Net profit for the period		-	-	-	5,300,055	5,300,055	-	5,300,055
Total comprehensive income		**-**	**-**	**-**	**5,300,055**	**5,300,055**	**-**	**5,300,055**
Recognition of costs of equity-settled incentive and retention programs	24	-	(223)	-	-	(223)	-	(223)
Increase of other reserves		-	-	887,905	(887,905)	-	-	-
As at June 30, 2021, unaudited		**48,857**	**(198,623)**	**887,905**	**7,017,297**	**7,755,436**	**-**	**7,755,436**

(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, 2022 Unaudited	Six-month period ended June 30, 2021 Unaudited
Profit before income tax		**927,967**	**6,570,580**
Depreciation and amortization		632,327	475,566
Change in contract costs	28	7,210	9,341
Interest expense (net)		304,733	117,440
Loss on finance instruments at fair value		11,729	-
Foreign exchange (gains)/losses		6,403	(4,759)
Gain on disposal of non-current assets and termination of lease contracts		(341,878)	(5,832,743)
Impairment of non-current assets		2,129	803
Change in provisions		2,948	12,096
Change in share premium from equity-settled retention programs		3,428	(224)
Changes in working capital and other	28	(147,108)	(44,962)
Change in contract assets	28	(30,800)	332
Change in contract liabilities	28	13,973	10,146
Cash provided by operating activities		**1,393,061**	**1,313,616**
Interest received		7,565	128
Interest paid		(8)	-
Income tax paid		(1,349,150)	(195,436)
Net cash provided by operating activities		**51,468**	**1,118,308**
Proceeds from sale of non-current assets		2,733	2,533
Purchase of fixed assets and intangibles and prepayments for assets under construction		(488,955)	(294,374)
Cash inflows related to sale of passive infrastructure		442,767	6,693,293
Cash outflows related to assets held for sale		(97,690)	(81,366)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	2.3	(7,006,682)	-
Proceeds from finance receivables		632,499	3,632
Loans given		-	(2,508,836)
Purchase of debt securities		-	(1,282,510)
Net cash used in investing activities		**(6,515,328)**	**2,532,372**
Proceeds from finance liabilities	29	6,060,000	4,050,000
Repayment of finance liabilities	29	(126,351)	(4,219,713)
Paid interest relating to finance liabilities	29	(257,954)	(90,733)
Paid other costs relating to finance liabilities	29	(65,310)	(52,157)
Other proceeds from financing activities		-	582
Net cash provided by/(used in) financing activities		**5,610,385**	**(312,021)**
Net change in cash and cash equivalents		**(853,475)**	**3,338,659**
Effect of exchange rate change on cash and cash equivalents		1,264	(78)
Cash and cash equivalents at the beginning of the period		**1,278,058**	**841,251**
Cash and cash equivalents at the end of the period		**425,847**	**4,179,832**

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

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.

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".

As at June 30, 2022 the Company was controlled directly by Iliad Purple with its registered office in Paris (hereafter referred to as "Iliad Purple"), which held a 100% stake in the Company. Iliad Purple S.A.S. is a 100% subsidiary of Iliad S.A. with its registered office in Paris, controlled by Xavier Niel.

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 telecommunications 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, 2022 and the comparative period, i.e. the 6-month period ended June 30, 2021, hereafter the "Financial Statements".

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, 2022	As at December 31, 2021
Subsidiaries held directly and indirectly:				
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%
3S S.A.	Poland	Telecommunications	100%	100%
3S Data Center S.A.	Poland	IT	100%	100%
3S BOX S.A.	Poland	IT	100%	100%
Virgin Mobile Polska sp. z o.o.*	Poland	Telecommunications	-	100%
FiberForce sp. z o.o. **	Poland	Telecommunications	100%	-
UPC Polska sp. z o.o. ***	Poland	Telecommunications	100%	-
Redge Technologies sp. z o.o. ****	Poland	IT	92.5%	-
Redge Media PPV sp. z o.o. ****	Poland	IT	92.5%	-

* On May 31, 2022, Virgin Mobile Polska sp. z o.o. was merged with P4
** On January 27, 2022, P4 acquired a 100% stake in FiberForce sp. z o.o.
*** On April 1, 2022 P4 acquired a 100% stake in UPC Polska sp. z o.o. (see Note 2.3).
**** On June 30, 2022, P4 acquired a 92.5% stake in Redge Technologies sp. z o.o. Redge Technologies sp. z o.o. is the sole shareholder of Redge Media PPV sp. z o.o. (see Note 2.3).

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

2. Basis of preparation

These Financial Statements were authorized for issue by the Company's Management Board on August 29, 2022.

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

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.

These Financial Statements do not include all disclosures required for annual financial statements and therefore they should be read together with the Group's consolidated financial statements for the year ended December 31, 2021 approved on March 21, 2022, prepared in accordance with the IFRS ("Annual Financial Statements").

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

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 IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.4 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, 2021 approved on March 21, 2022, 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
Amendments to IFRS 3 Amendments to IAS 37 Amendments to IAS 16 Amendments arising from the IFRS 2018-2020 improvements	May 14, 2020	January 1, 2022	January 1, 2022	Insignificant impact

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended June 30, 2022 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
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	Assessment in progress
Amendments to IAS 8: Definition of Accounting Estimates	February 12, 2021	January 1, 2023	January 1, 2023	Assessment in progress
Amendment to IAS 1: classification of liabilities as current or non-current	January 23, 2020	January 1, 2023	January 1, 2023	Assessment in progress
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	Assessment in progress
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	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 investment in associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless 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.

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

2.3 Changes in the composition of the Group

Acquisition of UPC Polska sp. z o.o.

On April 1, 2022 P4 acquired 100% of shares in UPC Polska sp. z o.o. (“UPC”). The cost of acquisition initially set at PLN 7,312,907 thousand, includes the cash price of PLN 7,013,219 thousand paid on April 1, 2022, and other price components. The UPC acquisition transaction was financed partially by the funds acquired under the Term Loan Agreement of December 10, 2021 (see also Note 22.1.3). UPC is one of the largest Internet service providers in Poland.

The acquisition of UPC is accounted as a business combination under IFRS 3. The Group is currently undergoing a purchase price allocation, 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.

The temporary goodwill of PLN 6,028,467 thousand recognized in the consolidated statement of financial position was calculated as follows:

Consideration transferred	**7,312,907**
- fair value of the acquired assets	(1,939,981)
+ fair value of the acquired liabilities	655,541
= Goodwill	**6,028,467**

Goodwill comprises the value of expected operating synergies arising from the acquisition. The goodwill was allocated to the cash-generating unit (CGU) identified as the entire P4 Group, since the analysis of results and decision-making regarding resources is made at the Group level.

The temporary fair values of UPC’s acquired assets and liabilities estimated as at the acquisition date are as follows:

ASSETS	
Intangible assets	142,351
Property, plant and equipment	1,386,916
Right-of-use assets	116,087
Contract costs	49,970
Other long term financial assets	2,815
Non-current assets	**1,698,139**
Inventories	1,502
Trade and other receivables	49,722
Contract assets	5,864
Cash and cash equivalents	170,415
Prepaid expenses	14,339
Current assets	**241,842**
TOTAL ASSETS	**1,939,981**

LIABILITIES	
Long-term finance liabilities	99,132
Long-term provisions	41,415
Deferred tax liability	62,153
Non-current liabilities	**202,700**
Short-term finance liabilities	16,955
Trade and other payables	372,813
Contract liabilities	17,797
Current income tax payable	37,555
Accruals	7,619
Short-term provisions	102
Current liabilities	**452,841**
TOTAL LIABILITIES	**655,541**
NET ASSETS ACQUIRED	**1,284,440**

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

In connection with the acquisition of UPC, in H1 2022 the Group paid a tax on civil transactions in the amount of PLN 70,132 thousand, which was recognized in the “Taxes and fees” line item of the Statement of comprehensive income.

Acquisition of Redge Technologies sp. z o.o.

On June 30, 2022, P4 acquired 92.5% of shares in Redge Technologies sp. z o.o. (“Redge”) for the cash consideration of PLN 137,019 thousand. In connection with the acquisition of a majority stake, Redge along with its subsidiary Redge Media PPV Sp. z o.o., became fully consolidated subsidiaries. Redge is a leading provider of online video distribution solutions in Eastern Europe.

The acquisition of Redge is accounted as a business combination under IFRS 3. The Group is currently undergoing a purchase price allocation, 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.
For the purposes of these Financial Statements, the Group made a temporary purchase price allocation and recognized goodwill of PLN 125,063 thousand. Non-controlling interests was recognized in the amount of PLN 969 thousand.

The temporary goodwill recognized in the consolidated statement of financial position was calculated as follows:

Consideration transferred	**137,019**
Non-controlling interest	969
- fair value of the acquired assets	(69,540)
+ fair value of the acquired liabilities	56,615
= Goodwill	**125,063**

Goodwill comprises the value of expected operating synergies arising from the acquisition. The goodwill was allocated to the cash-generating unit (CGU) identified as the entire P4 Group, since the analysis of results and decision-making regarding resources is made at the Group level.

The temporary fair values of Redge’s acquired assets and liabilities estimated as at the acquisition date are as follows:

ASSETS		**LIABILITIES**	
Intangible assets	37,242	Long-term finance liabilities	35,781
Property, plant and equipment	6,167	Deferred tax liability	6,622
Right-of-use assets	8,622	**Non-current liabilities**	**42,403**
Other long term financial assets	1,000	Short-term finance liabilities	1,411
Long term prepaid expenses	8	Trade and other payables	4,433
Non-current assets	**53,039**	Contract liabilities	8,368
Prepaid expenses	501	**Current liabilities**	**14,212**
Trade and other receivables	15,010	**TOTAL LIABILITIES AND EQUITY**	**56,615**
Cash and cash equivalents	990		
Current assets	**16,501**		
TOTAL ASSETS	**69,540**	**NET ASSETS ACQUIRED**	**12,925**

The tax on civil transactions in the amount of PLN 1,370 thousand associated with the acquisition of the company was recognized in the “Taxes and fees” line item of the Statement of comprehensive income. The tax was paid in July 2022.

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

Acquisition of FiberForce sp. z o.o.

On January 27, 2022, P4 acquired 100% of shares in FiberForce sp. z o.o. („FiberForce") for the cash consideration of PLN 15 thousand. FiberForce, after the planned transfer of a portion of UPC's infrastructure to that company (See Note 2.4), will provide wholesale fiber optic network access services.

2.4 Assets held for sale

"Built to Suit" („BTS") program – partnership with On Tower Poland

As at June 30, 2022, the in the "Assets held for sale" line item, the Group presented among others 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.
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 costs in the "Income from partnership" and "Costs related to partnership" lines (please see Note 8).

Planned sale of 50% of shares in the FiberForce sp. z o.o. subsidiary

On June 19, 2022, the Company signed with Infravia V Invest S.à.r.L. (owned by the InfraVia Capital Partners Group) a conditional sale agreement for 50% of shares in its FiberForce subsidiary for the price of PLN 1.775 billion, with the assumption of adjustments described in the agreement and subject to regulatory approvals. The agreement will be performed after the conditions therein are satisfied. The closing of the transaction, after obtaining approvals from the relevant anti-monopoly authorities, is currently planned in the first quarter of 2023.

By the end of 2022, the Group plans to transfer to FiberForce, by way of demerger through separation of a part of UPC's business including in particular assets of the access network including 3.7 million network connections employing HFC and FTTH technologies. FiberForce will make its network infrastructure available to other telecommunications operators (including among others Play and UPC) on the wholesale access principles.

The table below presents the aggregate values of assets available for sale and the corresponding liabilities as at June 30, 2022 under the transactions described above:

	June 30, 2022 Unaudited	**December 31, 2021**
ASSETS		
Property, plant and equipment	765,144	214,600
Right of use assets	321	-
Intangible assets	2,027	-
Trade and other receivables	7,990	-
	775,482	**214,600**
LIABILITIES		
Lease liabilities	323	-
Provisions	200	-
Trade and other payables	12,157	-
	12,680	**-**
Net assets directly associated with disposal group	**762,802**	**214,600**

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

2.5 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, 2022	December 31, 2021
EUR	4.6806	4.5994
GBP	5.4429	5.4846
USD	4.4825	4.0600

2.6 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.

2.7 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.

Fair values of the financial instruments as at June 30, 2022 are presented in Note 14.

The methods and assumptions used to estimate the equity relating to incentive and retention programs are described in Note 2.4.4 to the Annual Financial Statements.

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.

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

3. Operating revenue

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

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	Unaudited	**Unaudited**
Service revenue	**3,273,244**	**2,861,702**
Usage revenue	2,746,941	2,148,827
Interconnection revenue	526,303	712,875
Sales of goods and other revenue	**800,664**	**774,607**
	4,073,908	**3,636,309**

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	Unaudited	**Unaudited**
Usage revenue by category		
Retail contract revenue	2,190,146	1,651,887
Retail prepaid revenue	417,679	372,643
Other usage revenue	139,116	124,297
	2,746,941	**2,148,827**

The increase in retail revenue for contract services in H1 2022 was driven mainly by the recognition of revenue of UPC, which was acquired on April 1, 2022 (see Note 2.3).

The decrease in interconnection revenues in H1 2022 was caused by further reduction of call termination rates in fixed networks (FTR) and mobile networks (MTR) as of January 1, 2022, pursuant to the European Commission regulation of December 18, 2020.

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, 2022	Six-month period ended June 30, 2021
	Unaudited	**Unaudited**
Interconnection costs	(508,266)	(683,471)
National roaming/network sharing	(33,333)	(96,930)
Other service costs	(247,195)	(130,882)
	(788,794)	**(911,283)**

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

The decrease in interconnection costs in H1 2022, similar to interconnection revenues, was caused by further reduction of call termination rates in fixed networks (FTR) and mobile networks (MTR) as of January 1, 2022, pursuant to the European Commission regulation of December 18, 2020.

In the first half of 2022, the Group used national roaming services provided by a single operator, Orange Polska S.A., under the contract whose terms were updated as of July 1, 2021. As of December 31, 2021, the Group ended its use of national roaming services under the contract with T-mobile Polska S.A. The above factors contributed to a significant reduction of national roaming/telecommunication network sharing costs in H1 2022.

Other service costs include 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. The increase in other service costs in H1 2022 compared to H1 2021 was mainly due to recognition of UPC's costs in the period from the acquisition date, i.e. April 1, 2022, to June 30, 2022.

5. Cost of employee benefits

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Salaries	(175,982)	(146,858)
Social security	(31,513)	(24,458)
Equity settled incentive and retention programs	(3,428)	224
	(210,923)	**(171,092)**

The increase in salaries and social security costs in H1 2022 was due to the acquisition of UPC and incorporation of its costs in the performance of the P4 Group.

The gain on the valuation of incentive and retention programs in H1 2021 resulted from the fact that departing program members lost their eligibility under the program.

6. External services

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Network maintenance, leased lines and energy	(284,646)	(162,799)
Advertising and promotion expenses	(106,958)	(71,348)
Customer relations costs	(31,811)	(29,356)
Office and points of sale maintenance	(11,348)	(9,146)
IT expenses	(45,591)	(22,097)
People related costs	(11,664)	(4,972)
Finance and legal services	(8,764)	(8,745)
Other external services	(54,369)	(30,748)
	(555,151)	**(339,211)**

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

The increased costs of network maintenance, leased lines and energy in 2022 resulted mainly from higher costs concerning the lease and maintenance of passive infrastructure under agreements signed with OTP (effective since the sale of infrastructure, i.e. March 31, 2021) as well as higher electricity prices.
The higher costs of external services in the 6-month period ended 30 June 2022 resulted also from the recognition of UPC's costs for the period from the acquisition date, i.e. April 1, 2022, to June 30, 2022.

7. Depreciation and amortization

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Depreciation of property, plant and equipment	(292,183)	(206,485)
Amortization of intangibles	(191,373)	(181,744)
Depreciation of right-of-use assets	(148,771)	(87,337)
	(632,327)	**(475,566)**

The increase in depreciation and amortization expenses in the 6-month period ended 30 June 2022 are due to the increase in the value of assets subject to depreciation and amortization following the execution of the passive infrastructure lease agreement with OTP as of April 1, 2021 and following the acquisition of UPC on April 1, 2022.

8. Other operating income and other operating costs

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Other operating income		
Gains from derecognition of financial assets measured at amortized costs	13,659	13,018
Gain on disposal of non-current assets and termination of lease contracts	-	1,921
One-off gain on disposal of passive infrastructure	-	5,387,250
Income from partnership	449,241	567,593
Reversal of impairment of other non-current assets	894	-
Income from subleasing of right-of-use assets	7,781	8,374
Other miscellaneous operating income	54,284	36,586
	525,859	**6,014,742**
Other operating costs		
Costs related to partnership	(105,714)	(122,151)
Impairment of trade receivables	(27,150)	(28,703)
Impairment of contract assets	(27,650)	(31,014)
Impairment of non-current assets	(3,023)	(803)
Loss on disposal of non-current assets and termination of lease contracts	(2,117)	-
Exchange rate losses	-	(287)
Other miscellaneous operating costs	(7,815)	(3,742)
	(173,469)	**(186,700)**

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

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

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.

9. Finance income and finance costs

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Finance income		
Interest income from assets at amortized cost	27,034	23,059
Income from the net investment in the lease	412	563
Exchange rate gains	-	4,837
Other	-	292
	27,446	**28,751**
Finance costs		
Interest expense, including:	(332,090)	(140,221)
- on lease liabilities	*(105,615)*	*(63,679)*
- on cash flow hedges	*(7,886)*	-
Net loss on finance instruments at fair value	(11,326)	-
Exchange rate losses	(9,011)	-
Other	(5,264)	(1,128)
	(357,691)	**(141,349)**

Interest income recognized in H1 2022 and 2021 referred mainly to interest on the notes subscribed by the Group and issued by Iliad Purple and Play Communications (which merged with Iliad Purple on December 22, 2021). The notes have been fully settled and set off with the Company’s dividend liabilities pursuant to the resolution adopted by the Company’s Shareholders on May 30, 2022 (see also Note 21).

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

Interest expense in H1 2022 increased versus H1 2021, driven mainly by the higher level of bank loans debt, an increase in the value of lease liabilities in connection with further sales of passive infrastructure as part of the BTS program and in connection with the acquisition of UPC as well as an increase in the value of market interest rates.

Exchange rate losses were caused mainly by a depreciation of Polish Złoty against EUR in H1 2022.

10. Income tax

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Current tax charge	(221,584)	(1,252,669)
Deferred tax benefit/(charge)	51,758	(17,856)
Income tax charge	**(169,826)**	**(1,270,525)**

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, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Profit before income tax	**927,967**	**6,570,580**
Tax calculated at the prevailing tax rate applicable to profit (19%)	(176,314)	(1,248,410)
Effect of difference between tax rates in Luxembourg and in Poland	(10)	17
Expenses not subject to tax	(8,371)	(22,414)
Income not subject to tax	823	1,450
Previous years tax income included in current year accounting profit	1,516	349
Adjustments relating to previous tax years	12,530	(1,517)
Income tax charge	**(169,826)**	**(1,270,525)**
Effective Tax rate	18.3%	19.3%

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 2022 and 2021.

The items reconciling the income tax amount in the table above represent the tax effect with the application of appropriate tax rates (19% for companies registered in Poland and 24.94% for companies registered in Luxembourg).

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.

(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, 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
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**

The increase in goodwill in H1 2022 was due to the acquisition of UPC and Redge Technologies (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, 2022	Net book value as at December 31, 2021
2100 MHz	July 1, 2016	December 31, 2022	10,921	21,842
900 MHz	December 9, 2008	December 31, 2023	21,770	29,027
1800 MHz	February 13, 2013	December 31, 2027	188,897	206,069
800 MHz	January 25, 2016/ June 23, 2016	June 23, 2031	855,147	904,961
2600 MHz	January 25, 2016	January 25, 2031	127,095	134,499
			1,203,830	**1,296,398**

(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, 2021	2,779,955	1,674,670	452,632	207,974	5,115,231
Increases	-	80,702	-	1,476	82,178
Transfers and reclassifications	-	(15,701)	-	11,516	(4,185)
Decreases	-	-	(40,601)	(2)	(40,603)
As at June 30, 2021, unaudited	**2,779,955**	**1,739,671**	**412,031**	**220,964**	**5,152,621**
Accumulated amortization					
As at January 1, 2021	1,298,422	1,195,001	-	57,673	2,551,096
Charge	92,568	75,430	-	13,746	181,744
Transfers and reclassifications	-	-	-	225	225
Decreases	-	-	-	(2)	(2)
As at June 30, 2021, unaudited	**1,390,990**	**1,270,431**	**-**	**71,642**	**2,733,063**
Accumulated impairment					
As at January 1, 2021	-	67	-	-	67
As at June 30, 2021, unaudited	**-**	**67**	**-**	**-**	**67**
Net book value as at June 30, 2021, unaudited	**1,388,965**	**469,173**	**412,031**	**149,322**	**2,419,491**

The decrease in the value of goodwill in H1 2021 was associated with the separation of a portion of goodwill linked to the group of assets and liabilities sold to On Tower Poland Sp. z o.o. in connection with the passive infrastructure sale transaction described in Note 2.5 of the Annual Financial Statements.

(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, 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**
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**

The main driver for the increase in value of property, plant and equipment in H1 2022 was the acquisition of UPC and Redge (see Note 2.3).

The following is presented in the “Reclassification to Assets held for sale” line item:

– the expenditures for passive infrastructure held for sale in future periods under the partnership with OTP,

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

– property, plant and equipment allocated to the part of UPC to be separated to FiberForce, a P4 subsidiary, and then sold under the signed conditional agreement to sell a 50% of shares in FiberForce to a third party. As a result of the planned transaction, the Group will lose control over FiberForce (see also Note 2.4).

Buildings represent mainly own telecommunications towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.
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, 2021	516	586,668	319,681	2,212,456	5,770	148,740	3,273,831
Increases	-	123,217	12,504	186,499	-	19,911	342,131
Transfers and reclassifications	(162)	2,212	19,040	(20,543)	815	(543)	819
Decreases	(182)	(3,717)	(1,720)	(17,334)	(3,317)	(4,073)	(30,343)
Reclassification to Assets held for sale	-	(57,926)	68	-	-	(10)	(57,868)
As at June 30, 2021, unaudited	**172**	**650,454**	**349,573**	**2,361,078**	**3,268**	**164,025**	**3,528,570**
Accumulated depreciation							
As at January 1, 2021	-	216,272	210,598	1,229,206	3,826	91,044	1,750,946
Charge	-	11,615	18,385	160,554	229	15,702	206,485
Transfers and reclassifications	-	516	-	(5,889)	1,173	61	(4,139)
Decreases	-	(3,702)	(1,716)	(17,334)	(2,898)	(3,956)	(29,606)
Reclassification to Assets held for sale	-	3,864	28	-	-	3	3,895
As at June 30, 2021, unaudited	**-**	**228,565**	**227,295**	**1,366,537**	**2,330**	**102,854**	**1,927,581**
Accumulated impairment							
As at January 1, 2021	-	1,214	-	-	-	23	1,237
Impairment charge	-	701	-	100	-	2	803
Utilization of impairment provision	-	(14)	-	-	-	-	(14)
As at June 30, 2021, unaudited	**-**	**1,901**	**-**	**100**	**-**	**25**	**2,026**
Net book value as at June 30, 2021, unaudited	**172**	**419,988**	**122,278**	**994,441**	**938**	**61,146**	**1,598,963**

(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: 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)
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)
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**

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

(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, 2021	43,142	597,940	22,461	30,369	29,277	723,189
Increases	33,220	3,543,239	1,699	29,264	-	3,607,422
Asset retirement obligation	-	13,535	-	-	-	13,535
Transfers and reclassifications	162	-	-	3,473	(269)	3,366
Decreases	(18,293)	(42,347)	(162)	(4,243)	(2,925)	(67,970)
As at June 30, 2021, unaudited	**58,231**	**4,112,367**	**23,998**	**58,863**	**26,083**	**4,279,542**
Accumulated depreciation						
As at January 1, 2021	5,132	334,981	12,029	12,014	12,758	376,914
Charge	2,845	67,408	2,622	3,084	1,805	77,764
Charge from asset retirement obligation	-	9,573	-	-	-	9,573
Transfers and reclassifications	-	-	-	3,809	105	3,914
Decreases	(849)	(6,280)	(162)	(2,851)	(1,994)	(12,136)
As at June 30, 2021, unaudited	**7,128**	**405,682**	**14,489**	**16,056**	**12,674**	**456,029**
Net book value as at June 30, 2021, unaudited	**51,103**	**3,706,685**	**9,509**	**42,807**	**13,409**	**3,823,513**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil in H1 2021. 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 7,604 thousand in H1 2021.

(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, 2022, unaudited							
Cash and cash equivalents	425,847	-	-	-	20	425,847	425,847
Trade receivables	-	830,747	-	-	17	830,747	830,747
Other receivables	-	4,210	-	-	17	4,210	4,210
Interest rate swaps	141,322	-	(39,128)	-	15.1	102,194	102,194
Lease receivables	-	23,452	-	-	15.3	23,452	23,452
Long-term investments	1,382	-	-	-	15	1,382	1,382
Long-term receivables	-	18,001	-	-	15	18,001	18,001
Bank loans	-	-	-	(9,565,578)	22.1	(9,565,578)	(9,591,079)
Notes	-	-	-	(1,251,591)	22.2	(1,251,591)	(1,235,128)
Lease	-	-	-	(4,207,463)	22.3	(4,207,463)	(4,207,463)
Other debt	-	-	-	(8,850)	22.4	(8,850)	(8,850)
	568,551	**876,410**	**(39,128)**	**(15,033,482)**		**(13,627,649)**	**(13,636,687)**

(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, 2021							
Cash and cash equivalents	1,278,222	-	-	-	20	1,278,222	1,278,222
Trade receivables	-	743,459	-	-	17	743,459	743,459
Other receivables	-	5,216	-	-	17	5,216	5,216
Interest rate swaps	29,902	-	-	-	15.1	29,902	29,902
Debt securities	-	2,515,003	-	-	15.2	2,515,003	2,515,003
Lease receivables	-	21,796	-	-	15.3	21,796	21,796
Long-term investments	232	-	-	-	15	232	232
Long-term receivables	-	14,594	-	-	15	14,594	14,594
Bank loans	-	-	-	(3,486,077)	22.1	(3,486,077)	(3,505,909)
Notes	-	-	-	(1,249,787)	22.2	(1,249,787)	(1,252,049)
Lease	-	-	-	(3,862,321)	22.3	(3,862,321)	(3,862,321)
Other debt	-	-	-	(14,619)	22.4	(14,619)	(14,619)
	1,308,356	**3,300,068**	**-**	**(8,612,804)**		**(4,004,380)**	**(4,026,474)**

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

15. Other finance assets

	June 30, 2022 Unaudited	December 31, 2021
Interest rate swaps	79,989	27,727
Long-term receivables	18,001	14,594
Long-term lease receivables	14,423	13,572
Long-term investments	1,382	232
Other long term financial assets	**113,795**	**56,125**
Iliad Purple PLN Notes	-	2,515,003
Interest rate swaps	61,333	2,175
Short-term lease receivables	9,029	8,224
Other short-term finance assets	**70,362**	**2,525,402**
	184,157	**2,581,527**

Long-term receivables are mainly deposits paid as a guarantees for lease contracts.

15.1 Interest rate swaps

As at June 30, 2022, the Group had swap instruments to hedge interest rate risk. The hedge covers both the debt arising under the Term and Revolving Facilities Agreement ("TRFA") of 2021 as well as liabilities under Series A and B Unsecured Notes. As at June 30, 2022, the total value of debt covered by the hedge was PLN 4 billion (of which PLN 1.5 billion hedge through swaps concluded in December 2021 and PLN 2.5 billion of debt hedged by swaps concluded in June 2022).
As at the date of these Financial Statements, the hedge coverage of the Group's debt is as follows:

- 86% of the debt amount arising under the Term and Revolving Facilities Agreement ("TRFA"),
- 80% of the debt amount arising under Series A and B Unsecured Notes.

The above interest rate swaps have been designated as cash flow hedges to loans and bonds (hedged items) and therefore the Group applies hedge accounting principles to the measurement of these instruments. The contracts swap the WIBOR 6M variable rate to a fixed rate and cash settlements are in semi-annual 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, 2022, the Group recognized both a financial asset and financial liability arising from valuation of interest rate swaps (see also Note 22).

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

15.2 Note receivables

Note receivables are classified as financial instruments measured at amortized cost.

On April 1, 2022, Iliad Purple conducted an early redemption of Series A Notes, purchased by the Group on May 28, 2021, in the amount of PLN 621,383 thousand with accrued interest.

On May 30, 2022, the remaining amount due under Series A Notes issued by Iliad Purple was set off against the Group’s dividend liability to its shareholder. The amount set off was PLN 1,902,104 thousand. As a result, as at June 30, 2022, the Group had not note receivables.

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 net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the outstanding Group’s net investment in the leases.

Finance lease receivables recognized as at June 30, 2022 arise from 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 line item “ Income from subleasing of right-of-use assets”.

16. Inventories

	June 30, 2022 Unaudited	**December 31, 2021**
Goods for resale	188,747	132,817
Goods in dealers' premises	33,704	29,701
Materials	390	231
Work in progress	31,408	-
Impairment of goods for resale	(9,980)	(7,925)
	244,269	**154,824**

In connection with the planned sale of a portion of its passive infrastructure, in the line item “Work in progress” the Group presented the infrastructure elements that as at June 30, 2022 were assets under construction and were not presented as “Assets held for sale”, but will be sold in the future above the minimum limit specified in the BTS program (please see Note 2.4).

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 realizable amount.

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

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

	Six-month period ended June 30, 2022 Unaudited	Six-month period ended June 30, 2021 Unaudited
Beginning of period	**(7,925)**	**(13,008)**
- charged to income statement	(2,055)	(9,078)
End of period	**(9,980)**	**(22,086)**

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

17. Trade and other receivables

	June 30, 2022 Unaudited	December 31, 2021
Trade receivables	953,679	844,940
Impairment of trade receivables	(122,932)	(101,481)
Trade receivables (net)	**830,747**	**743,459**
VAT and other government receivables	3,333	4,774
Other receivables	877	442
Other receivables (net)	**4,210**	**5,216**
	834,957	**748,675**

Total amount of trade receivables are 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, 2022 Unaudited	Six-month period ended June 30, 2021 Unaudited
Beginning of period	**(101,481)**	**(118,674)**
- acquisition of a subsidiary	(20,310)	-
- charged to income statement	(27,150)	(28,703)
- utilized	26,009	40,239
End of period	**(122,932)**	**(107,138)**

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

Utilization of the provision in H1 2021 was higher than in H1 2022 due to significant transactions of sales of impaired receivables to collection agencies.

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

18. Contract assets

	June 30, 2022 Unaudited	December 31, 2021
Contract assets	1,588,523	1,554,427
Impairment of contract assets	(90,913)	(93,482)
	1,497,610	**1,460,945**

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

In H1 2022 and in the comparative period the value of the contract assets relating to contracts actually disconnected is presented in line "utilization" below, whereas the line "charged to income statement" represents the changes in estimated credit losses which the Group expects to incur in future.

Movements of the impairment of contract assets were as follows:

	Six-month period ended June 30, 2022 Unaudited	Six-month period ended June 30, 2021 Unaudited
Beginning of period	**(93,482)**	**(91,588)**
- charged to income statement	(27,650)	(31,014)
- utilization	30,219	29,795
End of period	**(90,913)**	**(92,807)**

Movements in the value of contract assets in the six-month periods ended: June 30, 2022 and June 30, 2021 were as follows:

	Six-month period ended June 30, 2022 Unaudited	Six-month period ended June 30, 2021 Unaudited
Contract assets, net - Beginning of period	**1,460,945**	**1,423,556**
Additions	677,300	638,764
Invoiced amounts transferred to trade receivables	(612,985)	(608,082)
Impairment, charged to income statement	(27,650)	(31,014)
Contract assets, net - End of period	**1,497,610**	**1,423,224**

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.

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

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.

19. Prepaid expenses

	June 30, 2022 Unaudited	December 31, 2021
Long term prepaid expenses		
Loan origination fees	17,192	7,841
Other	48,305	40,000
	65,497	**47,841**
Short term prepaid expenses		
Loan origination fees	9,401	5,877
Distribution and selling costs	6,332	9,623
Network and IT maintenance	6,253	6,829
Other	82,438	45,966
	104,424	**68,295**

As at June 30, 2022, the prepaid loan origination fees were fees relating to the loans received (see also Note 22.1).

20. Cash and cash equivalents

	June 30, 2022 Unaudited	December 31, 2021
Petty cash	339	343
Balances deposited with banks	425,068	1,277,276
Other cash assets	440	603
	425,847	**1,278,222**

As of June 30, 2022 and December 31, 2021 balances deposited with banks included, among others, cash related to VAT received through split payment process imposed by laws effective from July 1, 2018.

21. Shareholders' equity

21.1 Share capital

As at June 30, 2022 and as at December 31, 2021, 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 PLN 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. For the amounts related to the valuation of incentive and retention programs affecting the value of the supplementary capital please see Note 24.

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

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 15.1), 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, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
Cash flow hedge reserves - Beginning of period	**23,001**	**-**
- before tax	*28,396*	-
- deferred tax	*(5,395)*	-
Effective part of gains/(losses) on cash flow hedge instruments	80,526	-
Reclassification to the income statement - interest expense presented in finance costs	2,814	-
Income tax charge	(15,835)	-
Cash flow hedge reserves - End of period	**90,506**	**-**
- before tax	*111,736*	-
- deferred tax	*(21,230)*	-

21.4 Retained earnings

On May 30, 2022, the Shareholder Meeting adopted a resolution on the distribution of P4's 2021 profit, according to which the 2021 net profit in the amount of PLN 5,832,132 thousand was distributed as follows:

- The amount of PLN 4,241,514 thousand was to pay out the 2021 dividend, of which PLN 2,339,410 thousand was paid out as interim dividend in 2021 and PLN 1,902,104 thousand was fully set off against Iliad Purple's bond liabilities in May 2022 (see Note 15.2),
- The remaining part of the net profit in the amount of PLN 1,590,618 thousand was used to cover the retained loss (arising from correction of an error) and creation of reserve capital, to be used to pay future interim dividend or future dividend.

(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 are included in the calculation of effective interest rate. The effective interest rate reflects the interest costs as well as amortization of the loan origination fees.

	June 30, 2022 Unaudited	December 31, 2021
Long-term finance liabilities		
Long-term bank loans	9,455,776	3,474,499
Long-term notes liabilities	1,248,188	1,248,072
Long-term lease liabilities	3,970,193	3,658,400
Other debt	454	4,544
Interest rate swaps	32,843	-
	14,707,454	**8,385,515**
Short-term finance liabilities		
Short-term bank loans	109,802	11,578
Short-term notes liabilities	3,403	1,715
Short-term lease liabilities	237,270	203,921
Other debt	8,396	10,075
Interest rate swaps	6,285	-
	365,156	**227,289**
	15,072,610	**8,612,804**

22.1 Bank loans

	June 30, 2022 Unaudited	December 31, 2021
Long-term bank loans	9,455,776	3,474,499
Short-term bank loans	109,802	11,578
	9,565,578	**3,486,077**
the balance of unamortized fees	59,226	25,501
the weighted average effective interest rate	8.54%	3.76%

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.

On March 30, 2021, the following tranches were drawn down:
- tranche A in the amount of PLN 3,500,000 thousand under the Term Facility, which was used to repay the SFA loan (see Note 22.1.2);
- tranche B in the amount of PLN 250,000 thousand under the Revolving Facility, which was repaid by the Company on April 6, 2021.

Tranche A under the Term Facility matures in full on March 26, 2026.
Tranche B under the Revolving Facility matures at the end of the interest period, with the option of extension upon the lenders' consent.

22.1.2 Senior Facilities Agreement (SFA) – repaid in H1 2021

On March 30, 2021 the loan under the SFA of March 7, 2017 was fully repaid (see also Note 27.1.1 in the Annual Financial Statements).

The repayment was made through partial utilization of funds received under the new Term and Revolving Facilities Agreement in the amount of PLN 5,500,000 thousand signed on March 26, 2021 (see Note 22.1.1).

22.1.3 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 could be drawn down in a single tranche during the 12-month availability period.

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

The facility repayment date is March 26, 2026. 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 EBITDaL, has been set at 3.25x.

22.1.4 Investment loan

On October 15, 2021 the Company signed with Bank Gospodarstwa Krajowego S.A. ("BGK Bank") a bilateral Investment Agreement for the amount of PLN 500,000 thousand ("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.

The BGK Financing may be drawn in multiple tranches until June 30, 2023. Once drawn down, the loan will be repaid in equal quarterly installments 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.

Interest on the loan is calculated using a fixed interest rate throughout the term of the agreement. The BGK facility agreement is not secured.
As at June 30, 2022, the financing under the Agreement has not been drawn down.

22.1.5 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 will be 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 installments, 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.

In the first half of 2022, two tranches of this loan facility were drawn down. The first drawdown of PLN 235,000 thousand took place on March 9, 2022. The second tranche of PLN 125,000 thousand was drawn down on June 22, 2022.

22.1.6 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 installment 6 years after the disbursement or within 10 years after the disbursement in equal installments 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.

In the first half of 2022, two tranches of this loan facility were drawn down. The first drawdown of PLN 150,000 thousand took place on February 25, 2022. Interest for this tranche accrues on the basis of a fixed interest rate. The principal will be repaid in equal installments, with the last payment planned for 25 February 2028.

The second tranche of PLN 50,000 thousand was drawn down on June 27, 2022. Interest is calculated based on a fixed interest rate, the principal will be repaid in equal installments, with the last payment planned for June 27, 2028.

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

22.2 Notes

	June 30, 2022 Unaudited	December 31, 2021
Long-term notes liabilities		
PLN Floating Rate Notes	1,248,188	1,248,072
	1,248,188	**1,248,072**
Short-term notes liabilities		
Accrued interest related to notes	3,403	1,715
	3,403	**1,715**
	1,251,591	**1,249,787**
the balance of unamortized fees	1,812	1,928
the weighted average effective interest rate	9.13%	4.48%

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

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

22.3 Lease liabilities

	June 30, 2022 Unaudited	December 31, 2021
Long-term lease liabilities		
Telecommunications sites	3,739,388	3,528,757
Points of sale	49,518	41,060
Dark fiber optic cable	21,304	8,334
Collocation centers	15,917	14,346
Offices and warehouse	125,899	51,940
IT equipment and telecommunications equipment	7,421	9,931
Motor vehicles	10,746	4,032
	3,970,193	**3,658,400**
Short-term lease liabilities		
Telecommunications sites	153,678	140,245
Points of sale	30,666	27,220
Dark fiber optic cable	7,736	5,855
Collocation centers	5,580	5,352
Offices and warehouse	25,803	10,745
IT equipment and telecommunications equipment	6,841	9,144
Motor vehicles	6,966	5,360
	237,270	**203,921**
	4,207,463	**3,862,321**

The increase in lease liabilities as at June 30, 2022 vs. December 31, 2021 is mainly due to the further sale of passive infrastructure under BTS program in H1 2022 and recognition of lease liabilities of the newly-acquired UPC and Redge (see also Note 2.3).

22.4 Other finance liabilities

Other finance liabilities include liabilities under installment purchase contracts relating to property, plant and equipment and intangible assets and measurement of forward FX contracts.

22.5 Assets pledged as security for finance liabilities

The Group’s obligations under facility agreements in effect as at June 30, 2022 are not secured.

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

23. Provisions

	June 30, 2022 Unaudited	December 31, 2021
Assets retirement provision	39,330	34,262
Other long-term provisions	146,625	110,711
Short-term provisions	2,496	2,561
	188,451	**147,534**

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.

The increase in other long-term provisions as at June 30, 2022 resulted from the acquisition of UPC.

24. Incentive and retention programs

In H1 2022, the Iliad Group established a new incentive and retention program awarding free shares in Holdco II S.A.S. ("Holdco II"), a shareholder of Iliad S.A., which was joined by selected Company employees.

Under the program the members are conditionally entitled to receive a specific number of shares without consideration. The shares will be vested if the program participant continues his/her employment from the award date to June 2024. Each program participant granted a call option to Holdco II, under which Holdco II may buy the shares from the member at the market price determined by an independent expert.

In 2022 and 2021 Iliad Purple also operated the following incentive and retention programs: PIP, PIP 2, PIP 3, VDP 4, VDP 4 bis and Iliad Purple 1 programs, in which individuals employed in the P4 Group participated. A detailed description of these equity-settled programs is in Note 30 of the Annual Financial Statements.

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

Changes in value of the plans are presented below.

	Other reserves - effect of valuation of equity-settled incentive and retention programs
As at January 1, 2022	**(191,876)**
Changes in valuation during the period	3,429
As at June 30, 2022, unaudited	**(188,447)**

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

	Other reserves - effect of valuation of equity-settled incentive and retention programs
As at January 1, 2021	**(198,400)**
Forfeited during the period	(2,076)
Changes in valuation during the period	1,853
As at June 30, 2021, unaudited	**(198,623)**

In connection with the loss of rights to the program by the departing Management Board Members in H1 2021, part of the value of the programs was written off.

25. Trade and other payables

	June 30, 2022 Unaudited	**December 31, 2021**
Trade payables	1,288,359	743,035
Investment payables	378,510	166,468
Government payables	153,351	87,609
Other	6,162	4,796
	1,826,382	**1,001,908**

The value of the Group's payables increased primarily as a result of the acquisition and consolidation of UPC.

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.
The balance of contract liabilities as at June 30, 2022 and December 31, 2021 consisted of the Group's obligation to perform services prepaid by contract and pre-paid services.

	June 30, 2022 Unaudited	**December 31, 2021**
Prepaid services	128,675	137,061
Contract services	266,511	217,066
	395,186	**354,127**

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

28. 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, 2022	**Six-month period ended June 30, 2021**
	Unaudited	**Unaudited**
(Increase)/decrease of inventories	(73,299)	19,758
(Increase)/decrease of receivables	(31,976)	(87,673)
(Increase)/decrease of prepaid expenses	(33,148)	(4,737)
Increase/(decrease) of payables excluding investment payables	32,073	42,117
Increase/(decrease) of accruals	(40,737)	(16,786)
(Increase)/decrease of long-term receivables	(299)	(210)
Increase/(decrease) of other non-current liabilities	278	2,569
Changes in working capital and other	**(147,108)**	**(44,962)**
(Increase)/decrease in contract costs	7,210	9,341
(Increase)/decrease in contract assets	(30,800)	332
Increase/(decrease) in contract liabilities	13,973	10,146
	(156,725)	**(25,143)**

The increase in inventories in H1 2022 was mainly due to goods purchases that were higher than in H1 2021.

The increase in receivables in H1 2021 resulted mainly from the higher balance of interconnection receivables caused by the settlement dates with operators and an increase in receivables under instalment sales. At the same time, interconnection liabilities increased during the same period.

The decrease in accruals in H1 2022 was driven mainly by the utilization of accruals on for employee bonuses, which were paid out in March 2022.

The increase in contract assets in H1 2022 was driven by higher sales of goods versus the comparative period, when revenue from sales of goods was stifled by COVID-19 restrictions.

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

29. Cash flows from finance liabilities

	Six-month period ended June 30, 2022	**Six-month period ended June 30, 2021**
Proceeds from finance liabilities		
loans	6,060,000	4,050,000
	6,060,000	**4,050,000**
Repaid finance liabilities and paid interest and other costs relating to finance liabilities		
Loans	(189,525)	(4,174,117)
- principal	-	*(4,087,649)*
- interests	*(124,304)*	*(35,439)*
- other	*(65,221)*	*(51,029)*
Notes	(27,489)	(13,842)
- interests	*(27,401)*	*(12,714)*
- other	*(88)*	*(1,128)*
Leases	(221,820)	(162,987)
- principal	*(115,713)*	*(120,611)*
- interests	*(106,107)*	*(42,376)*
Other debt	(10,781)	(11,657)
- principal	*(10,638)*	*(11,453)*
- interests	*(142)*	*(204)*
- other	*(1)*	-
	(449,615)	**(4,362,603)**

30. 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 telecommunications 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)

31. Related party transactions

31.1 Remuneration of management and supervisory bodies

Cost of compensation (including accrued bonuses) of members of Management Boards and Executive Committees in Group entities incurred in H1 2022 were PLN 9,840 thousand (PLN 7,781 thousand in H1 2021).

Additionally, members of the P4's Management Board participate in the equity-settled incentive and retention programs (please see Note 24). The valuation of the programs resulted in cost recognized by the Group in the amount of PLN 1,432 thousand in H1 2022 (income of PLN 457 thousand in H1 2021). Income and costs related to the valuation of these programs were recognized in cost of employee benefits in the consolidated statement of comprehensive income.

Cost of remuneration of former Management Boards Members of Group entities incurred after they stepped down from their positions amounted to PLN 876 thousand in H1 2022 (PLN 1,843 thousand in H1 2021).

Cost of remuneration of members of Supervisory Boards in Group entities incurred in H1 2022 amounted to PLN 108 thousand and PLN 60 thousand in H1 2021.

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.

31.2 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, 2022 Unaudited	**December 31, 2021**
Short-term finance receivables	**-**	**2,515,004**
Parent company	-	2,515,004
Trade receivables	**2,765**	**6,836**
Parent company	15	8
Other related parties	2,750	6,828
Long-term finance liabilities	**3,547,056**	**3,343,720**
Parent company	4,500	4,500
Other related parties	3,542,556	3,339,220
Short-term finance liabilities	**118,174**	**107,222**
Parent company	18	4
Other related parties	118,156	107,218
Trade and other payables	**45,484**	**8,694**
Parent company	21,097	-
Other related parties	24,387	8,694

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

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	Unaudited	**Unaudited**
Dividend payment	**(3,410,005)**	**-**
Parent company	(3,410,005)	-
Service revenue	**1,077**	**402**
Other related parties	1,077	402
Interconnection, roaming and other service costs	**(2,545)**	**(749)**
Other related parties	(2,545)	(749)
Advertising and promotion expenses	**(11,774)**	**-**
Parent company	(11,774)	-
Other external services	**(21,085)**	**-**
Parent company	(21,085)	-
Network maintenance, leased lines and energy	**(109,827)**	**(48,439)**
Other related parties	(109,827)	(48,439)
Other operating income	**449,248**	**6,715,536**
Parent company	7	75
Other related parties	449,241	6,715,461
Interest income	**19,600**	**22,928**
Parent company	19,600	11,796
Higher level parent company	-	11,132
Other finance income	**-**	**287**
Parent company	-	287
Interest expense	**(94,445)**	**(44,686)**
Parent company	(115)	(49)
Other related parties	(94,330)	(44,637)

32. License requirements

As of the date of issuance of these Financial Statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions described in Note 36 to the Annual Financial Statements.

33. Contingencies and legal proceedings

In the first half of 2022, an audit was carried out against UPC regarding withholding tax settlements made by UPC in connection with loan interest paid to a related party (a group company to which UPC belonged before April 1, 2022) and in connection with trademark and contractual payments made to UPC's former shareholder, UPC Poland Holding BV. In the purchase price allocation process, liabilities for the above were included in the value of acquired UPC's net assets (see also Note 2.3). These liabilities were paid in full by UPC based on decisions of tax authorities (PLN 18,320 thousand in Q2 2022 and PLN 34,000 thousand in July 2022).

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 March 10, 2022, the Voivodship Administrative Court in Warsaw, after reconsideration, dismissed the appeal of Sferia S.A., Polkomtel Sp. z o.o. and the Polish Chamber of Digital Broadcasting (Polska Izba Radiodyfuzji Cyfrowej, "PIRC") against the decision of the UKE President of August 3, 2016 upholding the decision refusing to cancel the tender for 1800 MHz frequencies in its entirety (see also Note 37 in the Annual Financial Statements). Sferia S.A. and Polkomtel sp. z o.o. appealed against the judgement by filing cassations to the Supreme Administrative Court. The Group assesses the risk that the outcome of this case would be unfavorable for the Group as low.

On July 26, 2021, the UOKiK President launched proceedings against P4 in the matter of practices breaching the collective interests of consumers involving charging payments for 9 services activated for consumers even though no explicit consent has been obtained for the additional payments associated with the services. On April 20, 2022, the UOKiK President issued a decision, which, among others, obligated P4 to compensate current and former customers under Article 28 sec. 1 of the Act on Competition and Consumer Protection as requested by the Company. The decision is final.

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 September 5, 2019, UPC challenged the above decision. The next hearing before the Anti-Monopoly Court (SOKiK) was set for September 28, 2022. A provision related to this dispute has been included in the value of the acquired net assets of UPC (see also Note 2.3).

With a judgment of June 13, 2022, the Court of Appeal in Warsaw dismissed the Company's appeal to set aside the arbitration award in the case against T-Mobile Polska S.A. concerning MTR rates (see also Note 37 in the Annual Financial Statements).

In the first half of 2022 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.

34. Events after the reporting period

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