



**PLAY**

# **PLAY COMMUNICATIONS S.A.**

**REPORT ON THE ACTIVITY  
FOR THE NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 2020**

Play Communications S.A. and its subsidiaries  
4 November 2020

## TABLE OF CONTENTS

PART I – GENERAL INFORMATION .....	3
1. DEFINITIONS .....	4
2. INTRODUCTION .....	12
3. FORWARD-LOOKING STATEMENTS .....	12
4. PRESENTATION OF FINANCIAL INFORMATION .....	12
PART II – BUSINESS REPORT .....	15
1. RESULTS OF OPERATIONS, CASH FLOWS AND STATEMENT OF FINANCIAL POSITION .....	16
2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF SEPTEMBER 30, 2020 .....	19
3. OUTLOOK FOR THE GROUP IN 2020 .....	41
PART III – GLOSSARY OF TECHNICAL TERMS.....	42
PART IV - FINANCIAL STATEMENTS.....	47
RESPONSIBILITY STATEMENT .....	48
INDEPENDENT AUDITOR’S REPORT .....	49
PLAY COMMUNICATIONS S.A. AND ITS SUBSIDIARIES - INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS 34 AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020.....	F-1



# **PART I**

## **GENERAL INFORMATION**

**PLAY**

## 1. DEFINITIONS

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

“Additional Financing Facility” .....	Refers to three-year PLN 1.2 billion Additional Financing Facility with syndication of banks arranged on April 14, 2020.
“ATO Act” .....	Refers to the Act dated June 10, 2016 on Anti-terrorist Operations (Journal of Laws 2016, item 904), which came into force in Poland in July 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards.
“Bond Issue Program” .....	Refers to agreement dated November 14, 2019 for the establishment of the Bond Issue Program with Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. under which P4 sp. z o.o., wholly owned subsidiary of Play, is entitled to conduct multiple issues of bonds up to the maximum total nominal amount of PLN 2,000,000,000 (two billion zloty) of bond issued and outstanding under the Program at a given time.
“DNB Overdraft Facility” .....	Overdraft agreement between the Group and DNB Bank Polska Spółka Akcyjna in an aggregate principal amount of PLN 50 million.
“EC” .....	European Commission.
“EU” .....	European Union.
“euro,” “EUR” or “€” .....	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
“Group,” “we,” “us,” “our” or “ourselves” .....	Refers to the Company and its consolidated subsidiaries.
“IFRS” .....	International Financial Reporting Standards, as adopted by the EU.
“IFRS 15” .....	International Financial Reporting Standard 15 “Revenue from contracts with customers”.
“IFRS 16” .....	International Financial Reporting Standard 16 “Leases”.
“IPO” .....	Initial Public Offering of shares of the Play Communications S.A. on the Warsaw Stock Exchange
“Kenbourne Invest II S.à.r.l.” .....	Kenbourne Invest II S.à r.l., a Luxembourg private limited liability company with registered office in the Grand Duchy of Luxembourg, at 16, avenue de la Gare, L-1610 Luxembourg.
„mBank Overdraft Facility” .....	Overdraft agreement between the Group and mBank S.A. in an aggregate principal amount of PLN 50 million.
„Millennium Overdraft Facility” .....	Overdraft agreement between the Group and Millennium S.A. in an aggregate principal amount of PLN 50 million.
“MNP” .....	Mobile Number Portability, regulation allowing for swift change of mobile operator maintaining owned mobile number.
“Novator Partners LLP” .....	Novator Partners LLP, a private equity company with registered office in the United Kingdom, at 25 Park Lane, London, W1K 1RA.
“NPS” .....	Net Promoter Score, a measure of customer experience based on likelihood of recommending a particular brand to a friend or colleague.
“OTT TV” .....	Over-the-top television service which delivers content streamed over internet in an on-demand manner.

“PLN” or “zloty” .....	Polish zloty, the lawful currency of Poland.
“Prospectus” .....	Prospectus approved by Luxembourg Financial Supervision Authority ( <i>Commission de Surveillance du Secteur Financier</i> ) on June 30, 2017
“Refinancing and Recapitalization” ..	Refers collectively to entry into Senior Facilities Agreement with syndication of banks on March 7, 2017, and issue of the Senior PIK Toggle Notes on March 22, 2017. The entry into the Senior Facilities Agreement and the application of proceeds therefrom to the repayment of EUR bond indebtedness and payments of certain amounts to shareholders of the Parent and payment of fees and expenses related to such transactions.
“Report” .....	The present report “Board of Directors’ report on the activity in the nine-month period ended September 30, 2020”
“Revolving Credit Facility” .....	The PLN 400 million multi-currency revolving credit facility made available pursuant to the Senior Facilities Agreement.
“Santander Overdraft Facility” .....	Overdraft agreement between the Group and Santander Bank Polska S.A. (previously: Bank Zachodni WBK S.A.) in an aggregate principal amount of PLN 50 million.
“SEC” .....	The United States Securities and Exchange Commission.
“Senior Facilities Agreement” .....	Refers to Senior Facilities Agreement with syndication of banks entered into on March 7, 2017, and Amendment and Restatement Agreements installed afterwards.
“Tollerton Investments Limited” .....	Tollerton Investments Ltd is a private equity holding company established in 2006 with registered office in Cyprus, at Arch. Makariou III Av. & Nikolaou Gyzi str. 2, 3060 Limassol.
“U.S.” or “United States” .....	United States of America.
“U.S. GAAP” .....	Generally accepted accounting principles in the United States.
“U.S. Securities Act” .....	The United States Securities Act of 1933, as amended.

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

- The Statistical Office of the European Communities (“Eurostat”); unless otherwise indicated, historical GDP, historical real GDP growth rate and harmonized unemployment and inflation rate refer to data retrieved from the Eurostat website. Real GDP growth rate forecast refers to the Winter 2019 European Economic Forecast;
- The Central Statistical Office of Poland (the “CSO”), Poland’s chief government executive agency charged with collecting and publishing statistics related to Poland’s economy, population and society, at both national and local levels;
- The Polish Office of Electronic Communications (the “UKE”), the Polish regulatory authority for the telecommunications and postal services markets focusing on, among other things, stimulating competition, consumer protection, developing new offerings and technologies, reducing prices and increasing availability of services in Poland;
- The National Bank of Poland (the “NBP”), the central bank of Poland;
- The European Commission (the “EC”), the EU’s executive body, which publishes the Digital Agenda Scoreboard; unless otherwise indicated, the EC’s data should be read as references to the EC’s thematic portal, European Commission Information Society, and;
- SMARTSCOPE S.C. (“Smartscope”), the company, which provides with marketing research, customer satisfaction research, organizational culture and employee satisfaction research and research projects for cultural and public institutions.

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

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

### **Key Performance Indicators**

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

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

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

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

<u>Term</u>	<u>Usage by Play</u>
<b>Terms related to subscribers</b>	
<b>subscriber</b>	We define a subscriber as any customer that we provide services to until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards which are registered on our network and have not been disconnected.
<b>contract subscribers</b>	We define contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a number of SIM cards that have been issued pursuant to family calling plans.
<b>active contract subscribers</b>	We define active contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for active contract subscribers <b>do not</b> include inactive (i.e. not used within the last 30 calendar days, where usage is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)) technical SIMs and inactive SIM cards which are used in 'Play Elastyczny' promotion.
<b>technical SIM (techSIM)</b>	We define techSIM as additional SIM card issued to tariffs which include two or more subscribers. The key functionality of the techSIM card, from the Company's perspective, is to consolidate all family members SIM cards and support the billing structure. A TechSIM which is not used (within the last 30 calendar days) by a subscriber becomes inactive.
<b>machine-to-machine (M2M) SIM</b>	We define M2M SIM as SIM card that enables devices and sensors to communicate with one other, along with other Internet-enabled devices and systems. M2M SIM is designed for non-human data communication.
<b>prepaid subscribers</b>	We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value.
<b>active prepaid subscribers</b>	We define active prepaid subscribers as the number of prepaid subscribers who have used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)).

**reported subscriber base**

We define reported subscriber base as the number of subscribers at the end of a given period. If not otherwise stated, subscriber base refers to our reported subscriber base.

**active subscriber base**

We define active subscriber base as the sum of the number of active contract subscribers and active prepaid subscribers at the end of a given period.

**average subscriber base (reported or active)**

We define average subscriber base in a reporting period as follows:

- for a one-month period, the average subscriber base is calculated as our beginning of month subscriber base plus our end of month subscriber base divided by two; and
- for over a one-month period (e.g., several months, quarters or annual), the average subscriber base is calculated as the average of the monthly averages (i.e., the sum of monthly averages divided by the number of months in a given period).

The above methodology is used to calculate our average reported subscriber base or average active subscriber base.

**retained subscribers**

We define retained subscribers as every contract subscriber who renewed their contract (by signing a contract extension) in a given period.

**net additions**

We define net additions as the change in our reported subscriber base in a given period. Net additions for a given period are calculated as the difference between the end of period reported subscriber base and the beginning of period reported subscriber base.

**total gross additions**

We define total gross additions as the sum of contract gross additions and prepaid gross additions.

**contract gross additions**

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

**prepaid gross additions**

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

**churn**

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

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

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

Migration of a subscriber:

- from a contract tariff plan to a prepaid tariff plan;
- from a prepaid tariff plan to a contract tariff plan; or

- within a segment (e.g., individual contract subscriber migrating to a business plan),

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

**churn rate/churn (%)**

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

**migrations**

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

**Terms related to service usage**

**4G LTE Ultra**

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

**5G Ready**

5G Ready network uses prerequisite 5G technologies on 4G LTE Ultra:

- MIMO4x4 - (multiple-input and multiple-output) - i.e. increasing the number of antennas receiving and sending signals, this technology allows to increase the speed of data transmission.
- Bandwidth aggregation, i.e. combining bands, allows you to use the Internet at an even higher speed.
- Quadrature Amplitude Modulation (256QAM) allows you to send more data at the same time, which means that by sending a file or downloading photos from the Internet, we will send and download them faster than before, or we will be able to download or send even larger files at the same time that we have been sending these smaller files so far.
- Phase synchronization is needed to dynamically share frequencies between technologies, mitigate and eliminate network disturbances, as well as to be able to use the resources of two base stations at the same time.
- Cloud Air allows dynamic sharing of the same bandwidth between different technologies (e.g. LTE and GSM) - this is moving network resources depending on the demand for a given technology.

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

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

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

Term

Usage by Play

**data usage per subscriber**

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

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

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

**Terms related to costs**

**subscriber acquisition costs (SAC)**

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

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

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

**unit SAC**

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

**SAC cash**

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

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

Prepaid subscriber acquisition cash costs are equal to prepaid subscriber acquisition costs as in case of prepaid there are no upfront payments.

**unit SAC cash**

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

**unit contract SAC**

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

**unit contract SAC cash**

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

**unit prepaid SAC**

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

**unit prepaid SAC cash**

Is equal to unit prepaid SAC.

Term

Usage by Play

**subscriber retention costs (SRC)**

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

**SRC cash**

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

**unit SRC**

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

**unit SRC Cash**

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

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

## **2. INTRODUCTION**

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

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

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

Based on notifications received by the Company from shareholders who exceeded ownership of 5% of shares and votes, at the date of the Report, 40.2% of the outstanding shares are controlled by shareholders Tollerton Investments Limited and Kenbourne Invest II S.à r.l, 5.6% by Nationale-Nederlanden Otwarty Fundusz Emerytalny. The remaining 54.2% is owned by other shareholders. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

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

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

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

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

## **4. PRESENTATION OF FINANCIAL INFORMATION**

### **General**

The consolidated financial information presented herein has been prepared in accordance with IFRS as adopted by EU - as presented in the Company and its subsidiaries unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34 as at and for the nine-month period ended September 30, 2020 (the “**Financial Statements**” or “**Interim Condensed Financial Statements**”) issued by the Group, included elsewhere in this Report.

The Financial Statements were prepared on a basis consistent with the Company and its subsidiaries audited consolidated financial statements prepared in accordance with IFRS as adopted by the European Union as at and for the year ended December 31, 2019 (the “**Annual Financial Statements**”).

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

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

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

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

### **Non-IFRS Measures**

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

Under our presentation:

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

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

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

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

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

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



## **PART II**

# **BUSINESS REPORT**

**PLAY**

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

### Interim Condensed Consolidated Statement of Comprehensive Income

	Nine-month period ended		Three-month period ended		Notes to the Financial Statements
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	
	Unaudited	Unaudited	Unaudited	Unaudited	
	(PLN m)	(PLN m)	(PLN m)	(PLN m)	
<b>Operating revenue</b>	<b>5,301.8</b>	<b>5,240.9</b>	<b>1,802.5</b>	<b>1,796.0</b>	3
Service revenue	4,127.9	3,941.9	1,379.5	1,351.2	
Sales of goods and other revenue	1,174.0	1,299.0	423.0	444.9	
<b>Operating expenses</b>	<b>(4,067.5)</b>	<b>(4,014.9)</b>	<b>(1,390.1)</b>	<b>(1,379.6)</b>	
Interconnection, roaming and other service costs	(1,352.0)	(1,324.5)	(438.5)	(445.6)	4
Contract costs, net	(311.2)	(301.8)	(105.6)	(100.1)	5
Cost of goods sold	(965.9)	(1,049.7)	(349.4)	(373.1)	
General and administrative expenses	(719.7)	(674.4)	(251.2)	(233.6)	6
Depreciation and amortization	(718.7)	(664.4)	(245.3)	(227.2)	7
Other operating income	56.7	53.1	22.6	21.7	8
Other operating costs	(131.3)	(93.9)	(28.9)	(29.3)	8
<b>Operating profit</b>	<b>1,159.7</b>	<b>1,185.2</b>	<b>406.0</b>	<b>408.9</b>	
Finance income	3.7	0.9	0.2	0.6	9
Finance costs	(236.1)	(261.1)	(57.3)	(94.6)	9
<b>Profit before income tax</b>	<b>927.3</b>	<b>925.0</b>	<b>348.9</b>	<b>314.9</b>	
Income tax charge	(212.2)	(224.4)	(79.1)	(81.8)	10
<b>Net profit</b>	<b>715.1</b>	<b>700.5</b>	<b>269.8</b>	<b>233.1</b>	
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>1.8</b>	<b>5.7</b>	-	<b>2.1</b>	25.5
<b>Total comprehensive income</b>	<b>716.9</b>	<b>706.2</b>	<b>269.8</b>	<b>235.2</b>	
Earnings per share (in PLN) (basic)	2.81	2.76	1.06	0.92	11
Earnings per share (in PLN) (diluted)	2.79	2.75	1.05	0.91	11
Weighted average number of shares (in millions) (basic)	254.3	254.0	254.4	254.1	11
Weighted average number of shares (in millions) (diluted)	256.5	255.0	256.5	255.1	11

## Interim Condensed Consolidated Statement of Cash Flows

	Nine-month period ended		Three-month period ended		Notes to the Financial Statements
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	
	Unaudited	Unaudited	Unaudited	Unaudited	
	(PLN m)	(PLN m)	(PLN m)	(PLN m)	
<b>Profit before income tax</b>	<b>927.3</b>	<b>925.0</b>	<b>348.9</b>	<b>314.9</b>	
Depreciation and amortization	718.7	664.4	245.3	227.2	
Change in contract costs	(9.6)	10.9	(9.7)	(2.6)	32
Interest expense (net)	227.0	255.6	55.4	87.7	
Gain on finance instruments at fair value	(2.9)	(0.6)	-	(0.6)	
Foreign exchange losses	8.1	0.6	1.6	2.1	
Gain on disposal of non-current assets and termination of lease contracts	(2.9)	(3.4)	(1.1)	(1.7)	
Impairment of non-current assets	0.4	1.6	0.3	0.8	
Change in provisions and liabilities or equity related to incentive and retention programs	8.4	9.7	2.7	2.2	
Changes in working capital and other	3.9	147.6	3.6	137.1	32
Change in contract assets	36.5	(74.0)	(21.1)	(8.3)	32
Change in contract liabilities	(5.2)	(4.1)	3.6	1.5	32
<b>Cash provided by operating activities</b>	<b>1,909.8</b>	<b>1,933.3</b>	<b>629.4</b>	<b>760.4</b>	
Interest received	0.1	0.3	-	-	
Income tax paid	(301.2)	(193.1)	(67.3)	(36.2)	
<b>Net cash provided by operating activities</b>	<b>1,608.7</b>	<b>1,740.6</b>	<b>562.1</b>	<b>724.2</b>	
Proceeds from sale of non-current assets	2.9	3.9	1.9	0.8	
Purchase of fixed assets and intangibles and prepayments for assets under construction excluding purchase of frequency reservation acquisition	(573.4)	(638.5)	(270.6)	(200.4)	
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(25.2)	(333.6)	(25.2)	(333.6)	2.8
Deposit paid in the auction for frequency reservation	(182.0)	-	-	-	
Deposit returned in the auction for frequency reservation	182.0	-	-	-	
<b>Net cash used in investing activities</b>	<b>(595.8)</b>	<b>(968.2)</b>	<b>(294.0)</b>	<b>(533.1)</b>	
Proceeds from finance liabilities	1,200.0	-	-	-	25.1
Dividends (paid)	(419.5)	(368.3)	-	-	24
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(1,494.4)	(748.5)	(273.8)	(309.0)	33
<b>Net cash used in financing activities</b>	<b>(713.9)</b>	<b>(1,116.8)</b>	<b>(273.8)</b>	<b>(309.0)</b>	
<b>Net change in cash and cash equivalents</b>	<b>299.0</b>	<b>(344.4)</b>	<b>(5.6)</b>	<b>(117.9)</b>	
Effect of exchange rate change on cash and cash equivalents	0.3	0.1	0.1	0.2	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>294.3</b>	<b>353.6</b>	<b>599.2</b>	<b>127.0</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>593.7</b>	<b>9.3</b>	<b>593.7</b>	<b>9.3</b>	

## Interim Condensed Consolidated Statement of Financial Position

	September 30, 2020	December 31, 2019	
	Unaudited		Notes to the
	(PLN m)	(PLN m)	Financial
			Statements
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2,513.9	2,598.1	12
Property, plant and equipment	2,111.8	2,028.8	13
Right-of-use assets	869.7	885.3	14
Assets under construction	356.5	285.9	15
Contract costs	383.7	374.1	16
Long-term investments	0.2	0.2	
Long-term receivables	15.9	15.4	17
Other long-term finance assets	12.8	11.3	18
<b>Total non-current assets</b>	<b>6,264.5</b>	<b>6,199.2</b>	
<b>Current assets</b>			
Inventories	181.4	169.1	19
Trade and other receivables	725.1	731.6	20
Contract assets	1,419.4	1,455.9	21
Current income tax receivables	0.1	0.4	
Prepaid expenses	33.0	28.8	22
Cash and cash equivalents	593.7	294.3	23
Other short-term finance assets	6.9	6.3	18
<b>Total current assets</b>	<b>2,959.7</b>	<b>2,686.4</b>	
<b>TOTAL ASSETS</b>	<b>9,224.2</b>	<b>8,885.6</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	0.1	0.1	24
Share premium	3,673.4	3,673.4	
Other reserves	62.2	53.0	
Retained losses	(3,109.1)	(3,404.8)	
<b>Total equity</b>	<b>626.5</b>	<b>321.7</b>	
<b>Non-current liabilities</b>			
Long-term finance liabilities - debt	6,563.4	6,505.0	25
Long-term provisions	83.1	70.4	26
Deferred tax liability	178.6	168.4	10
Other non-current liabilities	10.3	10.4	
<b>Total non-current liabilities</b>	<b>6,835.4</b>	<b>6,754.2</b>	
<b>Current liabilities</b>			
Short-term finance liabilities - debt	365.1	361.7	25
Other short-term finance liabilities	-	4.7	25
Trade and other payables	925.3	865.4	28
Contract liabilities	102.2	101.8	30
Current income tax payable	47.8	141.5	
Accruals	59.3	95.1	29
Short-term provisions	6.3	6.4	26
Deferred income	256.4	233.2	31
<b>Total current liabilities</b>	<b>1,762.3</b>	<b>1,809.8</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,224.2</b>	<b>8,885.6</b>	

## **2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF SEPTEMBER 30, 2020**

The following discussion and analysis of our financial condition and results of operations are based on the interim condensed consolidated statement of financial position, interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows as of and for the nine-month period ended September 30, 2020, and September 30, 2019, which have been derived from the Financial Statements, which are reproduced elsewhere in this Report, as well as other consolidated financial statements for prior periods which had been published before. See "Presentation of Financial Information" in this Report. This section should be read in conjunction with the above mentioned interim condensed consolidated financial statements, including the notes thereto, as well as other financial information contained elsewhere in this Report. A summary of certain critical accounting estimates, judgments and policies that have been applied to the interim condensed consolidated financial statements is set forth in the Financial Statements – please see Note 2.7 to the Financial Statements, included elsewhere in this Report. In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

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

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

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

### **Overview**

We are a consumer-focused mobile network operator ("**MNO**") in Poland, providing also TV, VoD and fixed broadband offerings, with 15.4 million subscribers as of September 30, 2020 with which we reconfirmed our #1 position among mobile operators in Poland. We have been effective in delivering a high level of customer service to our subscribers, managing to achieve a monthly average contract churn rate of just 0.73% for the nine-month period ended September 30, 2020. During the nine-month period ended September 30, 2020, we generated total revenues of PLN 5,301.8 million and an increase of 1.2% year on year with strong contribution from growth in service revenue, partially offset by lower sales of handsets due to closure of our points of sales during COVID-19 lockdown. Our Adjusted EBITDA for the nine-month period ended September 30, 2020, amounted to PLN 1,900.8 million, an increase of 1.9% year on year mainly thanks to growth of revenue, reduced international and national roaming costs as well as advertising and promotion expenses, partially offset by higher: interconnection costs, network maintenance, leased lines and energy expenses and salaries and social security expenses. These results include the effect of consolidating Virgin Mobile Polska Sp. z o.o. ("**VMP**") from August 9, 2020 when the Group completed its acquisition communicated in current report 19/2020 dated April 22, 2020, while closing of the transaction was announced with current report 27/2020 dated August 9, 2020. For more information concerning acquisition of Virgin Mobile Polska Sp. z o.o. please refer to Note 2.8 of attached Financial Statement.

We provide mobile voice, messaging, TV and video streaming and data offerings and services to consumers and businesses (in particular to small office/home office subscribers ("**SOHO**") and small/medium enterprises ("**SME**") on a contract and prepaid basis). We also provide fixed broadband offerings to our clients. The TV package includes wide range of channels (inter alia: sport, lifestyle, news, music, history, and some kids channels) as well as VoD offerings. Mobile TV service was launched in 2016 with its basic version included in mobile subscription. In 2018 we have developed and started tests of TV Box service, which is network agnostic DTH, online TV streaming and VoD offer for use with big screen. Our principal focus is at contract subscribers, who generate significantly higher ARPU and have lower churn rates than prepaid subscribers. As of September 30, 2020, contract subscribers accounted for 65.3% of our reported subscriber base (a ratio that is in line with

the Polish telecommunications market) and 77.4% of our usage revenues for the nine-month period ended September 30, 2020.

In the nine-month period ended September 30, 2020, we have commercially launched the first 5G site in Poland using 2.1 GHz frequency (so called 5G Legacy), covering Tricity and then rolling out the technology further to 58 cities and towns. In March 2020 we initiated support for our customers related to COVID-19 pandemic: we provided additional free data transmission packages, zero-rate Internet access for students as well as additional temporary free thematic packages within our TV services. In March 2020 we successfully launched new Play Fixed Broadband Internet offers for contract segment, which provide speeds of up to 600 Mb/s. The offer is based on cooperation with the second largest CATV operator in Poland – Vectra.

We also focus our efforts on progress in digitizing our operations, both front- and back- office functions. As of September 30, 2020 we had 5.1 million active accounts of our Play24 self-care service (available via web or application) which has been enriched with online retention functionality for MIX offer clients and SOHO customers. Another strong example in front-office digitalization are our Points of Sales which during the first nine months of 2020 were processing 75% of fully digitalized transactions.

We employ one brand and communications platform across all of our offerings, “PLAY,” which is well recognized in the Polish market with broad appeal.

We market our offerings and services primarily through our nationwide distribution network of 758 “PLAY” branded stores, a significant number of which are situated in prime locations across Poland. We exercise significant control over the network, enabling us to deliver a uniform look and feel designed to promote brand recognition and what we believe is a best-in-class retail experience in a cost-efficient manner. We optimize number of points of sale by the least profitable, at the same time focusing on the most profitable locations.

Our growth has been supported by a favorable domestic regulatory framework and industry dynamics, as well as our extensive, modern and cost-efficient 2G/3G/4G LTE, 4G LTE Ultra, 5G Ready and 5G Legacy telecommunications network in Poland, throughout which we provide our mobile voice, messaging, TV / video streaming and data services. Through our own network, we provided coverage to 99.5% of the Polish population as of September 30, 2020, supported with national roaming agreements with the other two major Polish MNOs. In November 2013, we were the second major MNO in Poland to launch its 4G LTE network, and as of September 30, 2020, we provided 4G LTE and 4G LTE Ultra coverage, to 99.2% and 92.0% of the Polish population, respectively (compared to 98.4% and 89.5% as of September 30, 2019). Population coverage of 5G Ready and 5G Legacy network reached 60.9% and 13.2% as of September 30, 2020, respectively.

5G Ready network uses 5G technologies:

- MIMO4x4 - (multiple-input and multiple-output) - i.e. increasing the number of antennas receiving and sending signals, this technology allows to increase the speed of data transmission.
- Bandwidth aggregation, i.e. combining bands, allows you to use the Internet at an even higher speed.
- Quadrature Amplitude Modulation (256QAM) allows you to send more data at the same time, which means that by sending a file or downloading photos from the Internet, we will send and download them faster than before, or we will be able to download or send even larger files at the same time that we have been sending these smaller files so far.
- Phase synchronization is needed to dynamically share frequencies between technologies, mitigate and eliminate network disturbances, as well as to be able to use the resources of two base stations at the same time.
- Cloud Air allows dynamic sharing of the same bandwidth between different technologies (e.g. LTE and GSM) - this is moving network resources depending on the demand for a given technology.

5G Ready network allows to use the Internet with a speed of about 80-100 Mb/s, reaching even 300-500 Mb/s in optimal conditions.

5G Legacy technology provides mobile users with new possibilities and mobile experience, expanding 5G Ready by:

- 5G New Radio available anytime almost everywhere,
- Possibility to use existing frequency bands (e.g. 2100 MHz) – no need to wait for special radio spectrum to enjoy 5G,
- Simultaneous use of the radio spectrum by 5G and 4G terminals in a dynamic way in order to allow all mobile users benefit from access to new services and broadband internet.

### **Key factors affecting our results of operations and significant market trends**

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

#### **General regulatory environment**

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

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

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

Additionally, since June 15, 2017, we have to comply with the regulation introduced by EU which is Roam Like At Home ("RLAH"). RLAH regulation eliminates EU roaming charges and impacts the European telecoms industry by: 1) decreasing international roaming revenues; and 2) increasing international roaming costs (due to international carrier traffic and wholesale rates).

#### **Impact of foreign exchange rate movements**

We make significant purchases and incur expenses in other currencies, primarily in euro, and as a result, foreign exchange rate movements affect our results of operations.

The euro has historically experienced volatility in relation to the zloty. For the periods under review, the NBP euro/zloty average exchange rate, expressed as zloty per euro, is shown in the table below:

	<b>Nine-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2019</b>
<b>Foreign exchange rates</b>		
Zloty per euro (EOP) <sup>(1)</sup>	4.5268	4.3736
Zloty per euro (average in period) <sup>(2)</sup>	4.4241	4.3019

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

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

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

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

For more details please refer to Note 3.3 to the Annual Financial Statements.

### ***Impact of COVID-19 pandemic***

After the lockdown decided by the Polish government on 13th of March 2020, voice traffic in Play's network increased by 34%, data traffic increased by 19%, with peaks up to 50%, as compared to precedent week, without any impact on the quality of service. For comparison: regular data consumption in Play network has grown by 25-30% per annum, while voice traffic has been broadly stable.

With approximately half of Play's points of sales closed, traffic in the sales network decreased between the first and last week of March 2020. In the meantime, traffic on Play's website increased while number of active Play24 accounts exceeded 5 million, partially offsetting the impact of stores closure.

The observations on the Company's operations and financials are summarized as following. Service revenue in March 2020 was few percent higher than in January and February 2020, driven mainly by increase in traffic from other operators. International roaming revenue and costs in March 2020 were comparable to pre-pandemic months. ARPU in March 2020 was a few percent higher than in January and February 2020, in both contract and prepaid segments. Revenue from sales of handsets was ~30% lower than in March 2019. Operating costs were well contained. Altogether, Play's adjusted EBITDA in Q1 2020 has been resilient to COVID-19 impact. The investment process and capex spend were well on track and so was cash generation.

Finally, Play took many initiatives over the last 3 weeks of March 2020 to support its customers, in particular seniors over 65 years of age, students and business customers. The Company has opened 35 additional Emergency Customer Intervention Points, offered free transmission packages and temporary free access to some PLAY NOW additional channels from Kids and Extra packages. Additionally, Play decided to allocate PLN 1 million to the Intervention Fund of WOŚP to support Polish hospitals.

Play has enabled home working for most of its employees, including call centers and IT teams. The employees working in the points of sales, the warehouse or in network operations, apply and respect all safety rules recommended by the Government and the Ministry of Health.

Business trends under COVID-19 pandemic lockdown in April 2020 were in line with the observations for March 2020. Traffic, both voice and data, remained at increased levels, sales traffic in the open Points of Sales remained significantly lower with inflated online sales and customer care traffic. Service revenue and ARPU were still few percent higher than in the months preceding the pandemic, with lower international roaming margin due to international mobility restrictions. Sales of handsets declined in April by ~40% year-on-year. With operating costs continuously kept under strict control again there was no impact on Play's adjusted EBITDA as compared to April 2019. Also the investment process and cash capex were on track while cash generation was stronger thanks to positive working capital impact.

Our points of sales fully reopened on May 5, 2020 with sales traffic gradually returning towards pre-lockdown levels. As a consequence the main impact on the financials in Q2 2020 stems from closure of points of sales for five weeks in the quarter as compared with three weeks in Q1 2020, which drove decline in sales of goods. Overall we have not observed increased level of issues with payments from our customers and business partners in Q2 nor in Q3 2020, resulting from COVID-19 pandemic.

## **Competition**

In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which along with Play, as of September 30, 2020, held ca. 97% of the reported subscriber market share. As of September 30, 2020 our total number of reported mobile subscribers amounted close to 15.4 million.

We believe the Polish mobile telecommunications market is balanced in terms of the relative market share of the largest four MNOs, and the relatively similar manner in which they operate, providing a supportive environment for the four major Polish MNOs (Plus, Orange and T-Mobile and us) to co-exist. Owing to the growth of the market and the successful implementation of our controlled growth strategy that did not target any specific competitor, we have been able to grow our subscriber base through market share gained from competitors roughly equally, while our three main competitors were securing their revenues by protecting ARPU levels rather than trying to maximize market share which would lead to price instability. We believe that our revenues and profitability will be supported by our strong focus on value and improvement of our quality mix of subscribers by attracting more contract subscribers), the up-selling of services, TV, VOD and music platform, increased coverage of the 4G LTE network, including 4G LTE ULTRA mobile broadband, introduction and development of 5G Ready and 5G Legacy networks and the active management of our subscriber acquisition, maintenance and retention costs, including subsidies and commissions. However, we may be forced to lower our prices for certain offerings and services in response to competitors' pricing policies, which may have an adverse effect on our future revenues and profitability.

At the same time, we believe that it will be challenging for any new MNO to enter the Polish mobile telecommunications market given the substantial costs of entry in order to effectively compete, as a new entrant would require a substantial amount of radio spectrum (which is currently very limited) and network infrastructure which it would either need to build out or negotiate access to, as well as a distribution network, which, given the exclusivity arrangements the MNOs have with most mobile dealers, is difficult to build out. The low retail margins have contributed to MVNOs not being a major feature of the Polish telecommunications market. After acquisition of Virgin Mobile Polska Sp. z o.o. by Play, four major MNOs (Play, Orange, Plus, T-Mobile) represented ca. 97% of the market share of subscribers as of September 30, 2020, while MVNOs and other operators represented together ca. 3%. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players.

## **Investment in our network**

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

In addition to our nationwide roll-out strategy we have in place national roaming/network sharing agreements. Through our own network, we provide coverage to 99.5% of the Polish population as of September 30, 2020, while we also provide 2G/3G/4G LTE coverage under national roaming/network sharing agreements that we have negotiated with the other major Polish MNOs, Plus, Orange and T-Mobile (agreement with Plus expired as of December 31, 2019) which support our own network and provide our subscribers with unmatched network coverage in Poland. This also allows us to use back-up networks available while we are expanding our own network. Since December 31, 2019, we have built 580 sites, achieving in total 8,448 sites.

Following the acquisition of 1800 MHz technology neutral frequency license in June 2013, we launched a roll-out of our 4G LTE network utilizing the 1800 MHz frequency. We believe we will have sufficient capacity to service our expected subscriber base in the medium term, and our reduced capital expenditures required for further upgrades and new sites following the completion of certain ongoing network investments will further support growth in our free cash flow generation in the medium term, although any new frequency reservations we acquire could require significant capital outlays and additional investments in our networks.

In Q2'18, the Group was granted a reservation of the 3700 MHz frequency for the period from July 1, 2018 to December 31, 2020 for the total price of PLN 8.5 million. Spectrum 3700 MHz will be used in the order to: (i) maximize available volume and

utility for mobile broadband using 4G technology; and to (ii) maximize the future spectrum capacity for 5G technology. Additionally, any re-farming for these bands should ensure protection for the existing frequency portfolio.

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

- 800 MHz for 2 × 5 MHz (decision issued on January 25, 2016 and amended on June 23, 2016) that expires on June 23, 2031, which cost the Group PLN 1,496 million;
- 900 MHz for 2 × 5 MHz (decision issued on December 9, 2008) that expires on December 31, 2023, which cost the Group PLN 217 million;
- 1800 MHz for 2 × 15 MHz (decision issued on June 14, 2013) that expires on December 31, 2027, which cost the Group PLN 498 million;
- 2100 MHz for 2 × 14.8 MHz and 1 × 5 MHz (decision issued originally on August 23, 2005 and re-issued on November 16, 2007 and became effective upon its delivery) that expires on December 31, 2022, which cost the Group PLN 345 million;
- 2600 MHz for 2 × 20 MHz (decisions issued on January 25, 2016) that expires on January 25, 2031, which cost the Group PLN 222 million;
- 3700 MHz for 2 × 14 MHz (decision issued on February 28, 2018) that expires on December 31, 2020, which cost the Group PLN 8.5 million.

In May 2019 the President of UKE commenced proceedings aimed to decline the prolongation of 3700 MHz frequency reservations. The proceedings were a part of the President of UKE's plan to reform the 3400-3800 MHz spectrum in order to introduce the 5G technology. In October 2019 the President of UKE declined prolongation of our nationwide and regional reservations of 3700 MHz frequency beyond the dates indicated above and P4 applied for reconsideration. On October 8, 2019 the President of UKE upheld the decisions. On November 12, 2019 P4 appealed against the decisions at the Voivodship Administrative Court.

On February 4, 2020 the President of UKE issued a decision cancelling P4's reservation of 3700 MHz for 2x 14 MHz frequencies. On February 18, 2020 P4 applied for reconsideration of the decision. The President of UKE upheld the decision cancelling P4's reservation in a decision of June 3, 2020. On July 6, 2020 P4 appealed against the decision to the Voivodship Administrative Court.

On March 6, 2020 the President of UKE announced an auction for 3.6 GHz frequencies. On April 16, 2020 the President of UKE announced that the auction had been suspended as of March 31, 2020. Orange, T-Mobile, Polkomtel and P4 submitted initial offers in the auction. The President of UKE annulled the auction ex officio, in a decision of June 10, 2020. By the date of this Report no details about restart of the auction were available.

We have no frequency renewals until the end of 2020.

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

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

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

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

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

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

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

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

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

Please note that after recording unexpectedly high levels of SIM cards activated by inbound calls in the fourth quarter of 2019, the Company has adjusted active subscriber definition by shortening activity period to 30 days in order to avoid impact of such anomalies on reported figures. Active base provided below reflects new definition for both current and comparable period in 2019.

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

	As of		Change
	September 30, 2020	September 30, 2019	
<b>Reported subscribers (thousands)</b>	<b>15,391.9</b>	<b>15,107.2</b>	<b>1.9%</b>
Contract	10,045.2	9,947.6	1.0%
Prepaid	5,346.7	5,159.6	3.6%
<b>Reported TV Box services (thousands)</b>	<b>83.0</b>	<b>20.3</b>	<b>308.8%</b>
	As of		Change
	September 30, 2020	September 30, 2019	
<b>Active subscribers (thousands)</b>	<b>12,896.3</b>	<b>12,526.9</b>	<b>2.9%</b>
Contract	9,046.5	8,911.3	1.5%
Prepaid	3,849.8	3,615.5	6.5%
<b>Active TV Box services (thousands)</b>	<b>83.0</b>	<b>20.3</b>	<b>308.8%</b>

As of September 30, 2020, the total number of our reported subscriber base was approximately 15.4 million, of which 65.3% were contract subscribers. Over the last years we have successfully gained subscriber market share by continuously focusing on our “value-for-money” positioning by effectively promoting our brand and by maintaining what we believe is a best-in-class distribution network. Our contract subscriber base increased from 9.95 million as of September 30, 2019, to 10.05 million as of September 30, 2020. Acquisition of Virgin Mobile Polska Sp. z o.o. in August 2020 increased our total reported subscriber base by 459 thousand and contract subscriber base by 71 thousand as of September 30, 2020.

As of September 30, 2020, the total number of our active subscriber base was approximately 12.9 million, of which 70.1% were contract subscribers. The number of active contract subscribers increased from 8.91 million as of September 30, 2019 to 9.05 million as of September 30, 2020. This change is in line with our strategy to increase the number of contract subscribers, who generate higher ARPU on average compared to prepaid subscribers and provide greater revenue security

through fixed-term contracts. Acquisition of Virgin Mobile Polska Sp. z o.o. in August 2020 increased our active contract subscriber base, as in case of total reported base, by 71 thousand as of September 30, 2020.

Our prepaid reported base increased by 3.6% YoY, from 5.16 million as of September 30, 2019, to 5.35 million as of September 30, 2020. The prepaid active base trend was also positive, it increased from 3.62 million as of September 30, 2019 to 3.85 million as of September 30, 2020. The change results mainly from acquisition of Virgin Mobile Polska Sp. z o.o. which added 388 thousand to our prepaid base as of September 30, 2020, more than offsetting COVID-19 lockdown impacting relatively significant part of our customer base being foreign workers and travelers.

#### *Net additions and Churn*

For the nine months ended September 30, 2020, contract net additions were 54.2 thousand, representing an decrease of 33% relative to the comparable period in 2019.

For the nine months ended September 30, 2020, prepaid net additions were 72.7 thousand versus 10.2 thousand in nine months ended September 30, 2019.

These increases are mainly driven by acquisition of Virgin Mobile Polska Sp. z o.o. in August 2020.

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

	Nine-month period ended			Three-month period ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
<b>Net additions (thousands)</b>	<b>126.9</b>	<b>91.6</b>	<b>38.5%</b>	<b>408.2</b>	<b>101.2</b>	<b>303.2%</b>
Contract	54.2	81.4	(33.5%)	88.2	5.9	x14
Prepaid	72.7	10.2	x7	320.0	95.3	235.7%
<b>Net additions in TV Box services (thousands)</b>	<b>50.8</b>	<b>20.3</b>	<b>150.3%</b>	<b>23.8</b>	<b>2.7</b>	<b>774.2%</b>
<b>Churn (%)<sup>(1)</sup></b>	<b>1.82%</b>	<b>1.72%</b>	<b>0.10 pp</b>	<b>1.96%</b>	<b>1.63%</b>	<b>0.34 pp</b>
Contract	0.71%	0.74%	(0.03) pp	0.73%	0.77%	(0.03) pp
Prepaid	3.93%	3.62%	0.31 pp	4.33%	3.31%	1.02 pp

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

Average monthly contract churn rate has improved slightly to the level of 0.71% in the nine-month period ended September 30, 2020 versus 0.74% in the comparable period ended September 30, 2019. Due to the nature of prepaid offerings, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

### Blended ARPU and Contract / Prepaid ARPU

We have adopted ARPU as one of the most important Key Performance Indicators. ARPU is more widely used as measure of performance by other Mobile Network Operators, and therefore we have decided to adopt ARPU as a Key Performance Indicator. Most of revenues in the Polish mobile telecommunications market is generated by contract subscribers. ARPU is therefore primarily driven by the level of committed tariff plan fees, with the rate per minute (with respect to voice offerings), SMS/MMS or MB becoming a secondary driver of revenue. All of the factors mentioned above are mainly driven by the level of competition in the market. ARPU is additionally influenced by the volume of traffic received by our subscribers from subscribers of other networks, both national and international. Please note also that the figures presented below reflect change in definition of our active customer base which was also applied retrospectively to calculation of ARPU since the first quarter of 2019.

In the nine-month period ended September 30, 2020, our ARPU was PLN 34.3, up by 3.1% to the comparable period in 2019. Contract ARPU for the nine-month period ended September 30, 2020, amounted to PLN 39.7, an increase of 2.6% compared to the same period in 2019, while prepaid ARPU for the nine-month period ended September 30, 2020, amounted to PLN 20.6, an increase of 3.4% compared to the same period in 2019. Growth in both contract and prepaid ARPU resulted mainly from increase in voice and data usage, fueled by lockdown and home-working related to COVID-19 pandemic.

The following table presents ARPU during the periods under review:

	Nine-month period ended			Three-month period ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
<b>ARPU (PLN)<sup>(1)</sup></b>	<b>34.3</b>	<b>33.2</b>	<b>3.1%</b>	<b>34.3</b>	<b>33.9</b>	<b>1.3%</b>
Contract	39.7	38.6	2.6%	39.6	39.2	1.0%
Prepaid	20.6	19.9	3.4%	21.3	20.8	2.5%

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

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

<i>expressed in PLN</i>	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>ARPU</b>	<b>32.3</b>	<b>33.5</b>	<b>33.9</b>	<b>33.5</b>	<b>33.8</b>	<b>34.7</b>	<b>34.3</b>
- Contract	38.0	38.8	39.2	38.7	39.2	40.1	39.6
- Prepaid	18.6	20.5	20.8	20.5	19.9	20.7	21.3

### Data traffic

Overall data usage per subscriber increased from 6,918.6 MB monthly in the nine-month period ended September 30, 2019, to 9,140.0 MB in the nine-month period ended September 30, 2020, representing a growth of 32.1%. This growth can be observed for contract as well as prepaid subscribers, and as a result of the increased adoption of 4G LTE smartphones and other devices and enriching our TV and VoD offerings and further fueled by lockdown and home-working related to COVID-19 pandemic.

The following table presents a breakdown of data transmission usage:

	Nine-month period ended			Three-month period ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
<b>Data usage per subscriber (MB)<sup>(1)</sup></b>	<b>9,140.0</b>	<b>6,918.6</b>	<b>32.1%</b>	<b>9,366.7</b>	<b>7,382.3</b>	<b>26.9%</b>
Contract	10,547.5	7,945.2	32.8%	10,761.2	8,446.0	27.4%
Prepaid	4,730.5	3,772.3	25.4%	5,097.4	4,128.4	23.5%

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

#### Unit SAC cash and unit SRC cash

We present unit SAC cash and unit SRC cash as metrics for the operating analysis of cash impact of acquisition and retention, as the most meaningful performance indicator versus unit SAC and unit SRC that have been prepared before IFRS 15 adoption (distorted by instalment sales impact) or unit SAC and unit SRC that would be prepared using data after IFRS 15 adjustment, which would not present clearly the relevant level of subsidies, sales / retention commissions or other costs related to acquisition and retention activities of the Group. In the nine-month period ended September 30, 2020, our unit contract SAC cash amounted to PLN 349.7, a slight decrease of 0.6% compared to the nine-month period ended September 30, 2019. In the nine-month period ended September 30, 2020, our unit prepaid SAC cash amounted to PLN 6.5, which represents 7.7% increase versus comparable period in 2019. The changes are predominantly related to lower levels of generic gross additions and retentions in the first nine months of 2020, due to lockdown related to COVID-19 pandemic. Higher level of retentions is reflected in unit SRC cash which in the nine-month period ended September 30, 2020, amounted to PLN 409.3, an increase of 7.7% compared to the nine-month period ended June 30, 2019.

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

	Nine-month period ended			Three-month period ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
<b>unit SAC cash (PLN)</b>						
Contract	349.7	351.9	(0.6%)	353.4	372.4	(5.1%)
Prepaid	6.5	6.1	7.7%	6.4	5.8	10.7%
<b>unit SRC cash (PLN)</b>	<b>409.3</b>	<b>380.1</b>	<b>7.7%</b>	<b>402.6</b>	<b>418.5</b>	<b>(3.8%)</b>
<b>unit SAC (PLN)</b>						
Contract	329.1	338.2	(2.7%)	328.4	357.3	(8.1%)
Prepaid	6.5	6.1	7.7%	6.4	5.8	10.7%
<b>unit SRC (PLN)</b>	<b>407.0</b>	<b>377.3</b>	<b>7.9%</b>	<b>400.6</b>	<b>414.7</b>	<b>(3.4%)</b>

## Results of operations

	Nine-month period ended				Three-month period ended			
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
	Unaudited	Unaudited	Change	Change	Unaudited	Unaudited	Change	Change
	(PLN m)	(PLN m)	PLN m	%	(PLN m)	(PLN m)	PLN m	%
<b>Operating revenue</b>	<b>5,301.8</b>	<b>5,240.9</b>	<b>60.9</b>	<b>1.2</b>	<b>1,802.5</b>	<b>1,796.0</b>	<b>6.5</b>	<b>0.4</b>
Service revenue	4,127.9	3,941.9	185.9	4.7	1,379.5	1,351.2	28.3	2.1
Sales of goods and other revenue	1,174.0	1,299.0	(125.0)	(9.6)	423.0	444.9	(21.8)	(4.9)
<b>Operating expenses</b>	<b>(4,067.5)</b>	<b>(4,014.9)</b>	<b>(52.6)</b>	<b>1.3</b>	<b>(1,390.1)</b>	<b>(1,379.6)</b>	<b>(10.6)</b>	<b>0.8</b>
Interconnection, roaming and other service costs	(1,352.0)	(1,324.5)	(27.5)	2.1	(438.5)	(445.6)	7.1	(1.6)
Contract costs, net	(311.2)	(301.8)	(9.3)	3.1	(105.6)	(100.1)	(5.5)	5.5
Cost of goods sold	(965.9)	(1,049.7)	83.8	(8.0)	(349.4)	(373.1)	23.6	(6.3)
General and administrative expenses	(719.7)	(674.4)	(45.3)	6.7	(251.2)	(233.6)	(17.6)	7.5
Depreciation and amortization	(718.7)	(664.4)	(54.3)	8.2	(245.3)	(227.2)	(18.1)	8.0
Other operating income	56.7	53.1	3.6	6.7	22.6	21.7	0.9	4.0
Other operating costs	(131.3)	(93.9)	(37.5)	39.9	(28.9)	(29.3)	0.3	(1.2)
<b>Operating profit</b>	<b>1,159.7</b>	<b>1,185.2</b>	<b>(25.5)</b>	<b>(2.2)</b>	<b>406.0</b>	<b>408.9</b>	<b>(2.9)</b>	<b>(0.7)</b>
Finance income	3.7	0.9	2.8	321.4	0.2	0.6	(0.5)	(73.7)
Finance costs	(236.1)	(261.1)	25.1	(9.6)	(57.3)	(94.6)	37.3	(39.4)
<b>Profit before income tax</b>	<b>927.3</b>	<b>925.0</b>	<b>2.3</b>	<b>0.3</b>	<b>348.9</b>	<b>314.9</b>	<b>33.9</b>	<b>10.8</b>
Income tax charge	(212.2)	(224.4)	12.3	(5.5)	(79.1)	(81.8)	2.8	(3.4)
<b>Net profit</b>	<b>715.1</b>	<b>700.5</b>	<b>14.6</b>	<b>2.1</b>	<b>269.8</b>	<b>233.1</b>	<b>36.7</b>	<b>15.7</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>1.8</b>	<b>5.7</b>	<b>(3.9)</b>	<b>(68.7)</b>	<b>-</b>	<b>2.1</b>	<b>(2.1)</b>	<b>(100.0)</b>
<b>Total comprehensive income</b>	<b>716.9</b>	<b>706.2</b>	<b>10.7</b>	<b>1.5</b>	<b>269.8</b>	<b>235.2</b>	<b>34.5</b>	<b>14.7</b>

## Operating revenue

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

	Nine-month period ended		Change		Three-month period ended		Change	
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited	Unaudited	(PLN m)	(PLN m)	Unaudited	Unaudited	(PLN m)	(PLN m)
<b>Service revenue</b>	<b>4,127.9</b>	<b>3,941.9</b>	<b>185.9</b>	<b>4.7</b>	<b>1,379.5</b>	<b>1,351.2</b>	<b>28.3</b>	<b>2.1</b>
Usage revenue	3,059.5	2,957.8	101.7	3.4	1,039.1	1,019.9	19.2	1.9
Retail contract revenue	2,378.0	2,315.2	62.7	2.7	806.0	790.1	15.9	2.0
Retail prepaid revenue	493.0	488.6	4.5	0.9	176.7	171.1	5.6	3.3
Other usage revenue	188.5	154.0	34.5	22.4	56.3	58.7	(2.3)	(4.0)
Interconnection revenue	1,068.4	984.2	84.2	8.6	340.4	331.3	9.1	2.8
<b>Sales of goods and other revenue</b>	<b>1,174.0</b>	<b>1,299.0</b>	<b>(125.0)</b>	<b>(9.6)</b>	<b>423.0</b>	<b>444.9</b>	<b>(21.8)</b>	<b>(4.9)</b>
<b>Operating revenue</b>	<b>5,301.8</b>	<b>5,240.9</b>	<b>60.9</b>	<b>1.2</b>	<b>1,802.5</b>	<b>1,796.0</b>	<b>6.5</b>	<b>0.4</b>

### Usage revenue

Revenues related to contract subscribers consist of subscription fees, charges for recurring voice and non-voice services (e.g. Value Added Services - "VAS", mobile TV, TV Box service) rendered by us to our contract subscribers and fees resulting from usage of the international roaming. The increase in revenue from retail contract usage was primarily due to increase in ARPU as well as growth in the active contract subscriber base of 0.1 million, or 1.5%, from September 30, 2019, to September 30, 2020, due to the continued success of our subscriber acquisition and retention strategy and constant migration of customers from prepaid to contract offers.

The increase in revenue from prepaid usage was due to increase in active prepaid subscriber base of 0.2 million, or 6.5%, as well as growth in ARPU.

Other usage revenue consists mainly of revenues from MVNOs to whom the Group provides telecommunications services, revenues generated from services rendered to subscribers of foreign mobile operators that have entered into international roaming agreements with the Group as well as usage revenue generated by 3S Group acquired in August, 2019.

### Interconnection revenue

Increase of interconnection revenue during the nine-month period ended September 30, 2020 resulted mainly from higher traffic to our network due to "stay home" order related to pandemic outbreak of COVID-19 and increased demand for remote communication.

### Sales of goods and other revenue

Sales of goods and other revenue decreased in the nine-month period ended September 30, 2020 mainly due to drop of devices sold to newly acquired and retained subscribers caused mainly by temporary closure of ca. 50% of our stores from the middle of March to the beginning of May as a result of COVID-19 lockdown introduced by Polish government.

## Operating expenses

### Interconnection, roaming and other services costs

	Nine-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Interconnection costs	(1,062.8)	(1,001.6)	(61.2)	6.1	(335.7)	(334.2)	(1.6)	0.5
National roaming/network sharing	(115.0)	(138.1)	23.2	(16.8)	(41.5)	(49.1)	7.5	(15.4)
Other service costs (incl. international roaming costs and content)	(174.2)	(184.8)	10.6	(5.7)	(61.3)	(62.4)	1.1	(1.7)
<b>Interconnection, roaming and other service costs</b>	<b>(1,352.0)</b>	<b>(1,324.5)</b>	<b>(27.5)</b>	<b>2.1</b>	<b>(438.5)</b>	<b>(445.6)</b>	<b>7.1</b>	<b>(1.6)</b>

This category of costs increased due to increase of interconnection costs partially set off by decrease of national roaming/networking sharing costs as well as international roaming costs.

The growth of interconnection costs was related mainly to COVID-19 outbreak which caused significant increase of traffic to other operators. On the other hand, international roaming costs decreased due to limited mobility of our customers during the COVID-19 pandemic.

The decrease of national roaming/network sharing costs was mainly due to the termination, as at the end of 2019, of the national roaming agreement with Polkomtel Sp. z o.o. as one of the national roaming partners of P4, following the continued network rollout and development of own network infrastructure.

### Contract costs, net

	Nine-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Contract costs incurred	(320.8)	(291.0)	(29.8)	10.2	(115.3)	(102.7)	(12.6)	12.3
Contract costs capitalized	301.1	274.3	26.8	9.8	106.4	97.4	9.0	9.2
Amortization and impairment of contract costs	(291.5)	(285.2)	(6.3)	2.2	(96.7)	(94.8)	(1.8)	1.9
<b>Contract costs, net</b>	<b>(311.2)</b>	<b>(301.8)</b>	<b>(9.3)</b>	<b>3.1</b>	<b>(105.6)</b>	<b>(100.1)</b>	<b>(5.5)</b>	<b>5.5</b>

Contract costs increased due to higher costs of commissions incurred in the nine-month period ended September 30, 2020.

## Cost of goods sold

	Nine-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Cost of goods sold	(965.9)	(1,049.7)	83.8	(8.0)	(349.4)	(373.1)	23.6	(6.3)

Cost of goods sold decreased during nine-month period ended September 30, 2020 in comparison to the nine-month period ended September 30, 2019 following the decrease in sales of goods caused mainly by COVID-19 governmental order to close temporarily ca. 50% of our stores from the middle of March to the beginning of May.

## General and administrative expenses

	Nine-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Salaries and social security	(224.9)	(204.3)	(20.5)	10.1	(74.7)	(70.6)	(4.1)	5.8
Special bonuses, incentive and retention programs	(7.4)	(7.5)	0.0	(0.6)	(2.6)	(2.2)	(0.4)	19.2
<b>Employee benefits</b>	<b>(232.3)</b>	<b>(211.8)</b>	<b>(20.5)</b>	<b>9.7</b>	<b>(77.3)</b>	<b>(72.8)</b>	<b>(4.5)</b>	<b>6.2</b>
Network maintenance, leased lines and energy	(149.5)	(124.2)	(25.4)	20.4	(51.0)	(43.3)	(7.7)	17.9
Advertising and promotion expenses	(104.5)	(119.4)	14.9	(12.5)	(39.5)	(40.5)	1.1	(2.6)
Customer relations costs	(48.4)	(45.0)	(3.4)	7.5	(16.2)	(15.7)	(0.5)	3.3
Office and points of sale maintenance	(12.7)	(14.1)	1.5	(10.3)	(4.0)	(4.3)	0.3	(7.4)
IT expenses	(31.7)	(29.1)	(2.6)	9.0	(10.9)	(9.5)	(1.5)	15.4
People related costs	(12.1)	(12.8)	0.7	(5.2)	(3.0)	(5.2)	2.2	(42.4)
Finance and legal services	(15.7)	(10.9)	(4.8)	43.8	(9.2)	(4.4)	(4.8)	108.6
Other external services	(44.4)	(44.1)	(0.3)	0.6	(16.1)	(17.9)	1.8	(10.0)
<b>External services</b>	<b>(419.0)</b>	<b>(399.6)</b>	<b>(19.4)</b>	<b>4.9</b>	<b>(149.9)</b>	<b>(140.7)</b>	<b>(9.1)</b>	<b>6.5</b>
<b>Taxes and fees</b>	<b>(68.4)</b>	<b>(63.0)</b>	<b>(5.4)</b>	<b>8.6</b>	<b>(24.1)</b>	<b>(20.1)</b>	<b>(3.9)</b>	<b>19.5</b>
<b>General and administrative expenses</b>	<b>(719.7)</b>	<b>(674.4)</b>	<b>(45.3)</b>	<b>6.7</b>	<b>(251.2)</b>	<b>(233.6)</b>	<b>(17.6)</b>	<b>7.5</b>

## Employee benefits

The increase of salaries costs in the nine-month period ended September 30, 2020 resulted mainly from the consolidation of 3S Group acquired in August 2019 and of Virgin Mobile Polska Sp. z o.o. acquired in August 2020, 3S Group and VMP were not consolidated for the whole comparative periods. Costs of employee benefits relating to 3S Group and VMP in the nine-month period ended September 30, 2020 amounted to PLN 21,396 thousand.

### *Network maintenance, leased lines and energy*

The increase in costs of network maintenance, leased lines and energy is mainly attributable to growing energy costs and to the increased number of sites to be maintained due to intensive rollout of Play's network as well as 3S Group consolidation for the nine-month period ended September 30, 2020.

### *Taxes and fees*

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

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

	Nine-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
Other operating income	56.7	53.1	3.6	6.7	22.6	21.7	0.9	4.0
Other operating costs	(131.3)	(93.9)	(37.5)	39.9	(28.9)	(29.3)	0.3	(1.2)

Other operating income consists of: gain on disposal of non-current assets and termination of lease contracts, reversal of impairment of other non-current assets, reversal of provisions, exchange rate gains, income from subleasing of right-of-use assets, interest income on trade receivables and cash, other miscellaneous operating income. Other operating costs include: loss on receivables management, impairment of contract assets, impairment of non-current assets, other miscellaneous operating costs. Please see Note 8 to the Financial Statements.

Other operating costs increased mainly due to the higher loss on receivables management in the nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2019 as well as increase of impairment of contract assets.

As a result of COVID-19 outbreak the Group concluded that credit risk for trade and other receivables and contract assets might increase significantly. As at March 31, 2020 the Group lowered expected recoverability ratio for trade and other receivables and recognized additional expected credit loss of 19,893 thousand. In respect to contract assets the Group recognized, in the three-month period ended March 31, 2020, additional expected loss in the amount of 13,096 thousand as a result of expected deterioration of credit risk of customers due to COVID-19 outbreak. As at September 30, 2020 the Group maintained most of the assumptions for estimation of credit risk applied during three-month period ended March 31, 2020.

## Finance Income and Costs

	Nine-month period ended		Change PLN m	Change %	Three-month period ended		Change PLN m	Change %
	September 30, 2020	September 30, 2019			September 30, 2020	September 30, 2019		
	Unaudited (PLN m)	Unaudited (PLN m)			Unaudited (PLN m)	Unaudited (PLN m)		
Interest income	0.6	0.3	0.3	123.2	0.2	0.0	0.1	361.1
Interest expense	(227.7)	(255.8)	28.2	(11.0)	(55.6)	(87.7)	32.1	(36.6)
Exchange rate losses	(8.4)	(5.3)	(3.1)	58.0	(1.8)	(6.9)	5.1	(74.6)
Net gain on finance instruments at fair value	3.0	0.6	2.4	415.8	-	0.6	(0.6)	(100.0)
<b>Finance income and costs</b>	<b>(232.4)</b>	<b>(260.3)</b>	<b>27.9</b>	<b>(10.7)</b>	<b>(57.1)</b>	<b>(94.0)</b>	<b>36.8</b>	<b>(39.2)</b>

### Interest expense

Interest expense decreased in the nine-month period ended September 30, 2020, compared to the nine-month period ended September 30, 2019 due to lower interest rates (incl. decreased margin as a result of improved leverage ratio).

Exchange rate losses increased in the nine-month period ended September 30, 2020 due to significant depreciation of Polish zloty against EUR as a result of turmoil in currency markets following COVID-19 outbreak. Exchange rate losses relate mainly to valuation of finance lease liabilities.

During the nine-month period ended September 30, 2020 the Group recognized gain on the settlement of IRS in the amount of PLN 2.9 million.

## Liquidity and Capital Resources

### Liquidity

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

- (i) PLN 50 million available for drawing under mBank Overdraft Facility until April 15, 2021
- (ii) PLN 50 million available for drawing under Santander Overdraft Facility until May 31, 2021
- (iii) PLN 50 million available for drawing under DNB Overdraft Facility until September 3, 2021
- (iv) PLN 50 million available for drawing under Millennium Overdraft Facility until November 12, 2020

On January 8, 2019, the Play Group has entered into a Second Amendment and Restatement Agreement to the Senior Facilities Agreement. For the detailed description of amendments please see Note 26.1.1 of the Annual Financial Statements.

On October 23, 2019 P4 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 bonds, with the nominal value of PLN 500 thousand each and the aggregate nominal value of PLN 750 million which on 13 December 2019 were registered in the depository operated by the National Securities Depository. The notes maturity date is December 11, 2026. Interest, based on 6M WIBOR plus margin of 175 basis point, will be paid semi-annually. The first interest payment date was on June 13, 2020. The bonds proceeds were used for general corporate purposes, including repayment of existing debt.

On April 14, 2020, the Group finalized the establishment of the three-year Additional Facility in the amount of PLN 1,200 million. Additional Facility was utilized in full on April 14, 2020. Interest on Additional Facility is calculated based on 3M WIBOR rate plus margin and is payable in quarterly installments. The Additional Facility should be repaid in full on April 14, 2023. The funds under Additional Facility are used for general corporate purposes, including capital expenditure and prepayment of existing debt.

On April 16, 2020, the Group made voluntary prepayment of Facility C under SFA agreement in the amount of PLN 793 million using sources from Additional Financing.

On May 29, 2020 the Group made voluntary prepayment of installment under Facility A in the amount of PLN 173 million plus interest originally maturing on September 30, 2020.

On September 30, 2020 the Group made voluntary prepayment of installment under Facility A in the amount of PLN 173 million plus interest originally maturing on March 31, 2021.

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

## Cash flows

The following table summarizes net cash flows from operating, investing and financing activities for the nine-month period ended September 30, 2020, for the nine-month period ended September 30, 2019 and three-month periods respectively.

	Nine-month period ended				Three-month period ended			
	September 30, 2020	September 30, 2019	Change PLN m	Change %	September 30, 2020	September 30, 2019	Change PLN m	Change %
	Unaudited	Unaudited			Unaudited	Unaudited		
	(PLN m)	(PLN m)			(PLN m)	(PLN m)		
<b>Profit before income tax</b>	<b>927.3</b>	<b>925.0</b>	<b>2.3</b>	<b>0.3</b>	<b>348.9</b>	<b>314.9</b>	<b>33.9</b>	<b>10.8</b>
Depreciation and amortization	718.7	664.4	54.3	8.2	245.3	227.2	18.1	8.0
Change in contract costs	(9.6)	10.9	(20.5)	(188.2)	(9.7)	(2.6)	(7.1)	278.6
Interest expense (net)	227.0	255.6	(28.5)	(11.2)	55.4	87.7	(32.3)	(36.8)
Gain on finance instruments at fair value	(2.9)	(0.6)	(2.3)	388.7	-	(0.6)	0.6	(100.0)
Foreign exchange losses	8.1	0.6	7.5	1,191.1	1.6	2.1	(0.5)	(22.0)
Gain on disposal of non-current assets and termination of lease contracts	(2.9)	(3.4)	0.5	(15.2)	(1.1)	(1.7)	0.6	(34.2)
Impairment of non-current assets	0.4	1.6	(1.1)	(71.9)	0.3	0.8	(0.6)	(69.1)
Change in provisions and liabilities or equity related to incentive and retention programs	8.4	9.7	(1.4)	(14.3)	2.7	2.2	0.4	20.2
Changes in working capital and other	3.9	147.6	(143.7)	(97.3)	3.6	137.1	(133.5)	(97.4)
Change in contract assets	36.5	(74.0)	110.5	(149.3)	(21.1)	(8.3)	(12.7)	152.7
Change in contract liabilities	(5.2)	(4.1)	(1.1)	26.7	3.6	1.5	2.1	140.3
<b>Cash provided by operating activities</b>	<b>1,909.8</b>	<b>1,933.3</b>	<b>(23.5)</b>	<b>(1.2)</b>	<b>629.4</b>	<b>760.4</b>	<b>(130.9)</b>	<b>(17.2)</b>
Interest received	0.1	0.3	(0.2)	(72.6)	-	-	-	-
Income tax paid	(301.2)	(193.1)	(108.1)	56.0	(67.3)	(36.2)	(31.1)	86.0
<b>Net cash provided by operating activities</b>	<b>1,608.7</b>	<b>1,740.6</b>	<b>(131.9)</b>	<b>(7.6)</b>	<b>562.1</b>	<b>724.2</b>	<b>(162.1)</b>	<b>(22.4)</b>
Proceeds from sale of non-current assets	2.9	3.9	(1.0)	(26.2)	1.9	0.8	1.0	126.2
Purchase of fixed assets and intangibles and prepayments for assets under construction excluding purchase of frequency reservation acquisition	(573.4)	(638.5)	65.1	(10.2)	(270.6)	(200.4)	(70.2)	35.0
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(25.2)	(333.6)	308.3	(92.4)	(25.2)	(333.6)	208.3	(92.4)
Deposit paid in the auction for frequency reservation	(182.0)	-	(182.0)	-	-	-	-	-
Deposit returned in the auction for frequency reservation	182.0	-	182.0	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(595.8)</b>	<b>(968.2)</b>	<b>372.4</b>	<b>(38.5)</b>	<b>(294.0)</b>	<b>(533.1)</b>	<b>239.2</b>	<b>(44.9)</b>
Proceeds from finance liabilities	1,200.0	-	1,200.0	-	-	-	-	-
Dividends (paid)	(419.5)	(368.3)	(51.2)	13.9	-	-	-	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	(1,494.4)	(748.5)	(745.8)	99.6	(273.8)	(309.0)	35.2	(11.4)
<b>Net cash used in financing activities</b>	<b>(713.9)</b>	<b>(1,116.8)</b>	<b>402.9</b>	<b>(36.1)</b>	<b>(273.8)</b>	<b>(309.0)</b>	<b>35.2</b>	<b>(11.4)</b>
<b>Net change in cash and cash equivalents</b>	<b>299.0</b>	<b>(344.4)</b>	<b>643.4</b>	<b>(186.8)</b>	<b>(5.6)</b>	<b>(117.9)</b>	<b>112.3</b>	<b>(95.3)</b>
Effect of exchange rate change on cash and cash equivalents	0.3	0.1	0.2	174.1	0.1	0.2	(0.1)	(50.0)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>294.3</b>	<b>353.6</b>	<b>(59.3)</b>	<b>(16.8)</b>	<b>599.2</b>	<b>127.0</b>	<b>472.1</b>	<b>371.6</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>593.7</b>	<b>9.3</b>	<b>584.4</b>	<b>6,273.3</b>	<b>593.7</b>	<b>9.3</b>	<b>584.4</b>	<b>6,273.3</b>

### *Net cash provided by operating activities*

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

The decrease of contract assets in the nine-month period ended September 30, 2020 resulted mainly due to drop of devices sold to newly acquired and retained subscribers caused mainly by COVID-19 governmental order to close temporarily ca. 50% of our stores. Additionally the decrease of contract assets resulted from higher impairment recognized as a result of expected COVID-19 impact.

The increase of income tax paid for the nine-month period ended September 30, 2020 in comparison to the nine-month period ended September 30, 2019, resulted from higher taxable profit for fiscal year 2019 in comparison to the taxable profit for fiscal year 2018. In 2019 and 2020 the income tax for the preceding fiscal year was payable in the second quarter in accordance with the fiscal deadlines.

### *Net cash used in investing activities*

Higher level of cashflows used in investing activities in the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2020 resulted from the intensified network rollout made during 2019 and acquisition of 3S Group

On August 9, 2020, the Group purchased Virgin Mobile Polska Sp. z o.o. for a consideration of PLN 35.8 million.

Due to cancellation of 5G auction the security deposit of PLN 182,000 thousand paid in May 2020 by the Group in relation to 5G auction was received back by the Group in June 2020.

### *Net cash used in financing activities*

Net cash used in financing activities decreased in the nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2019. The Group has finalized the establishment of the Additional Facility in the amount of PLN 1,200 million and utilized it in full on April 14, 2020. On April 16, 2020, the Group made a voluntary prepayment of Facility C under SFA agreement in the amount of PLN 793 million, on May 29, 2020 – a voluntary prepayment of installment under Facility A in the amount of PLN 173 million plus interest originally maturing on September 30, 2020 and on September 30, 2020 - a voluntary prepayment of installment under Facility A in the amount of PLN 173 million originally maturing on March 31, 2021.

## Other Operating and Financial Information

	Nine-month period ended		Three-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Unaudited (PLN m, except %)			
Adjusted EBITDA <sup>(1)</sup>	1,900.8	1,865.7	663.5	645.0
Adjusted EBITDA margin <sup>(1)</sup>	35.9%	35.6%	36.8%	35.9%
Total cash capital expenditures <sup>(2)</sup>	570.5	634.6	268.7	199.6
Adjusted EBITDA less total cash capital expenditures (excl. cash outflows in relation to frequency reservation acquisition)	1,330.3	1,231.1	394.8	445.5
Free cash flow to equity (post lease payments) <sup>(1)(3)</sup>	732.3	759.1	210.7	408.9

- (1) The measures presented are not comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not rely on a single financial measure. See "Presentation of Financial Information–Non-IFRS Measures" for an explanation of certain limitations to the use of these measures. For a reconciliation of Adjusted EBITDA to operating profit, see "EBITDA, Adjusted EBITDA reconciliation".
- (2) "Total cash capital expenditures" means cash outflows for purchases of fixed assets and intangibles and prepayments for assets under construction, less proceeds from the sale of non-current assets in each period. The decrease in cash capital expenditures for nine-month period ended September 30, 2020, as compared to the same period of 2019 is a result of higher investment activity in 2019.
- (3) For a reconciliation of Free cash flow to equity (post lease payments) to Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) see "Consolidated Financial and Other Information–Free cash flow to equity (post lease payments) scheme."

## EBITDA and Adjusted EBITDA reconciliation

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

	Nine-month period ended		Three-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)
<b>Operating profit</b>	<b>1,159.7</b>	<b>1,185.2</b>	<b>406.0</b>	<b>408.9</b>
Add depreciation and amortization	718.7	664.4	245.3	227.2
<b>EBITDA</b>	<b>1,878.4</b>	<b>1,849.7</b>	<b>651.3</b>	<b>636.1</b>
Add valuation of incentive and retention programs and special bonuses <sup>(a)</sup>	7.4	7.5	2.6	2.2
Add other non-recurring costs <sup>(b)</sup>	15.0	8.5	9.6	6.8
<b>Adjusted EBITDA</b>	<b>1,900.8</b>	<b>1,865.7</b>	<b>663.5</b>	<b>645.0</b>

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

(b) Other non-recurring costs for the nine-month period ended September 30, 2020 and for the nine-month period ended September 30, 2019 resulted from non-recurring costs out of the scope of our usual business.

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

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

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

	Nine-month period ended		Three-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)	Unaudited (PLN m)
Adjusted EBITDA	1,900.8	1,865.7	663.5	645.0
Total cash capital expenditures <sup>(1)</sup>	(570.5)	(634.6)	(268.7)	(199.6)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs	25.6	80.4	(23.6)	127.7
Cash interest <sup>(2)</sup>	(147.8)	(195.1)	(33.8)	(65.4)
Cash taxes	(301.2)	(193.1)	(67.3)	(36.2)
<b>Free cash flow to equity (pre lease payments)</b>	<b>907.0</b>	<b>923.3</b>	<b>270.1</b>	<b>471.6</b>
Lease payments	(174.7)	(164.2)	(59.4)	(62.7)
<b>Free cash flow to equity (post lease payments)</b>	<b>732.3</b>	<b>759.1</b>	<b>210.7</b>	<b>408.9</b>

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

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

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

## Capitalization

Voluntary prepayment of Senior Facilities, strong cash generation and increase in adjusted EBITDA drive decreasing leverage.

As of September 30, 2020, unaudited	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>	As of December 31, 2019	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>
Senior Facilities <sup>(2)</sup>	5,220.7	2.11x	Senior Facilities <sup>(2)</sup>	5,155.3	2.12x
Notes	754.6	0.31x	Notes	751.4	0.31x
Other debt	13.8	0.01x	Other debt	26.7	0.01x
Cash and cash equivalents	(593.7)	-0.24x	Cash and cash equivalents	(294.3)	-0.12x
<b>Total net financial debt</b>	<b>5,395.3</b>	<b>2.18x</b>	<b>Total net financial debt</b>	<b>5,639.1</b>	<b>2.31x</b>
Leases	978.0	0.40x	Leases	991.5	0.41x
<b>Total net debt</b>	<b>6,373.3</b>	<b>2.58x</b>	<b>Total net debt</b>	<b>6,630.6</b>	<b>2.72x</b>

As of June 30, 2020, unaudited	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>	As of September 30, 2019, unaudited	PLN m	xLTM Adjusted EBITDA <sup>(1)</sup>
Senior Facilities <sup>(2)</sup>	5,396.3	2.20x	Senior Facilities <sup>(2)</sup>	5,771.7	2.40x
Revolving credit facilities drawn	-	0.00x	Revolving credit facilities drawn	36.5	0.02x
Notes	750.7	0.31x	Notes	-	0.00x
Other debt	18.3	0.01x	Other debt	26.3	0.01x
Cash and cash equivalents	(599.2)	-0.24x	Cash and cash equivalents	(45.8)	-0.02x
<b>Total net financial debt</b>	<b>5,566.2</b>	<b>2.27x</b>	<b>Total net financial debt</b>	<b>5,788.6</b>	<b>2.41x</b>
Leases	975.6	0.40x	Leases	1,011.2	0.42x
<b>Total net debt</b>	<b>6,541.8</b>	<b>2.67x</b>	<b>Total net debt</b>	<b>6,799.8</b>	<b>2.83x</b>

(1) LTM Adjusted EBITDA amounted to PLN 2,471.3 million as of September 30, 2020, PLN 2,436.1 million as of December 31, 2019, PLN 2,452.8 million as of June 30, 2020 and PLN 2,401.1 million as of September 30, 2019. For the purpose of this Report, we define LTM Adjusted EBITDA as the sum of Adjusted EBITDA for the last four quarters preceding the reporting date.

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

### 3. OUTLOOK FOR THE GROUP IN 2020

For the year 2020 the Group foresees the following perspective related to COVID-19 on the original guidance:

	<b>FY 2020 Guidance</b>	<b>9m Results</b>	<b>Status</b>
<b>Revenue</b>	<b>+ 2-3% YoY</b>	<b>+1.2%</b>	<b>Growth below original guidance due to lower sales of handsets</b>
<b>Adjusted EBITDA</b>	<b>PLN 2.5-2.6 bn</b>	<b>PLN 1,9bn</b>	<b>Confirmed</b>
<b>Cash capex</b>	<b>PLN 850-900m</b> <i>(~12% of revenue)</i>	<b>PLN 571m</b> <i>(~11% of revenue)</i>	<b>Confirmed</b>
<b>FCFE</b>	<b>&gt; PLN 800m</b>	<b>PLN 732m</b>	<b>Confirmed</b>
<b>Distribution to Shareholders</b>	<b>40-50% of FCFE</b>	<b>45% of 2019 FCFE paid in Q2</b>	<b>Confirmed</b>

We also believe that Net Debt to LTM adjusted EBITDA will develop towards medium term target of 2.5x, with the scope of improvement depending on the 5G spectrum auction cash outlays.



## **PART III**

# **GLOSSARY OF TECHNICAL TERMS**

**PLAY**

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

1800 MHz.....	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 2G and 4G LTE mobile network technologies.
2100 MHz.....	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 3G mobile network technologies.
2G.....	Second generation cellular telecom networks commercially launched on the GSM standard in Europe.
3G.....	Third generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies at top speeds varying from 384 Kbps (UMTS) to 42 Mbps (HSPA+).
4G.....	Fourth generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies (these speeds exceed those available for 3G).
5G .....	Fifth generation cellular telecom networks aimed at delivering significantly increased operational performance: increased spectral efficiency, higher data rates, low latency, as well as superior user experience – near to fixed network but offering full mobility and coverage. 5G will cater for massive deployment of Internet of Things, while still offering acceptable levels of energy consumption, equipment cost and network deployment and operation cost.
5G Ready .....	4G network with 5G prerequisite technologies allowing to achieve higher data transmission speed before full implementation of 5G.
5G Legacy .....	Extension of 5G ready providing 5G New Radio available anytime almost everywhere, possibility to use existing frequency bands (e.g. 2100 MHz) – no need to wait for special radio spectrum to enjoy 5G, as well as simultaneous use of the radio spectrum by 5G and 4G terminals in a dynamic way in order to allow all mobile users benefit from access to new services and broadband internet.
900 MHz .....	A frequency band, used particularly in Europe and Asia Pacific. In Europe, typically employed for 2G and 3G mobile network technologies.
Airtime .....	Time spent communicating using a handset.
All-net .....	Within all networks.
Bit.....	The primary unit of electronic, digital data, representing 1 binary digit (a “1” or a “0.”)
Broadband (BB) .....	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (with capacity equal to or higher than 144 Kbps).
BTS.....	Base Transceiver Station. A radio transmitter/receiver of GSM network, provides communication between mobile and remaining part of network.
Byte .....	The byte is a unit of digital information in computing and telecommunications that most commonly consists of eight bits.
CAGR .....	Compound Annual Growth Rate. The year over year growth rate of a metric over a specified period of time.
Call termination .....	The handing off of a voice call from the network upon which the call was initiated to the network upon which the intended recipient is currently residing. This usually gives rise to MTRs.
CIT Act.....	The Polish Corporate Income Tax Act of February 15, 1992 (consolidated text in Dz. U. of 2011, No. 74, Item 397, as amended).

Companies Code .....	The Polish Companies Code of September 15, 2000 (Dz. U. of 2000, No. 94, Item 1037, as amended).
Competition Act.....	The Polish Act on the Protection of Competition and Consumers of February 16, 2007 (Dz. U. of 2007, No 50, Item 331, as amended).
coverage .....	We define coverage, unless otherwise indicated, as the area in which cellular radio signal is strong enough to provide normal operation of a standard user handset, modem or other device.
CSO .....	The Central Statistical Office of Poland (Główny Urząd Statystyczny).
Devices .....	Handsets, modems, routers, MCDs (Mobile Computing Devices, e.g., tablets, laptops, netbooks) and other equipment sold to subscribers.
DSL, xDSL.....	Digital Subscriber Line. Access technology that allows voice and high- speed data to be sent simultaneously over local exchange copper wires. DSL technologies are also called xDSL, where “x” is a substitute of the first letter of certain technology covered by DSL technologies, including ADSL, HDSL, SDSL, CDSL, RADSL, VDSL, IDSL or other technologies.
EDGE.....	Enhanced Data rates for GSM Evolution. Technology of data transmission for 2G network allowing for speed up to 384 Kbps (thus faster than basic GPRS and slower than 3G).
Ethernet .....	Standard for 10 Mbps local area networks.
Frequency .....	One of the parameters of radio waves, usually understood as a location on the radio frequency spectrum, the capacity of which is limited.
GB .....	Gigabyte. Unit of measurement of the volume of data. Equal to 1,024 MB (Megabytes) or 1,073,741,824 B (bytes).
Gb.....	Gigabit. Unit of measurement of the volume of data. Equal to 1,024 Mb (Megabits) or 1,073,741,824 b (bits).
Gbps .....	Gigabits per second. Measurement of the transmission speed of units of data (gigabits) over a network.
GDP .....	Gross Domestic Product.
GPRS .....	General Packet Radio Service. Packet Data transmission customarily used for 2G networks, which allows for a transmission with the speed up to 57.6 Kbps.
GSM.....	Global System for Mobile Communications. A pan-European standard for digital mobile telephony which provides a much higher capacity than traditional analog telephones as well as diversified services (e.g. voice, messaging and data) and a greater transmission security through information.
HSDPA .....	High-Speed Downlink Packet Access. 3G/UMTS technology enhancements, allowing for fast data transmission from network to mobile device. Supports speeds of up to 14.4 Mbps (depending on the technology used).
HSPA .....	High-Speed Packet Access. A mix of two mobile telephony protocols, high- speed download Packet Access (HSDPA) and High-Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.
HSPA+ .....	Evolved High-Speed Packet Access. A set of 3G/UMTS technology enhancements allowing for very fast data transmission between network and mobile device. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.
Interconnection .....	Point of interconnection between two telecommunication operators. Consists of equipment, including links, and a mutually compatible configuration.
IP.....	Internet Protocol.

IT.	Information Technology.
Kbps .....	Kilobits per second. Measurement of the transmission speed of units of data (kilobits) over a network.
LAN .....	Local Area Network.
LTE .....	Long-Term Evolution. A set of enhancements to UMTS, designed to increase the capacity and speed of mobile telephone networks according to the standard developed by 3GPP consortium. Intended as a successor of UMTS thus frequently referred to as "4G" or "4 <sup>th</sup> generation." Some of the key assumptions of the system are: (i) data transmission at speeds faster than 3G; (ii) ready for new service types; (iii) architecture simplified with comparison to 3G; and (iv) provides open interfaces.
LTE Ultra .....	A major enhancement of the Long Term Evolution (LTE) standard where LTE carrier aggregation is used in order to increase speed of data transmission
MB.....	Megabyte. Unit of measurement of the volume of data. Equal to 1,048,576 B (bytes).
Mb.....	Megabit. Unit of measurement of the volume of data received or sent over a network. Equal to 1,048,576 b (bits).
Mbps .....	Megabits per second. Measurement of the transmission speed of units of data (megabits) over a network.
MHz.....	Megahertz.
MMS.....	Multimedia Messaging Service.
MNO .....	Mobile Network Operator. A provider of wireless services with its own reserved frequency spectrum and wireless network infrastructure.
MNP .....	Mobile Number Portability. The migration of a subscriber from one network to another network while keeping the same telephone number.
Mobile Broadband.....	Wireless internet access through a portable (USB, or WiFi) or built-in modem, used with laptop tablet or other mobile device.
MTR.....	Mobile Termination Rate. A voice, or SMS or MMS, as applicable termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The MTR is usually subject to regulatory limits.
MVNO .....	Mobile Virtual Network Operator. A company that does not own a reserved frequency spectrum, but resells wireless services under its own brand name, using the network of another MNO.
NBP .....	The National Bank of Poland, being the central bank of Poland.
Netia.....	Netia S.A. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the Netia brand.
On-net.....	Within the given telecommunication network.
Orange .....	Orange Polska S.A., with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the Orange brand.
Penetration .....	In general, we define penetration as the ratio of reported SIM cards that have access to mobile telecommunications network services to the number of persons constituting the entire population of the country. With respect to smartphones we define the smartphone penetration as the ratio of subscribers who use smartphones compared to the total base of our active subscribers. The penetration ratio is expressed as a percentage.
Plus .....	Polkomtel sp. z o.o. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the Plus brand.
Pure mobile broadband access.	Mobile broadband access via a dongle.

S.A.....	Public limited liability company (Spółka Akcyjna).
SIM cards.....	SIM cards are subscriber identity modules. A SIM card is a smart card that securely stores the key identifying a handset service subscriber, as well as subscription information, preferences and text messages.
Smartphones.....	We define smartphones as handsets with a touchscreen or qwerty keypad working on an open operating system that enables access to an application store such as Android, iOS, Blackberry, Windows Mobile, Bada or Symbian S60.
SMS.....	Short Messaging Service. Enables transmissions of alphanumeric messages of up to 160 characters among fixed line and mobile subscribers and is only available on digital networks.
SoHo.....	Small office/Home office. Legal persons, organizational units which have no legal personality and natural persons conducting business activities and employing no more than nine (9) employees.
Sp. z o.o.....	Limited liability company ( <i>spółka z ograniczoną odpowiedzialnością</i> ).
Spectrum.....	A range of frequencies available for over-the-air transmission.
Telecommunications Law.....	Act on Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
T-Mobile.....	T-Mobile Polska S.A. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the T-Mobile brand.
TP S.A.....	Telekomunikacja Polska S.A. with its registered office in Warsaw, Poland, a Polish telecom operator, currently Orange Polska S.A.
Traffic.....	Calls or other transmissions being sent and received over a communications network.
UOKiK.....	Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).
UOKiK President.....	The President of the Office for Competition and Consumer Protection.
UKE.....	Office of Electronic Communications (Urząd Komunikacji Elektronicznej), which supervises and regulates the Polish telecommunications market.
UKE President.....	The President of the Office of Electronic Communications.
UMTS.....	Universal Mobile Telecommunications System. A set of third-generation (3G) handset technologies.
USSD.....	Unstructured Supplementary Service Data. Allows for the transmission of information via a GSM network. Contrasting with SMS, it offers real time connection during a session. A USSD message can be up to 182 alphanumeric characters in length.
VAS.....	Value-Added Services. All services provided on mobile networks beyond standard voice calls, SMS, MMS and data transmission.
WiMAX.....	Worldwide Interoperability for Microwave Access. A wireless network standard with the maximum capacity of approximately 75 Mbps.



## **PART IV**

# **FINANCIAL STATEMENTS**

**PLAY**

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

## RESPONSIBILITY STATEMENT

November 4, 2020

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

- the interim condensed consolidated financial statements of the Company and its subsidiaries prepared in accordance with IAS 34 as at and for the nine-month period ended September 30, 2020 give a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole; and
- the report on the activity of the Company and its subsidiaries in the nine-month period ended September 30, 2020 provides a fair view of the important events of the past nine-month period and their impact on the interim condensed consolidated financial statements, as well as the principal risks and uncertainties for the remaining months of the financial year, and the most important related party transactions.

Approved by the Board and signed on its behalf by



---

Serdar Çetin  
Director



---

Rouben Bourlas  
Director

## **Independent Auditor's Report on review of interim condensed consolidated financial statements to the Shareholders of Play Communications S.A.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Play Group ('the Group') for which the holding company is Play Communications S.A. as of 30 September 2020 and the related interim condensed consolidated statement of financial position as at 30 September 2020, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the nine-month period then ended and other explanatory notes ('the interim condensed consolidated financial statements').

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

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

### *Auditor's responsibilities*

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

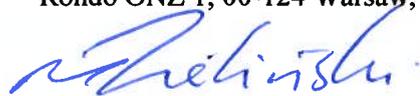
A review of the interim condensed consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement, primarily consisting of performing procedures by making inquiries of the Management and others within the Group, as appropriate, applying analytical procedures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

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and its financial performance and cash flows for the nine-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

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



**Marcin Zieliński**  
Partner

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

**Warsaw, 4 November 2020**



**PLAY**

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS PREPARED  
IN ACCORDANCE WITH IAS 34  
AS AT AND FOR THE NINE-MONTH PERIOD  
ENDED SEPTEMBER 30, 2020**

Play Communications S.A.  
and its subsidiaries

Interim condensed  
consolidated financial statements

Prepared in accordance with IAS 34

As at and for the nine-month period ended  
September 30, 2020

**PLAY**

## Index to the interim condensed consolidated financial statements

Interim condensed consolidated statement of comprehensive income .....	F-4
Interim condensed consolidated statement of financial position .....	F-5
Interim condensed consolidated statement of changes in equity .....	F-6
Interim condensed consolidated statement of cash flows .....	F-7
Notes .....	F-8
1. The Company and the Play Group.....	F-8
2. Basis of preparation .....	F-9
2.1 New standards, interpretations and amendments to existing standards .....	F-9
2.2 Going concern .....	F-10
2.3 Consolidation .....	F-10
2.4 Foreign currency translation .....	F-11
2.4.1 Functional and presentation currency .....	F-11
2.4.2 Transactions and balances .....	F-11
2.5 Financial risk management.....	F-12
2.6 Fair value estimation .....	F-12
2.7 Critical accounting estimates and judgments.....	F-12
2.7.1 Recognition of revenue .....	F-12
2.7.2 Valuation of lease liabilities and right-of-use assets.....	F-13
2.7.3 Estimation of provision for impairment of financial assets .....	F-14
2.7.4 Valuation of the equity-settled incentive and retention programs.....	F-14
2.7.5 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date.....	F-16
2.7.6 Valuation of the assets retirement obligation provision .....	F-16
2.7.7 Valuation of the option to acquire Virgin Mobile Polska sp. z o.o. ....	F-16
2.7.8 Deferred tax.....	F-16
2.7.9 Impairment of non-current assets.....	F-17
2.8 Changes in the composition of the Group .....	F-17
3. Operating revenue .....	F-19
4. Interconnection, roaming and other service costs .....	F-20
5. Contract costs, net .....	F-21
6. General and administrative expenses .....	F-21
7. Depreciation and amortization .....	F-22
8. Other operating income and other operating costs .....	F-23
9. Finance income and finance costs .....	F-24
10. Taxation .....	F-25
11. Earnings per share .....	F-28
12. Intangible assets.....	F-29
13. Property, plant and equipment .....	F-32
14. Right-of-use assets .....	F-34
15. Assets under construction .....	F-36
16. Contract costs .....	F-37
17. Long-term receivables .....	F-37
18. Other finance assets .....	F-37
19. Inventories.....	F-38
20. Trade and other receivables.....	F-39
21. Contract assets.....	F-40
22. Prepaid expenses.....	F-41
23. Cash and cash equivalents .....	F-41
24. Shareholders' equity.....	F-41
25. Finance liabilities – debt.....	F-42
25.1 Bank loans.....	F-43
25.2 Assets pledged as security for finance liabilities.....	F-43
25.3 Notes .....	F-44
25.4 Lease liabilities .....	F-45
25.5 Other finance liabilities at fair value through other comprehensive income.....	F-45

Index to the interim condensed consolidated financial statements

- 26. Provisions..... F-46
- 27. Incentive and retention programs ..... F-46
- 28. Trade and other payables ..... F-47
- 29. Accruals ..... F-47
- 30. Contract liabilities ..... F-48
- 31. Deferred income ..... F-48
- 32. Impact of changes in working capital and other, change in contract costs, change in contract assets and change in contract liabilities on statement of cash flows..... F-49
- 33. Cash flows relating to finance liabilities ..... F-50
- 34. Segment reporting..... F-50
- 35. Related party transactions ..... F-51
  - 35.1 *Transactions with management and supervisory bodies* ..... F-51
  - 35.2 *Transactions with other related parties* ..... F-51
- 36. Commitments ..... F-52
  - 36.1 *2100 MHz and 900 MHz license requirements* ..... F-52
  - 36.2 *1800 MHz license requirements*..... F-52
  - 36.3 *800 MHz license requirements* ..... F-52
  - 36.4 *2600 MHz license requirements*..... F-52
- 37. Contingencies and legal proceedings ..... F-52
  - 37.1 *Tax contingent liabilities* ..... F-52
  - 37.2 *Legal and regulatory proceedings* ..... F-54
- 38. Events after the reporting period ..... F-55

## Interim condensed consolidated statement of comprehensive income

	Notes	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019
		Unaudited	Unaudited	Unaudited	Unaudited
<b>Operating revenue</b>	3	<b>5,301,825</b>	<b>5,240,890</b>	<b>1,802,489</b>	<b>1,796,024</b>
Service revenue		4,127,869	3,941,935	1,379,460	1,351,167
Sales of goods and other revenue		1,173,956	1,298,955	423,029	444,857
<b>Operating expenses</b>		<b>(4,067,495)</b>	<b>(4,014,919)</b>	<b>(1,390,149)</b>	<b>(1,379,573)</b>
Interconnection, roaming and other service costs	4	(1,351,970)	(1,324,519)	(438,541)	(445,606)
Contract costs, net	5	(311,191)	(301,849)	(105,621)	(100,108)
Cost of goods sold		(965,854)	(1,049,668)	(349,435)	(373,051)
General and administrative expenses	6	(719,738)	(674,435)	(251,238)	(233,633)
Depreciation and amortization	7	(718,742)	(664,448)	(245,314)	(227,175)
Other operating income	8	56,677	53,106	22,583	21,717
Other operating costs	8	(131,305)	(93,851)	(28,913)	(29,256)
<i>thereof: impairment of financial assets</i>	8	<i>(144,430)</i>	<i>(111,165)</i>	<i>(38,156)</i>	<i>(31,141)</i>
<b>Operating profit</b>		<b>1,159,702</b>	<b>1,185,226</b>	<b>406,010</b>	<b>408,912</b>
Finance income	9	3,658	868	166	630
Finance costs	9	(236,062)	(261,141)	(57,314)	(94,598)
<b>Profit before income tax</b>		<b>927,298</b>	<b>924,953</b>	<b>348,862</b>	<b>314,944</b>
Income tax charge	10	(212,170)	(224,427)	(79,084)	(81,834)
<b>Net profit</b>		<b>715,128</b>	<b>700,526</b>	<b>269,778</b>	<b>233,110</b>
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income		1,787	5,714	-	2,123
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	25.5	<b>1,787</b>	<b>5,714</b>	<b>-</b>	<b>2,123</b>
<b>Total comprehensive income</b>		<b>716,915</b>	<b>706,240</b>	<b>269,778</b>	<b>235,233</b>
Earnings per share (in PLN) (basic)	11	2.81	2.76	1.06	0.92
Earnings per share (in PLN) (diluted)	11	2.79	2.75	1.05	0.91
Weighted average number of shares (in thousands) (basic)	11	254,278	253,998	254,401	254,088
Weighted average number of shares (in thousands) (diluted)	11	256,499	255,041	256,500	255,123

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

## Interim condensed consolidated statement of financial position

	Notes	September 30, 2020 Unaudited	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	2,513,877	2,598,138
Property, plant and equipment	13	2,111,763	2,028,828
Right-of-use assets	14	869,702	885,279
Assets under construction	15	356,529	285,906
Contract costs	16	383,669	374,080
Long-term investments		232	239
Long-term receivables	17	15,889	15,391
Other long-term finance assets	18	12,820	11,348
<b>Total non-current assets</b>		<b>6,264,481</b>	<b>6,199,209</b>
<b>Current assets</b>			
Inventories	19	181,438	169,147
Trade and other receivables	20	725,103	731,556
Contract assets	21	1,419,410	1,455,922
Current income tax receivables		124	382
Prepaid expenses	22	33,048	28,848
Cash and cash equivalents	23	593,673	294,317
Other short-term finance assets	18	6,897	6,260
<b>Total current assets</b>		<b>2,959,693</b>	<b>2,686,432</b>
<b>TOTAL ASSETS</b>		<b>9,224,174</b>	<b>8,885,641</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	24	128	128
Share premium		3,673,350	3,673,350
Other reserves		62,166	52,950
Retained losses		(3,109,119)	(3,404,775)
<b>Total equity</b>		<b>626,525</b>	<b>321,653</b>
<b>Non-current liabilities</b>			
Long-term finance liabilities - debt	25	6,563,401	6,505,021
Long-term provisions	26	83,107	70,364
Deferred tax liability	10	178,569	168,406
Other non-current liabilities		10,319	10,388
<b>Total non-current liabilities</b>		<b>6,835,396</b>	<b>6,754,179</b>
<b>Current liabilities</b>			
Short-term finance liabilities - debt	25	365,079	361,720
Other short-term finance liabilities	25	-	4,685
Trade and other payables	28	925,281	865,405
Contract liabilities	30	102,190	101,826
Current income tax payable		47,789	141,466
Accruals	29	59,252	95,138
Short-term provisions	26	6,307	6,417
Deferred income	31	256,355	233,152
<b>Total current liabilities</b>		<b>1,762,253</b>	<b>1,809,809</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,224,174</b>	<b>8,885,641</b>

## Interim condensed consolidated statement of changes in equity

	Notes	Attributable to equity holders of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained losses	
<b>As at January 1, 2020</b>		<b>128</b>	<b>3,673,350</b>	<b>52,950</b>	<b>(3,404,775)</b>	<b>321,653</b>
Net profit for the period		-	-	-	715,128	715,128
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods</u>						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	25.5	-	-	1,787	-	1,787
<b>Total comprehensive income</b>		-	-	<b>1,787</b>	<b>715,128</b>	<b>716,915</b>
Issue of Loyalty, Investment and Award shares	27	0	-	(0)	-	-
Effect of valuation of equity-settled incentive and retention programs	27	-	-	7,429	-	7,429
Dividend payment	24	-	-	-	(419,472)	(419,472)
<b>As at September 30, 2020, unaudited</b>		<b>128</b>	<b>3,673,350</b>	<b>62,166</b>	<b>(3,109,119)</b>	<b>626,525</b>

	Notes	Attributable to equity holders of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained losses	
<b>As at January 1, 2019</b>		<b>128</b>	<b>3,673,350</b>	<b>29,509</b>	<b>(3,903,525)</b>	<b>(200,538)</b>
Net profit for the period		-	-	-	700,526	700,526
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods</u>						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income		-	-	5,714	-	5,714
<b>Total comprehensive income</b>		-	-	<b>5,714</b>	<b>700,526</b>	<b>706,240</b>
Issue of Loyalty and Award shares	27	0	-	(0)	-	-
Effect of valuation of equity-settled incentive and retention programs	27	-	-	7,475	-	7,475
Dividend payment	24	-	-	-	(368,174)	(368,174)
Other		-	-	13	(13)	-
<b>As at September 30, 2019, unaudited</b>		<b>128</b>	<b>3,673,350</b>	<b>42,711</b>	<b>(3,571,186)</b>	<b>145,003</b>

## Interim condensed consolidated statement of cash flows

	Notes	Nine-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2019 Unaudited	Three-month period ended September 30, 2020 Unaudited	Three-month period ended September 30, 2019 Unaudited
<b>Profit before income tax</b>		<b>927,298</b>	<b>924,953</b>	<b>348,862</b>	<b>314,944</b>
Depreciation and amortization		718,742	664,448	245,314	227,175
Change in contract costs	32	(9,589)	10,870	(9,678)	(2,556)
Interest expense (net)		227,037	255,582	55,397	87,701
Gain on finance instruments at fair value		(2,898)	(593)	-	(593)
Foreign exchange losses		8,082	626	1,644	2,108
Gain on disposal of non-current assets and termination of lease contracts		(2,899)	(3,419)	(1,139)	(1,732)
Impairment of non-current assets		445	1,584	262	847
Change in provisions and liabilities or equity related to incentive and retention programs		8,354	9,747	2,670	2,222
Changes in working capital and other	32	3,925	147,634	3,601	137,107
Change in contract assets	32	36,512	(73,993)	(21,081)	(8,342)
Change in contract liabilities	32	(5,242)	(4,138)	3,600	1,498
<b>Cash provided by operating activities</b>		<b>1,909,767</b>	<b>1,933,301</b>	<b>629,452</b>	<b>760,379</b>
Interest received		93	339	-	-
Income tax paid		(301,195)	(193,090)	(67,308)	(36,178)
<b>Net cash provided by operating activities</b>		<b>1,608,665</b>	<b>1,740,550</b>	<b>562,144</b>	<b>724,201</b>
Proceeds from sale of non-current assets		2,908	3,943	1,855	820
Purchase of fixed assets and intangibles and prepayments for assets under construction		(573,436)	(638,523)	(270,606)	(200,378)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	2.8	(25,238)	(333,571)	(25,222)	(333,571)
Deposit paid in the auction for frequency reservation		(182,000)	-	-	-
Deposit returned in the auction for frequency reservation		182,000	-	-	-
<b>Net cash used in investing activities</b>		<b>(595,766)</b>	<b>(968,151)</b>	<b>(293,973)</b>	<b>(533,129)</b>
Proceeds from finance liabilities	25.1	1,200,000	-	-	-
Dividends (paid)	24	(419,503)	(368,264)	-	-
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	33	(1,494,358)	(748,531)	(273,769)	(309,015)
<b>Net cash used in financing activities</b>		<b>(713,861)</b>	<b>(1,116,795)</b>	<b>(273,769)</b>	<b>(309,015)</b>
<b>Net change in cash and cash equivalents</b>		<b>299,038</b>	<b>(344,396)</b>	<b>(5,598)</b>	<b>(117,943)</b>
Effect of exchange rate change on cash and cash equivalents		318	116	108	216
<b>Cash and cash equivalents at the beginning of the period</b>		<b>294,317</b>	<b>353,595</b>	<b>599,163</b>	<b>127,042</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>593,673</b>	<b>9,315</b>	<b>593,673</b>	<b>9,315</b>

Due to cancellation of 5G auction the security deposit of PLN 182,000 thousand paid in May 2020 by the Group in relation to 5G auction was received back by the Group in June 2020.

## Notes

### 1. The Company and the Play Group

Play Communications S.A. (the "Company") was incorporated under Luxembourg law on January 10, 2014 under the name Play Holdings 2 S. à r. l. The Company's registered office is in Luxembourg. On June 21, 2017, the Company was transformed from a private limited liability company (*société à responsabilité limitée*) Play Holdings 2 S. à r. l. to a public limited liability company (*société anonyme*) Play Communications S.A. The Company's ordinary shares have been listed and traded on the Warsaw Stock Exchange ("WSE") since July 27, 2017. For shareholding structure please see Note 24.

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

The Group's business activity embraces the provision of mobile telecommunications services, sales of mobile devices and managing a distribution network of mobile telecommunications products under the brand "PLAY" as well as "VIRGIN" since the acquisition of Virgin Mobile Polska Sp. z o.o. (see also Note 2.8). Since 2019 the Group also offers telecommunications services based on its own fiber optic infrastructure and IT services based on its own data centers under the brand "3S".

These Financial Statements comprise:

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

as at and for the nine-month period ended September 30, 2020 and comparative period: nine-month period ended September 30, 2019, hereafter the "Financial Statements".

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

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at September 30, 2020	As at December 31, 2019
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%
P4 Sp. z o.o.	Poland	Telecommunications and handsets sales	100%	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	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%
3S Fibertech sp. z o.o. *	Poland	Telecommunications	merged with 3S S.A.	100%
Polska Grupa Wieżowa S.A.**	Poland	Dormant	100%	-
Virgin Mobile Polska sp. z o.o. ***	Poland	Telecommunications	100%	-

\*On January 2, 2020 3S S.A. and Fibertech Sp. z o.o. merged.

\*\*Polska Grupa Wieżowa S.A. (formerly Steindal Investments S.A.) with its registered office in Warsaw, Poland was purchased by the Company on June 23, 2020 for a consideration of EUR 25 thousand (PLN 112 thousand). On July 20, 2020 the entity was registered as "Polska Grupa Wieżowa S.A." The entity had not performed any commercial activity since its incorporation till the date of issuance of these Financial Statements and was purchased for the sole

purpose of becoming passive infrastructure operator in case the decision concerning separation of passive infrastructure from P4 sp. z o.o. is made.

\*\*\*Virgin Mobile Polska Sp. z o.o. with its registered office in Warsaw, Poland was purchased by P4 on August 9, 2020 for a consideration of PLN 35,731 thousand (see also Note 2.8).

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

## 2. Basis of preparation

The Financial Statements were authorized for issue by the Board of Directors of the Company on November 4, 2020.

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

The Financial Statements are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2019 approved on February 26, 2020 prepared in accordance with IFRS as adopted by the European Union ("Annual Financial Statements").

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

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

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

The accounting policies applied in the Financial Statements are consistent with the policies applied and described in the consolidated financial statements of the Group as at and for the year ended December 31, 2019 approved on February 26, 2020, except for new standards, interpretations and amendments to existing standards adopted from January 1, 2020 as described below. For the purpose of the Financial Statements the Group has adopted the following standards, amendments to standards and interpretations issued and effective as at September 30, 2020:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Group's assessment of the regulation
Amendments to References to the Conceptual Framework in IFRS Standards	March 29, 2018	January 1, 2020	January 1, 2020	Fully implemented
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018	January 1, 2020	January 1, 2020	Fully implemented
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 26, 2019	January 1, 2020	January 1, 2020	Fully implemented
Amendments to IFRS 3: Business Combination	October 22, 2018	January 1, 2020	January 1, 2020	Fully implemented
Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	May 28, 2020	June 1, 2020	January 1, 2020	Fully implemented

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the nine-month period ended September 30, 2020 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Group's assessment of the regulation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform –Phase 2	August 27, 2020	January 1, 2021	Not endorsed yet	Assessment in progress
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	June 25, 2020	January 1, 2021	Not endorsed yet	Assessment in progress
Amendments to: - IFRS 3 Business Combinations - IAS 16 Property, Plant and Equipment - IAS 37 Provisions, Contingent liabilities and Contingent assets - Annual improvements 2018-2020	May 14, 2020	January 1, 2022	Not endorsed yet	Assessment in progress
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 23, 2020	January 1, 2023	Not endorsed yet	Assessment in progress
IFRS 17: Insurance contracts	May 18, 2017	January 1, 2023	Not endorsed yet	Assessment in progress

## 2.2 Going concern

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

Due to the outbreak of COVID-19 pandemic the Group operated in unusual business circumstances which occurred with the temporary lockdown introduced by the governments of the countries in which the Group operates. According to the imposed measures and policies in the middle of March the Group had to close temporarily some points of sales which resulted in lower sales of goods. Since May 4, 2020 all points of sales have been reopened. The Group assessed that going concern assumption is appropriate as at September 30, 2020 and COVID-19 pandemic will not be disruptive for the Group's business as a whole. The Group will carefully monitor the situation and undertake necessary initiatives to minimize the impact of COVID-19 on its operations.

## 2.3 Consolidation

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

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

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

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

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

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

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

## **2.4 Foreign currency translation**

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

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

### **2.4.2 Transactions and balances**

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

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

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

<b>Currency</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
EUR	4.5268	4.2585
GBP	4.9560	4.9971
USD	3.8658	3.7977

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

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

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

## **2.5 Financial risk management**

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

## **2.6 Fair value estimation**

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

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

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

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

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

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

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

### **2.7.1 Recognition of revenue**

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

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,

- determining the standalone selling prices.

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

#### **Significant financing component**

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

#### **Material right considerations**

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

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

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

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

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

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities (please see Note 25.4) and the valuation of right-of-use assets (please see Note 14). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

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

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

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

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

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

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

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

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

As a result of COVID-19 outbreak the Group concluded that credit risk for trade and other receivables and contract assets might increase significantly. As at March 31, 2020 the Group lowered expected recoverability ratio for trade and other receivables and recognized additional expected credit loss of PLN 19,893 thousand. In respect to contract assets the Group recognized, in the three-month period ended March 31, 2020, additional expected loss in the amount of PLN 13,096 thousand as a result of expected deterioration of credit risk of customers due to COVID-19 outbreak.

As at September 30, 2020 the Group maintained most of the assumptions for estimation of credit risk applied during three-month period ended March 31, 2020. As a result the impairment of trade receivables and contract assets recognized during the nine-month period ended September 30, 2020 increased in comparison to the nine-month period ended September 30, 2019. See also Note 8.

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

Upon the Initial Public Offering of the Company's shares ("IPO"), on July 27, 2017, the members of the Management Board of P4 and key employees have entered into equity-settled incentive and retention programs PIP and VDP 4. During financial year 2018, the Group established new equity-settled incentive and retention programs PIP 2 and VDP 4 bis. In November 2019 the Group established new equity-settled incentive and retention program PIP 3. For the description of the programs please see Note 27 of the Annual Financial Statements.

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

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

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

- expected dividend yield not exceeding 6.95%,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price at IPO.

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

#### **VDP 4 bis**

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

- the share price at the IPO date of PLN 36,
- expected annualized volatility calculated on the grant date based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated on the grant date based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread,
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- expected dividend yield not exceeding 5%,
- the dilution effect related to the issuance of Award Shares was assumed to be already included in the Company share price.

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

#### **PIP 2**

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

- the share price at the grant date of PLN 24.88, whereas the actual share price on July 27, 2018 (the Start Date) was equal to PLN 21.50,
- expected annualized volatility of 24% calculated based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 2.53%),
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- expected dividend yield not exceeding 5%,
- the dilution effect related to the issuance of Award Shares and Loyalty Shares was assumed to be already included in the Company share price.

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

#### **PIP 3**

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

- the share price differs depending on the Start date, which is different for individual members of the program: PLN 20.80 for January 1, 2019 and PLN 33.90 for June 12, 2019,
- expected annualized volatility of 35% calculated based on the historical volatilities of stock prices of Play Communications S.A.,
- risk-free interest rate calculated based on the government bonds with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the bonds with the use of the asset spread (the rate used in calculations was 1.7%),
- correlation matrix and volatility parameters for stock included in WIG 20 at the grant date and the set group of companies,
- expected dividend yield not exceeding 5%,

- the dilution effect related to the issuance of Award Shares and Investment Shares was assumed to be already included in the Company share price.

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

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

With respect to Senior Facilities Agreement signed in March 2017 (please see Note 25.1) the Group had concluded that option's exercise price approximated debt amortized cost value and that it could be moreover assessed that implied fee for early redemption reimbursed the lender for an amount up to the approximate present value of lost interest for the remaining term of liabilities. Thus, close relation between embedded derivative and host contract was confirmed. Therefore, this early redemption option was not separated from host debt contract of Senior Facilities Agreement signed in March 2017 for accounting and valuation purposes.

With respect to Notes issued in December 2019 the Group had concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of Notes. Thus, close relation between embedded derivative and host contract was confirmed. Therefore, this early redemption option was not separated from host debt contract of Notes issued in December 2019 for accounting and valuation purposes.

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

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

The discount period reflects the expected timing of outflows relating to dismantling and equals the period covered by the lease of the property on which the telecommunications constructions are located. As at September 30, 2020 the assets retirement obligation provision (please see Note 26) was calculated using discount rate of 0.56% (1.91% as at December 31, 2019), representing interest rate of 5-years treasury bonds as at that date.

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

On January 15, 2018, the Group entered into a set of agreements with Virgin Mobile Polska sp. z o.o. ("VMP") and its shareholders as well as with the group of leading investors in VMP. These agreements gave the Group, among others, a call option to acquire all shares in VMP during 2020 at the price calculated according to an agreed valuation methodology based on VMP's onetime annual revenue adjusted by certain elements. The investors in VMP undertook to procure that all shares in VMP were sold to the Group in case the Group exercised the call option. The fair value of the option at initial recognition equaled the consideration given to acquire the option, which was PLN nil. The Group estimated that the fair value of shares in VMP at the potential transaction date would not exceed the price foreseen by the above-mentioned agreements, therefore the fair value of this option amounted to PLN nil. The inputs used in determining the fair value fall within Level 3 of the fair value hierarchy (significant unobservable inputs).

The Group had decided not to exercise the above option and instead on April 22, 2020 the Group entered into the independent Preliminary Share Sale and Purchase Agreement to acquire 100% shares in Virgin Mobile Polska Sp. z o.o. On June 16, 2020 the President of the Office of Competition and Consumer Protection issued a consent decision regarding the transaction and consequently on August 9, 2020 the Group completed the acquisition of Virgin Mobile Polska Sp. z o.o. (see also Note 2.8).

#### **2.7.8 Deferred tax**

As part of the process of preparing the Financial Statements, the Group is required to estimate the Play Group's income taxes (please see Note 10). This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting

purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

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

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

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

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. The Group concluded that COVID-19 pandemic does not give rise to any impairment indicators in relation to non-current assets and therefore no impairment indicators were identified as at September 30, 2020. For the key assumptions and description of uncertainties please see Note 2.4.9 to the Annual Financial Statements.

## **2.8 Changes in the composition of the Group**

On August 9, 2020 the Group completed acquisition of Virgin Mobile Polska sp. z o.o. ("VMP") for cash consideration of PLN 35,731 thousand, thereof PLN 31,180 thousand was paid to the sellers and the remaining part in the amount of PLN 4,551 thousand is restricted on the escrow account and will be settled in the future based on closing accounts procedures as well as meeting certain legal conditions. The amount deposited in the escrow account was presented as consideration paid in cash flows statements. Upon closing of the transaction, VMP became a wholly owned consolidated subsidiary. VMP provides mobile telecommunications services for individual customers.

The acquisition of VMP was accounted as business combination according to IFRS 3. The Group is within measurement period, which should not exceed one year from the acquisition date, and is collecting all relevant information on facts and circumstances that existed as of the acquisition date which can have impact on fair value of acquired assets and liabilities. Based on the analysis performed so far the Group expects to recognize the significant value of newly identified intangible assets - customer relationships.

For the purpose of these financial statements the Group performed provisional accounting for a business combination.

The provisional goodwill of PLN 67,602 thousand recognized in the consolidated statement of financial position was calculated as follows:

<b>Consideration transferred</b>	<b>35,731</b>
- fair value (initially estimated) of the acquired assets	(26,570)
+ fair value (initially estimated) of the acquired liabilities	58,441
<b>= Goodwill</b>	<b>67,602</b>

The goodwill comprises the value of expected operating synergies arising from the acquisition and expected new customer gains. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

Play Communications S.A. and its subsidiaries  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
As at and for the nine-month period ended September 30, 2020  
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

The provisional fair values of the VMP acquired assets and liabilities assumed at the acquisition date are presented in the following table:

<b>ASSETS</b>		<b>LIABILITIES</b>	
Intangible assets	2,054	Trade and other payables	35,033
Property, plant and equipment	438	Contract liabilities	5,606
<b>Non-current assets</b>	<b>2,492</b>	Current income tax payable	9,001
		Accruals	1,712
Inventories	650	Deferred income	7,089
Trade and other receivables	9,721	<b>Current liabilities</b>	<b>58,441</b>
Cash and cash equivalents	10,512		
Prepaid expenses	3,195	<b>TOTAL LIABILITIES</b>	<b>58,441</b>
<b>Current assets</b>	<b>24,078</b>		
<b>TOTAL ASSETS</b>	<b>26,570</b>	<b>NET ASSETS ACQUIRED</b>	<b>(31,871)</b>

In the nine-months ended September 30, 2020 the Group recognized PLN 1,960 thousand of revenue and PLN 1,587 thousand of net income with respect to VMP since the acquisition date after elimination of intra-group transactions.

In the nine-months ended September 30, 2020 the Group recognized PLN 1,299 thousand of one-off general and administrative expenses related to acquisition and integration of a new subsidiary.

### 3. Operating revenue

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

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Service revenue</b>	<b>4,127,869</b>	<b>3,941,935</b>	<b>1,379,460</b>	<b>1,351,167</b>
Usage revenue	3,059,495	2,957,776	1,039,089	1,019,913
Interconnection revenue	1,068,374	984,159	340,371	331,254
<b>Sales of goods and other revenue</b>	<b>1,173,956</b>	<b>1,298,955</b>	<b>423,029</b>	<b>444,857</b>
	<b>5,301,825</b>	<b>5,240,890</b>	<b>1,802,489</b>	<b>1,796,024</b>

Increase of interconnection revenue during the nine-month period ended September 30, 2020 resulted mainly from higher traffic to our network due to “stay home” order related to pandemic outbreak of COVID-19 from the middle of March to the beginning of May. Increased traffic continued in the next months due to lower mobility of customers related to the pandemic and higher demand for voice and sms services. Sales of goods and other revenue decreased in the same period mainly due to drop of devices sold to newly acquired and retained subscribers caused mainly by temporary closure of many of our stores as a result of COVID-19 lockdown introduced by Polish government during the reporting period.

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Usage revenue by category</b>				
Retail contract revenue	2,377,961	2,315,237	806,046	790,146
Retail prepaid revenue	493,014	488,550	176,728	171,104
Other usage revenue	188,520	153,989	56,315	58,663
	<b>3,059,495</b>	<b>2,957,776</b>	<b>1,039,089</b>	<b>1,019,913</b>

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

“Other usage revenue” line includes also usage revenue generated by 3S Group acquired on August 19, 2019. Therefore other usage revenue is significantly higher in nine-month period ended September 30, 2020 compared to nine-month period ended September 30, 2019 as in the comparative period revenue generated by 3S Group was not included in consolidated results for the whole comparative period.

In the reporting periods there was no revenue recognized from performance obligations satisfied or partially satisfied in previous periods.

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	<b>September 30, 2020</b> <b>Unaudited</b>	<b>December 31, 2019</b>
Transaction price allocated to the remaining performance obligation to be satisfied within:		
1 year	1,932,331	1,935,450
later than 1 year and not later than 2 years	814,433	785,272
later than 2 years and not later than 3 years	95,407	88,005
later than 3 years	1,448	1,304
	<b>2,843,619</b>	<b>2,810,031</b>

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

	<b>Nine-month period ended September 30, 2020</b> <b>Unaudited</b>	<b>Nine-month period ended September 30, 2019</b> <b>Unaudited</b>	<b>Three-month period ended September 30, 2020</b> <b>Unaudited</b>	<b>Three-month period ended September 30, 2019</b> <b>Unaudited</b>
Interconnection costs	(1,062,803)	(1,001,593)	(335,715)	(334,161)
National roaming/network sharing	(114,969)	(138,122)	(41,530)	(49,062)
Other service costs (incl. international roaming costs and content)	(174,198)	(184,804)	(61,296)	(62,383)
	<b>(1,351,970)</b>	<b>(1,324,519)</b>	<b>(438,541)</b>	<b>(445,606)</b>

The growth of interconnection costs was related mainly to COVID-19 outbreak which caused significant increase of traffic to other operators during the lockdown introduced in the first half of 2020.

The decrease of national roaming/network sharing costs was mainly due to the termination, as at the end of 2019, of the national roaming agreement with Polkomtel Sp. z o.o. as one of the national roaming partners of P4, following the continued network rollout and development of own network infrastructure.

Other service costs include international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top ups) and fees paid to providers of content (e.g. TV, VoD, music) in transactions in which the Group acts as a principal. During the nine-month period ended September 30, 2020 international roaming costs decreased as a result of the lockdown related to COVID-19.

## 5. Contract costs, net

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
Contract costs incurred	(320,779)	(290,978)	(115,299)	(102,663)
Contract costs capitalized	301,084	274,329	106,356	97,400
Amortization and impairment of contract costs	(291,496)	(285,200)	(96,678)	(94,845)
	<b>(311,191)</b>	<b>(301,849)</b>	<b>(105,621)</b>	<b>(100,108)</b>

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

## 6. General and administrative expenses

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Employee benefits</b>	<b>(232,307)</b>	<b>(211,804)</b>	<b>(77,277)</b>	<b>(72,752)</b>
Salaries	(194,767)	(177,327)	(65,080)	(61,670)
Social security	(30,111)	(27,002)	(9,606)	(8,909)
Incentive and retention programs, including:	(7,429)	(7,475)	(2,591)	(2,173)
- <i>equity settled</i>	(7,429)	(7,475)	(2,591)	(2,173)
<b>External services</b>	<b>(419,020)</b>	<b>(399,636)</b>	<b>(149,883)</b>	<b>(140,740)</b>
Network maintenance, leased lines and energy	(149,544)	(124,175)	(50,998)	(43,256)
Advertising and promotion expenses	(104,495)	(119,431)	(39,465)	(40,521)
Customer relations costs	(48,361)	(44,981)	(16,176)	(15,656)
Office and points of sale maintenance	(12,674)	(14,132)	(4,028)	(4,348)
IT expenses	(31,727)	(29,106)	(10,924)	(9,469)
People related costs	(12,086)	(12,752)	(2,966)	(5,152)
Finance and legal services	(15,726)	(10,936)	(9,200)	(4,411)
Other external services	(44,407)	(44,123)	(16,126)	(17,927)
<b>Taxes and fees</b>	<b>(68,411)</b>	<b>(62,995)</b>	<b>(24,078)</b>	<b>(20,141)</b>
	<b>(719,738)</b>	<b>(674,435)</b>	<b>(251,238)</b>	<b>(233,633)</b>

As the Play Group has employees in Poland as well as in Luxembourg, it is legally required to pay monthly social security contributions to the pension administration in both countries. The rate of social security contributions amounted to 8% of gross salaries for the employees in Luxembourg and 9.76% of gross salaries for the employees in Poland in all periods presented. The Group is not required to make any contributions in excess of this statutory rate.

The increase of salaries costs in the nine-month period ended September 30, 2020 resulted mainly from the consolidation of 3S Group acquired in August 2019 and VMP acquired in August 2020. 3S Group and VMP were not consolidated for the whole comparative periods. Costs of employee benefits relating to 3S Group and VMP in the nine-month period ended September 30, 2020 amounted to PLN 21,396 thousand.

The increase in costs of network maintenance, leased lines and energy is mainly attributable to growing energy costs and to the increased number of sites to be maintained due to intensive rollout of Play's network as well as 3S Group consolidation for the nine-month period ended September 30, 2020. Costs of leased lines relate to lease agreements which do not qualify for recognition in accordance with IFRS 16.

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

## 7. Depreciation and amortization

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Depreciation and amortization</b>				
Depreciation of property, plant and equipment	(314,313)	(261,124)	(111,020)	(93,774)
Amortization of intangibles	(270,169)	(278,512)	(89,168)	(93,103)
Depreciation of right-of-use assets	(134,260)	(124,812)	(45,126)	(40,298)
	<b>(718,742)</b>	<b>(664,448)</b>	<b>(245,314)</b>	<b>(227,175)</b>

Depreciation and amortization increased in the nine-month period ended September 30, 2020 mainly due to increase in gross book value of assets following the development of the Group's telecommunications network as well as acquisition of 3S Group during 2019.

## 8. Other operating income and other operating costs

	Nine-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2019 Unaudited	Three-month period ended September 30, 2020 Unaudited	Three-month period ended September 30, 2019 Unaudited
<b>Other operating income</b>				
Gain on disposal of non-current assets and termination of lease contracts	3,627	3,485	1,163	1,723
Reversal of impairment of other non-current assets	313	417	99	-
Exchange rate gains	-	3,154	-	1,849
Income from subleasing of right-of-use assets	10,490	11,421	3,900	3,991
Interest income on trade receivables and cash	7,391	7,519	1,503	2,351
Other miscellaneous operating income	34,856	27,110	15,918	11,803
	<b>56,677</b>	<b>53,106</b>	<b>22,583</b>	<b>21,717</b>
<b>Other operating costs</b>				
Loss on receivables management	(41,834)	(17,563)	(3,910)	(4,564)
Impairment of contract assets	(78,254)	(70,565)	(22,323)	(23,451)
Impairment of non-current assets	(758)	(2,001)	(361)	(847)
Exchange rate losses	(6,097)	-	(1,279)	-
Other miscellaneous operating costs	(4,362)	(3,722)	(1,040)	(394)
	<b>(131,305)</b>	<b>(93,851)</b>	<b>(28,913)</b>	<b>(29,256)</b>
<i>thereof: impairment of financial assets</i>				
Impairment of contract assets	(78,254)	(70,565)	(22,323)	(23,451)
Impairment of trade receivables	(66,176)	(40,600)	(15,833)	(7,690)
	<b>(144,430)</b>	<b>(111,165)</b>	<b>(38,156)</b>	<b>(31,141)</b>

### Loss on receivables management

The line "Loss on receivables management" represent the net amount resulting from: cost resulting from movement of the provision for impairment of receivables of PLN 66,176 thousand in the nine-month period ended September 30, 2020 (PLN 40,600 thousand in the nine-month period ended September 30, 2019), net result on sales of overdue receivables to collecting agencies as well as income from early contract termination.

The line "Impairment of trade receivables" represents the amount charged to profit and loss according to IFRS 9.

When calculating the impairment provision, the Group takes into account the price it expects to be able to recover in future from sales of receivables.

Due to COVID-19 outbreak and expected deterioration of economic situation worldwide the Group concluded that credit risk for trade and other receivables as at September 30, 2020 has changed significantly compared to the nine-month period ended September 30, 2019 and recognized higher expected credit loss in order to reflect the change in credit risk. The Group lowered expected recoverability ratio for trade and other receivables which resulted in higher

loss on receivables management during the nine-month period ended September 30, 2020 in comparison to the nine-month period ended September 30, 2019 (see also Note 2.7.3).

For movements of the provision for impairment of trade and other receivables please see also Note 20.

#### Impairment of contract assets

Impairment of contract assets recognized in the nine-month period ended September 30, 2020 amounted to 78,254 thousand and increased in comparison to the amount of 70,565 thousand recognized in the nine-month period ended September 30, 2019 mainly due to expected deterioration of credit risk of customers related to COVID-19 outbreak (see also Note 2.7.3).

For movements of the provision for impairment of contract assets please see also Note 21.

## 9. Finance income and finance costs

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Finance income</b>				
Interest income, including:	625	280	166	36
- on the net investment in the lease	513	36	164	36
Net gain on finance instruments at fair value	3,033	588	-	594
- hedging instruments at fair value through profit or loss	135	588	-	594
- gain relating to settlement of hedging instruments at fair value through other comprehensive income	2,898	-	-	-
	<b>3,658</b>	<b>868</b>	<b>166</b>	<b>630</b>
<b>Finance costs</b>				
Interest expense, including:	(227,662)	(255,826)	(55,562)	(87,701)
- on lease liabilities	(42,629)	(44,415)	(14,289)	(16,391)
Exchange rate losses	(8,400)	(5,315)	(1,752)	(6,897)
	<b>(236,062)</b>	<b>(261,141)</b>	<b>(57,314)</b>	<b>(94,598)</b>

During the nine-month period ended September 30, 2020 the Group recognized gain on the settlement of IRS in the amount of PLN 2,898 thousand (see also Note 25.5).

Interest expense incurred in the nine-month period ended September 30, 2020 decreased in comparison to the nine-month period ended September 30, 2019 mainly due to decrease of interest rates and decrease of margin on SFA loan as a result of improved leverage ratio.

Exchange rate losses incurred in the nine-month period ended September 30, 2020 were caused by significant depreciation of Polish Złoty against EUR as a result of turmoil in currency markets following COVID-19 outbreak. Exchange rate losses relate mainly to valuation of finance lease liabilities.

## 10. Taxation

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
Current tax charge	(202,007)	(196,845)	(69,686)	(67,118)
Deferred tax charge	(10,163)	(27,582)	(9,398)	(14,716)
<b>Income tax charge</b>	<b>(212,170)</b>	<b>(224,427)</b>	<b>(79,084)</b>	<b>(81,834)</b>

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

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Profit before income tax</b>	<b>927,298</b>	<b>924,953</b>	<b>348,862</b>	<b>314,944</b>
Tax calculated at the prevailing tax rate applicable to profit (19%)	(176,187)	(175,741)	(66,284)	(59,839)
Effect of difference between tax rates in Luxembourg and in Poland	2,649	2,954	808	918
Expenses not subject to tax	(30,880)	(38,137)	(10,166)	(14,062)
Income not subject to tax	213	131	4	120
Previous years tax income/ (costs) included in current year accounting profit	50	(508)	23	-
Adjustments relating to previous tax years	8,104	1,923	1,411	(5,915)
Change in unrecognized deferred tax asset	(16,119)	(17,662)	(4,880)	(5,567)
Taxable costs not included in accounting profit	-	2,613	-	2,511
<b>Income tax charge</b>	<b>(212,170)</b>	<b>(224,427)</b>	<b>(79,084)</b>	<b>(81,834)</b>

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

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland. As at September 30, 2020 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

**Deferred income tax assets and liabilities per category**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>Unaudited</b>	
<b>Net deductible temporary differences</b>		
Potential base for deferred income tax calculation	(939,687)	(886,357)
<b>Potential deferred income tax net asset/(liability), thereof:</b>	<b>(178,569)</b>	<b>(168,406)</b>
- <i>recognized deferred income tax assets</i>	-	-
- <i>recognized deferred income tax liabilities</i>	(178,569)	(168,406)
- <i>not recognized deferred income tax assets</i>	-	-
 <b>Carry-forwards of unused tax losses</b>		
Potential base for deferred income tax calculation	541,715	471,953
<b>Potential deferred income tax net asset/(liability), thereof:</b>	<b>123,439</b>	<b>107,533</b>
- <i>recognized deferred income tax assets</i>	-	-
- <i>recognized deferred income tax liabilities</i>	-	-
- <i>not recognized deferred income tax assets</i>	123,439	107,533
 <b>Total, netted at subsidiary level</b>		
- <i>recognized deferred income tax assets</i>	-	-
- <i>recognized deferred income tax liabilities</i>	<b>(178,569)</b>	<b>(168,406)</b>
- <i>not recognized deferred income tax assets</i>	123,439	107,533

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The estimation is based upon the budget for the year 2020 and long-term financial projections. As at September 30, 2020 and December 31, 2019 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient, mainly in Play Communications S.A. The tax losses of P4 from prior years are fully utilized.

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

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

**Movements of the deferred tax assets and liabilities:**

	<b>Nine-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Beginning of period:</b>		
<b>Deferred tax assets</b>	-	-
<b>Deferred tax liabilities</b>	<b>(168,406)</b>	<b>(130,455)</b>
credited / (charged) to the income statement	(10,163)	(27,582)
<b>End of period:</b>		
<b>Deferred tax assets</b>	-	<b>414</b>
<b>Deferred tax liabilities</b>	<b>(178,569)</b>	<b>(158,297)</b>

## 11. Earnings per share

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

Diluted earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares.

	<b>Nine-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2019</b>	<b>Three- month period ended September 30, 2020</b>	<b>Three- month period ended September 30, 2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Net profit</b>	715,128	700,526	269,778	233,110
<u>Weighted average number of shares (in thousands)</u>				
Beginning of period:	254,174	253,953	254,225	253,953
<i>Initial shares</i>	250,000	250,000	250,000	250,000
<i>VDP4 shares issued without consideration in 2017</i>	538	538	538	538
<i>PIP shares issued in 2017 (paid in)</i>	3,170	3,170	3,170	3,170
<i>PIP 2 shares issued without consideration in 2018</i>	204	204	204	204
<i>PIP 3 shares issued without consideration in 2019</i>	40	40	40	40
<i>Issued Loyalty, Investment and Award shares</i>	221	-	272	-
Shares issued during the period:	104	45	176	135
<i>Issue of Loyalty, Investment and Award shares</i>	104	45	176	135
<b>Weighted average number of shares (basic)</b>	<b>254,278</b>	<b>253,998</b>	<b>254,401</b>	<b>254,088</b>
Potential Loyalty and Investment Shares	370	119	339	111
Potential Award shares	1,852	923	1,759	923
<b>Weighted average number of shares (diluted)</b>	<b>256,499</b>	<b>255,041</b>	<b>256,500</b>	<b>255,123</b>
Earnings per share (in PLN) (basic)	2.81	2.76	1.06	0.92
Earnings per share (in PLN) (diluted)	2.79	2.75	1.05	0.91

The dilutive potential ordinary shares are shares which will potentially be issued under the equity-settled incentive and retention programs as Award Shares, Loyalty Shares or Investment Shares throughout the duration of the programs, estimated based on historical performance of the Company's shares in comparison to peer companies for the period from the IPO date (or Start Date) to September 30, 2020 – please see Note 27.

## 12. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
<b>Cost</b>					
As at January 1, 2020	2,869,695	1,441,887	429,279	144,442	4,885,303
Increases	-	304	-	-	304
Transfers and reclassifications	-	110,627	-	5,322	115,949
Acquisition of subsidiaries	-	2,054	67,602	-	69,656
Decreases	(89,740)	(47)	-	(1)	(89,788)
<b>As at September 30, 2020, unaudited</b>	<b>2,779,955</b>	<b>1,554,825</b>	<b>496,881</b>	<b>149,763</b>	<b>4,981,424</b>
<b>Accumulated amortization</b>					
As at January 1, 2020	1,199,530	1,049,051	-	38,584	2,287,165
Charge	142,348	113,700	-	14,121	270,169
Transfers and reclassifications	-	(12)	-	12	-
Decreases	(89,740)	(47)	-	-	(89,787)
<b>As at September 30, 2020, unaudited</b>	<b>1,252,138</b>	<b>1,162,692</b>	<b>-</b>	<b>52,717</b>	<b>2,467,547</b>
<b>Net book value as at September 30, 2020, unaudited</b>	<b>1,527,817</b>	<b>392,133</b>	<b>496,881</b>	<b>97,046</b>	<b>2,513,877</b>

The transfers recorded during nine-month period ended September 30, 2020 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer and network software and other intangible assets.

The decreases recorded during the nine-month period ended September 30, 2020 relate mainly to derecognition of telecommunications licenses which already expired.

The goodwill was recognized primarily on the acquisition of the Germanos Group in the year ended December 31, 2007 as well as acquisition of 3S Group on August 19, 2019 and acquisition of Virgin Mobile Polska Sp. z o.o. on August 9, 2020.

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

Play Communications S.A. and its subsidiaries  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
As at and for the nine-month period ended September 30, 2020  
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

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**Telecommunications licenses**

<b>Frequency band</b>	<b>License term</b>		<b>Net book value as at September 30, 2020</b>	<b>Net book value as at December 31, 2019</b>
	<b>from</b>	<b>to</b>		
2100 MHz	July 1, 2016	December 31, 2022	49,143	65,524
900 MHz	December 9, 2008	December 31, 2023	47,168	58,053
1800 MHz	February 13, 2013	December 31, 2027	249,000	274,759
800 MHz	January 25, 2016/ June 23, 2016	June 23, 2031	1,029,497	1,104,219
2600 MHz	January 25, 2016	January 25, 2031	153,009	164,114
3700 MHz (regional)	July 1, 2018	February 10, 2020	-	3,496
			<b>1,527,817</b>	<b>1,670,165</b>

Play Communications S.A. and its subsidiaries  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
As at and for the nine-month period ended September 30, 2020  
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
<b>Cost</b>					
As at January 1, 2019	2,869,695	1,311,569	238,301	50,870	4,470,435
Transfers and reclassifications	-	85,258	-	6,684	91,942
Acquisition of subsidiaries	-	-	290,569	1,411	291,980
Decreases	-	(24,154)	-	(11,760)	(35,914)
<b>As at September 30, 2019, unaudited</b>	<b>2,869,695</b>	<b>1,372,673</b>	<b>528,870</b>	<b>47,205</b>	<b>4,818,443</b>
<b>Accumulated amortization</b>					
As at January 1, 2019	974,899	948,413	-	33,694	1,957,006
Charge	168,473	99,974	-	10,064	278,511
Transfers and reclassifications	-	427	-	-	427
Decreases	-	(24,154)	-	(11,760)	(35,914)
<b>As at September 30, 2019, unaudited</b>	<b>1,143,372</b>	<b>1,024,660</b>	<b>-</b>	<b>31,998</b>	<b>2,200,030</b>
<b>Net book value as at September 30, 2019, unaudited</b>	<b>1,726,323</b>	<b>348,013</b>	<b>528,870</b>	<b>15,207</b>	<b>2,618,413</b>

### 13. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
<b>Cost</b>							
As at January 1, 2020	1,454	1,522,656	287,572	1,833,562	3,620	115,765	3,764,629
Increases	-	-	-	-	-	34	34
Transfers and reclassifications	65	177,576	11,839	192,252	3,682	17,466	402,880
Acquisition of subsidiaries	-	-	406	-	-	33	439
Decreases	-	(17,105)	(30,929)	(24,953)	(810)	(1,279)	(75,076)
<b>As at September 30, 2020, unaudited</b>	<b>1,519</b>	<b>1,683,127</b>	<b>268,888</b>	<b>2,000,861</b>	<b>6,492</b>	<b>132,019</b>	<b>4,092,906</b>
<b>Accumulated depreciation</b>							
As at January 1, 2020	9	479,129	210,921	967,833	2,418	75,491	1,735,801
Charge	11	59,161	24,942	212,164	232	17,803	314,313
Transfers and reclassifications	-	-	-	3,303	2,352	1	5,656
Decreases	-	(17,105)	(30,929)	(24,725)	(710)	(1,158)	(74,627)
<b>As at September 30, 2020, unaudited</b>	<b>20</b>	<b>521,185</b>	<b>204,934</b>	<b>1,158,575</b>	<b>4,292</b>	<b>92,137</b>	<b>1,981,143</b>
<b>Net book value as at September 30, 2020, unaudited</b>	<b>1,499</b>	<b>1,161,942</b>	<b>63,954</b>	<b>842,286</b>	<b>2,200</b>	<b>39,882</b>	<b>2,111,763</b>

The transfers recorded during nine-month period ended September 30, 2020 relate mainly to transfers from assets under construction to property, plant and equipment due to the completion of investment projects. Buildings represent mainly own telecommunications towers and cost of civil works and materials used for adapting leased property (e.g. roof tops) so that the Group's telecommunications equipment can be installed.

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 Group holds is used mainly for its own purpose and therefore the value of items leased to third parties is not material to the Financial Statements.

Play Communications S.A. and its subsidiaries  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
As at and for the nine-month period ended September 30, 2020  
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
<b>Cost</b>							
As at January 1, 2019	46	1,199,597	264,680	1,433,598	2,885	82,849	2,983,655
Increases	-	-	2	-	-	-	2
Transfers and reclassifications	-	264,302	28,295	288,642	32	25,675	606,946
Acquisition of subsidiaries	1,246	10,262	-	72,565	225	194	84,492
Decreases	-	(2,826)	(2,645)	(45,634)	(496)	(2,354)	(53,955)
<b>As at September 30, 2019, unaudited</b>	<b>1,292</b>	<b>1,471,335</b>	<b>290,332</b>	<b>1,749,171</b>	<b>2,646</b>	<b>106,364</b>	<b>3,621,140</b>
<b>Accumulated depreciation</b>							
As at January 1, 2019	5	452,373	182,011	774,463	2,849	60,863	1,472,564
Charge	1	47,089	24,244	176,928	49	12,813	261,124
Transfers and reclassifications	-	(51)	11,264	180	-	-	11,393
Decreases	-	(2,826)	(2,636)	(44,894)	(496)	(2,063)	(52,915)
<b>As at September 30, 2019, unaudited</b>	<b>6</b>	<b>496,585</b>	<b>214,883</b>	<b>906,677</b>	<b>2,402</b>	<b>71,613</b>	<b>1,692,166</b>
<b>Net book value as at September 30, 2019, unaudited</b>	<b>1,286</b>	<b>974,750</b>	<b>75,449</b>	<b>842,494</b>	<b>244</b>	<b>34,751</b>	<b>1,928,974</b>

Play Communications S.A. and its subsidiaries  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
As at and for the nine-month period ended September 30, 2020  
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

## 14. Right-of-use assets

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
<b>Cost</b>							
As at January 1, 2020	273,611	1,517,040	17,228	32,303	28,383	27	1,868,592
Increases	47,281	56,983	-	2,529	-	-	106,793
Asset retirement obligation	-	11,486	-	-	-	-	11,486
Transfers and reclassifications	-	10,993	-	(2,096)	(2,084)	-	6,813
Decreases	(5,673)	(16,767)	(571)	(2,318)	(1,960)	-	(27,289)
<b>As at September 30, 2020, unaudited</b>	<b>315,219</b>	<b>1,579,735</b>	<b>16,657</b>	<b>30,418</b>	<b>24,339</b>	<b>27</b>	<b>1,966,395</b>
<b>Accumulated depreciation</b>							
As at January 1, 2020	91,450	858,418	8,451	12,243	12,738	13	983,313
Charge	21,103	95,852	3,068	5,134	4,522	4	129,683
Charge from asset retirement obligation	-	4,577	-	-	-	-	4,577
Transfers and reclassifications	-	-	-	(3,304)	(2,352)	-	(5,656)
Decreases	(544)	(11,217)	(569)	(1,465)	(1,429)	-	(15,224)
<b>As at September 30, 2020, unaudited</b>	<b>112,009</b>	<b>947,630</b>	<b>10,950</b>	<b>12,608</b>	<b>13,479</b>	<b>17</b>	<b>1,096,693</b>
<b>Net book value as at September 30, 2020, unaudited</b>	<b>203,210</b>	<b>632,105</b>	<b>5,707</b>	<b>17,810</b>	<b>10,860</b>	<b>10</b>	<b>869,702</b>

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the nine-month period ended September 30, 2020. There were no leases with residual value guarantees. The Group is committed to the lease of new office building which not yet commenced. The lease term of this contract is 5 years. The expenses relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 7,047 thousand for the nine-month period ended September 30, 2020.

Due to the outbreak of COVID-19 pandemic the Group had to comply with the lockdown rules. As a result the Group had to close temporarily some points of sales (from the middle of March till May 4, 2020) which led to receiving lease rent concessions (a rent payment holiday or a reduction in lease payments for a period of time). The lease rent concessions have been treated as lease modification, the lease liability has been remeasured and the right of use value changed accordingly.

Play Communications S.A. and its subsidiaries  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
As at and for the nine-month period ended September 30, 2020  
(Expressed in PLN, all amounts in tables given in thousands unless stated otherwise)

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
<b>Cost</b>							
As at January 1, 2019	222,483	1,440,064	23,059	32,626	24,032	27	1,742,291
Increases	42,132	68,493	-	9,827	-	-	120,452
Asset retirement obligation	-	9,416	-	-	-	-	9,416
Transfers and reclassifications	-	-	(2,344)	(175)	7,866	-	5,347
Acquisition of subsidiaries	-	8,183	-	(3,137)	2,741	-	7,787
Decreases	(2,850)	(27,701)	(788)	(6,163)	(6,556)	-	(44,058)
<b>As at September 30, 2019, unaudited</b>	<b>261,765</b>	<b>1,498,455</b>	<b>19,927</b>	<b>32,978</b>	<b>28,083</b>	<b>27</b>	<b>1,841,235</b>
<b>Accumulated depreciation</b>							
As at January 1, 2019	69,490	761,311	15,755	15,201	12,402	7	874,166
Charge	16,699	91,434	4,348	5,633	4,949	4	123,067
Charge from asset retirement obligation	-	1,745	-	-	-	-	1,745
Transfers and reclassifications	-	-	(11,697)	(123)	-	-	(11,820)
Acquisition of subsidiaries	-	(1,783)	-	(3,085)	-	-	(4,868)
Decreases	(1,374)	(20,955)	(785)	(6,132)	(5,742)	-	(34,988)
<b>As at September 30, 2019, unaudited</b>	<b>84,815</b>	<b>831,752</b>	<b>7,621</b>	<b>11,494</b>	<b>11,609</b>	<b>11</b>	<b>947,302</b>
<b>Net book value as at September 30, 2019, unaudited</b>	<b>176,950</b>	<b>666,703</b>	<b>12,306</b>	<b>21,484</b>	<b>16,474</b>	<b>16</b>	<b>893,933</b>

In the nine-month period ended September 30, 2019 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil thousand. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed. The expenses relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 7,867 thousand in the nine-month period ended September 30, 2019.

## 15. Assets under construction

<b>Cost</b>	<b>Nine-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
As at January 1	288,593	440,561
Acquisition of subsidiaries	-	5,502
Additions	596,924	580,848
Radio network	421,548	411,775
Core network and network operations center	53,552	52,738
IT	66,345	75,559
Other capital expenditures	55,479	40,776
Transfers and reclassifications	(525,642)	(704,235)
Disposals	(2,294)	(2,135)
<b>As at September 30</b>	<b>357,581</b>	<b>320,541</b>
<b>Accumulated impairment</b>		
As at January 1	2,687	2,219
Impairment charge, net	445	1,606
Utilization of impairment provision	(2,080)	(1,787)
<b>As at September 30</b>	<b>1,052</b>	<b>2,038</b>
<b>Net book value as at September 30</b>	<b>356,529</b>	<b>318,503</b>

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction.

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

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

## 16. Contract costs

Cost	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
	Unaudited	Unaudited
As at January 1	773,960	732,553
Additions	301,084	274,329
Disposals - terminated contracts	(297,454)	(257,315)
<b>As at September 30</b>	<b>777,590</b>	<b>749,567</b>
<b>Accumulated amortization</b>		
As at January 1	399,880	359,900
Charge (including impairment)	291,496	285,199
Disposals (including impairment) - terminated contracts	(297,455)	(257,315)
<b>As at September 30</b>	<b>393,921</b>	<b>387,784</b>
<b>Net book value as at September 30</b>	<b>383,669</b>	<b>361,783</b>

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

## 17. Long-term receivables

	September 30, 2020	December 31, 2019
	Unaudited	
Long-term receivables	16,257	15,759
Impairment of long-term receivables	(368)	(368)
	<b>15,889</b>	<b>15,391</b>

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

## 18. Other finance assets

Other finance assets comprise finance lease receivables.

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

As at September 30, 2020 and as at December 31, 2019 the Group recognized finance lease receivables in relation to dark fiber and IT equipment lease contracts.

	September 30, 2020	December 31, 2019
	Unaudited	
Long-term lease receivables	12,820	11,348

Short-term lease receivables	6,897	6,260
<b>Finance lease receivables</b>	<b>19,717</b>	<b>17,608</b>

## 19. Inventories

	September 30, 2020 Unaudited	December 31, 2019
Goods for resale	156,214	150,677
Goods in dealers' premises	41,731	32,479
Materials	305	1,926
Prepaid deliveries	150	-
Impairment of goods for resale	(16,962)	(15,935)
	<b>181,438</b>	<b>169,147</b>

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

Despite the temporary closure of many of our stores due to COVID-19 pandemic, the Group took initiatives to protect its inventories from impairment. During the lockdown period most of inventory held in distribution channels were transferred to central warehouse intended for sale in remote channels or were relocated to temporary outlets opened in locations which are allowed to operate in pandemic circumstances. As a result, the impairment of goods for resale as at September 30, 2020, did not change significantly in comparison to the impairment amount as at December 31, 2019.

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

	Nine-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2019 Unaudited
<b>Beginning of period</b>	<b>(15,935)</b>	<b>(14,975)</b>
- charged to income statement	(1,027)	(2,242)
<b>End of period</b>	<b>(16,962)</b>	<b>(17,217)</b>

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

## 20. Trade and other receivables

	<b>September 30, 2020</b> <b>Unaudited</b>	<b>December 31, 2019</b>
Trade receivables	872,535	866,320
Impairment of trade receivables	(149,620)	(136,815)
<b>Trade receivables (net)</b>	<b>722,915</b>	<b>729,505</b>
VAT and other government receivables	1,553	1,409
Other receivables	635	642
<b>Other receivables (net)</b>	<b>2,188</b>	<b>2,051</b>
	<b>725,103</b>	<b>731,556</b>

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

Trade receivables include installment receivables relating to sales of handsets and mobile computing devices.

The Group classifies trade receivables within business model “hold to collect contractual cash flows” and measures them at amortized costs. 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:

	<b>Nine-month period</b> <b>ended September 30,</b> <b>2020</b> <b>Unaudited</b>	<b>Nine-month period</b> <b>ended September 30,</b> <b>2019</b> <b>Unaudited</b>
<b>Beginning of period</b>	<b>(136,815)</b>	<b>(163,796)</b>
Acquisition of a subsidiary	(1,058)	(20)
- charged to income statement	(66,176)	(40,600)
- utilized	54,429	57,375
<b>End of period</b>	<b>(149,620)</b>	<b>(147,041)</b>

Amounts charged to income statement increased in the nine-month period ended September 30, 2020 as a result of expected COVID-19 pandemic impact on recoverability of trade receivables from customers and business partners. For explanation of changes in the amounts charged to income statement please see Note 8.

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

## 21. Contract assets

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>Unaudited</b>	
Contract assets	1,514,172	1,537,248
Impairment of contract assets	(94,762)	(81,326)
	<b>1,419,410</b>	<b>1,455,922</b>

The value of impairment of contract assets presented above represents the expected credit loss recognized in accordance with IFRS 9 at the initial recognition of the contract asset. Please see also Note 2.7.3.

Expected credit loss rate for contract assets as at September 30, 2020 amounted to 6.3% (5.3% as at December 31, 2019).

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 provision for impairment of contract assets are as follows:

	<b>Nine-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Beginning of period</b>	(81,326)	(74,688)
- charged to income statement	(78,254)	(70,565)
- utilization	64,818	66,795
<b>End of period</b>	<b>(94,762)</b>	<b>(78,458)</b>

Amounts charged to income statement increased in the nine-month period ended September 30, 2020 as a result of expected COVID-19 pandemic impact on recoverability of contract assets balances. For explanation of changes in the impairment charged to income statement – please see Note 8.

Movements in the contract assets balance for the nine-month period ended September 30, 2020 and September 30, 2019 were as follows:

	<b>Nine-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Contract assets, net - Beginning of period</b>	<b>1,455,922</b>	<b>1,392,630</b>
Additions	1,004,409	1,062,486
Invoiced amounts transferred to trade receivables	(962,667)	(917,928)
Impairment, charged to income statement	(78,254)	(70,565)
<b>Contract assets, net - End of period</b>	<b>1,419,410</b>	<b>1,466,623</b>

Additions correspond to adjustments to 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 timeframe for a right to consideration to become unconditional or in the timeframe for a performance obligation to be satisfied.

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

## 22. Prepaid expenses

	<b>September 30, 2020</b> <b>Unaudited</b>	<b>December 31, 2019</b>
Distribution and selling costs	8,774	5,502
Network and IT maintenance	12,202	14,439
Other	12,072	8,907
	<b>33,048</b>	<b>28,848</b>

As of September 30, 2020 and comparative period, other prepaid expenses included mainly advance payments for services.

## 23. Cash and cash equivalents

	<b>September 30, 2020</b> <b>Unaudited</b>	<b>December 31, 2019</b>
Petty cash	668	714
Balances deposited with banks	590,521	292,726
Restricted cash	2,263	-
Other cash assets	221	877
	<b>593,673</b>	<b>294,317</b>

As of September 30, 2020 and December 31, 2019 balances deposited with banks included cash related to VAT received through split payment process imposed by law regulation effective from July 1, 2018.

Restricted cash represents the amount related to VMP acquisition and will be settled in Q4 2020.

## 24. Shareholders' equity

As of December 31, 2018, the Company's share capital consisted of 253,912,894 shares issued, of which 28.00% were owned by Tollerton Investments Limited, 28.85% by Kenbourne Invest S.A. (a successor entity of Telco Holdings S.à r.l. after their merger effective October 8, 2018), 5.34% by Nationale-Nederlanden Otwarty Fundusz Emerytalny and 37.81% by other shareholders.

On May 10, 2019 the Company distributed a gross interim dividend of PLN 1.45 per ordinary share to its shareholders, in total PLN 368,174 thousand. Due to the foreign exchange rate losses the corresponding cash outflow amounted to PLN 368,264 thousand.

During year ended December 31, 2019 the Company's share capital increased by an amount of EUR 31.34 raising it from EUR 30,469 to EUR 30,501 through the issue of 261,108 shares in bearer form with a nominal value of EUR 0.00012 each. These shares were issued to PIP2 member (Loyalty and Award shares), VDP4, VDP4bis and PIP members (Award Shares) and PIP3 members (Investment shares).

As of December 31, 2019, the Company's share capital amounted to EUR 30,501 and comprised of 254,174,002 bearer shares with a nominal value of EUR 0.00012 each. According to the most recent major holdings notifications received by the Company, Kenbourne Invest II S.à r.l. controlled 25.43% of shares, Tollerton Investments Limited controlled 24.66% of shares, Investec Asset Management Ltd / Investec Asset Management (Pty) Ltd (acting in concert) controlled 5.02% and Nationale-Nederlanden Otwarty Fundusz Emerytalny 5.01% shares. The remaining 39.88% was owned by other shareholders.

During the nine-month period ended September 30, 2020, the Company's share capital increased by an amount of EUR 54.23 raising it from EUR 30,501 to EUR 30,555 through the issue of 451,874 shares in bearer form with a nominal value of EUR 0.00012 each. These shares were issued to PIP2 member (Loyalty and Award shares), VDP4, VDP4bis and PIP members (Award Shares) and PIP3 members (Investment and Award shares).

On May 12, 2020 the Company distributed a gross interim dividend of PLN 1.65 per ordinary share to its shareholders, in total PLN 419,472 thousand. Due to the foreign exchange rate losses the corresponding cash outflow amounted to PLN 419,503 thousand.

On September 21, 2020 Iliad Purple S.A.S., a wholly owned subsidiary of Iliad S.A, announced a tender offer for the acquisition of 100% of the outstanding shares of the Company. Iliad S.A. is a French provider of telecommunications services with its registered office Paris, France ("Iliad"). The closing of the transaction is expected in November 2020.

As of September 30, 2020, the Company's share capital amounted to EUR 30,555 and comprised of 254,625,876 bearer shares with a nominal value of EUR 0.00012 each. According to the most recent major holdings notifications received by the Company, Kenbourne Invest II S.à r.l. controlled 20.1% of shares, Tollerton Investments Limited controlled 20.1% of shares and Nationale-Nederlanden OFE controlled 5.6%. The remaining 54.2% was owned by other shareholders.

At September 30, 2020, no treasury shares were held by the Company.

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

## 25. Finance liabilities – debt

Financial liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities, notes liabilities and other debt are subsequently stated at amortized cost.

	September 30, 2020 Unaudited	December 31, 2019
<b>Long-term finance liabilities</b>		
Long-term bank loans	5,006,537	4,927,465
Long-term notes liabilities	748,672	748,360
Long-term lease liabilities	805,851	823,050
Other debt	2,341	6,146
	<b>6,563,401</b>	<b>6,505,021</b>
<b>Short-term finance liabilities</b>		
Short-term bank loans	176,921	171,325
Short-term notes liabilities	4,569	1,382
Short-term lease liabilities	172,165	168,481
Other debt	11,424	20,532
	<b>365,079</b>	<b>361,720</b>
	<b>6,928,480</b>	<b>6,866,741</b>

## 25.1 Bank loans

	September 30, 2020 Unaudited	December 31, 2019
<b>Long-term bank loans</b>		
SFA	5,006,537	4,927,465
	<b>5,006,537</b>	<b>4,927,465</b>
<b>Short-term bank loans</b>		
SFA	176,921	171,325
	<b>176,921</b>	<b>171,325</b>
	<b>5,183,458</b>	<b>5,098,790</b>
the balance of unamortized fees	37,199	56,522
the weighted average effective interest rate	2.89%	4.71%

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

On March 7, 2017 the Play Group entered into PLN 7,000,000 thousand Senior Facilities Agreement ("SFA") with a consortium of banks. The amount includes PLN 6,600,000 thousand term loan facilities and PLN 400,000 thousand revolving credit facility.

On March 20 and 21, 2017 the Group drew down the amount of PLN 6,443,000 thousand under the above facility agreement and the remaining amounts under term loan facilities were cancelled. Additionally, under the SFA, the Group can use PLN 400,000 thousand revolving credit facility, which was undrawn as at September 30, 2020.

On January 8, 2019, the Play Group has entered into a Second Amendment and Restatement Agreement to the Senior Facilities Agreement. For the detailed description of amendments please see Note 26.1.1 of the Annual Financial Statement.

On April 14, 2020, the Group finalized the establishment of the three-year Additional Facility, under the SFA, in the amount of PLN 1,200,000 thousand. Additional Facility was utilized in full on April 14, 2020. Interest on Additional Facility is calculated based on 3M WIBOR rate plus margin and is payable in quarterly installments. The Additional Facility should be repaid in full on April 14, 2023.

On April 16, 2020, the Group made voluntary prepayment of Facility C under SFA agreement in the amount of PLN 793,000 thousand using sources from Additional Financing.

On May 29, 2020 the Group made voluntary prepayment of installment under Facility A in the amount of PLN 173,404 thousand plus interest originally maturing on September 30, 2020.

On September 30, 2020 the Group made voluntary prepayment of installment under Facility A in the amount of PLN 173,404 thousand originally maturing on March 31, 2021.

The carrying amount of bank loans approximates their fair value.

## 25.2 Assets pledged as security for finance liabilities

The Senior Facilities are currently secured by:

- financial and registered pledge over the shares in P4 sp. z o.o. established by Play Communications S.A. as pledgor in favor of Santander Bank Polska S. A. as pledgee;

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

The Group is able to request release of security established in connection with the SFA (excluding the release of guarantees granted pursuant to the SFA) when the level of consolidated net debt to consolidated EBITDA (the "Total Leverage") is less than or equal to 2.00:1 with an obligation to re-establish the released security if the Total Leverage becomes greater than 2.00:1.

## 25.3 Notes

	September 30, 2020 Unaudited	December 31, 2019
<b>Long-term notes liabilities</b>		
PLN Floating Rate Series A Notes due 2026	748,672	748,360
	<b>748,672</b>	<b>748,360</b>
<b>Short-term notes liabilities</b>		
Accrued interest related to notes	4,569	1,382
	<b>4,569</b>	<b>1,382</b>
	<b>753,241</b>	<b>749,742</b>
the balance of unamortized fees	1,328	1,640
the effective interest rate	2.08%	3.61%

On October 23, 2019 P4 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 bonds, with the nominal value of PLN 500 thousand each and the aggregate nominal value of PLN 750,000 thousand which were registered in the depository operated by the National Securities Depository on December 13, 2019. On February 28, 2020 the bonds were introduced to trading in the Alternative Trading System operated by the Warsaw Stock Exchange.

The notes maturity date is December 11, 2026. Interest, based on 6M WIBOR plus margin, will be paid semi-annually. The first interest period ended on June 13, 2020.

Fair value of the bonds as at September 30, 2020 amounted to PLN 754,569 thousand and consists of 1.00 of the nominal value of the bonds plus accrued interest. The inputs used in determining the fair value of the bonds fall within Level 1 of the fair value hierarchy (inputs fully observable for an asset or liability i.e. quoted prices in active markets for identical assets or liabilities).

## 25.4 Lease liabilities

	September 30, 2020 Unaudited	December 31, 2019
<b>Long-term lease liabilities</b>		
Telecommunications sites	718,232	729,305
Points of sale	35,804	46,099
Dark fiber optic cable	10,418	13,177
Collocation centers	6,926	4,906
Offices and warehouse	23,109	15,326
IT equipment and telecommunications equipment	8,281	8,367
Motor vehicles	3,081	5,870
	<b>805,851</b>	<b>823,050</b>
<b>Short-term lease liabilities</b>		
Telecommunications sites	113,031	100,837
Points of sale	29,736	29,185
Dark fiber optic cable	6,072	6,097
Collocation centers	3,758	5,342
Offices and warehouse	6,160	11,813
IT equipment and telecommunications equipment	7,991	8,143
Motor vehicles	5,417	7,064
	<b>172,165</b>	<b>168,481</b>
	<b>978,016</b>	<b>991,531</b>

## 25.5 Other finance liabilities at fair value through other comprehensive income

	September 30, 2020 Unaudited	December 31, 2019
Current finance liabilities at fair value through other comprehensive income	-	4,685
<b>Other finance liabilities</b>	<b>-</b>	<b>4,685</b>

Finance liabilities at fair value through other comprehensive income comprised interest rate swaps (“IRS”) designated as cash flow hedges.

The effective portion of changes in the fair value of the above mentioned cash flow hedges resulted in other comprehensive gain of PLN 1,787 thousand for the nine-month period ended September 30, 2020 (gain of PLN 5,714 thousand in the nine-month period ended September 30, 2019).

As at September 30, 2020 the Group had no active interest rate hedging transactions as the last IRS coupon was settled on June 30, 2020. During the nine-month period ended September 30, 2020 the Group recognized gain in profit and loss on the settlement of IRS in the amount of PLN 2,898 thousand (see also Note 9).

## 26. Provisions

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>Unaudited</b>	
Assets retirement provision	70,625	58,917
Other long-term provisions	12,482	11,447
Short-term provisions	6,307	6,417
	<b>89,414</b>	<b>76,781</b>

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunications constructions and other space for other telecommunications equipment (“sites”) which would need to be restored to previous state when the lease ends.

Asset retirement provision increased in nine-month period ended September 30, 2020 as a result of higher number of sites for which the Group has an obligation to remove items of property, plant and equipment and restore the site on which they are located as well as decrease in interest rates used for valuation of the provision.

Other long-term and short-term provisions represent legal, regulatory or contractual obligations of the Group.

## 27. Incentive and retention programs

In the nine-month period ended September 30, 2020 the Group operated the following incentive and retention programs: PIP, PIP 2, PIP 3, VDP 4, VDP 4 bis (in the comparative period accordingly: PIP, PIP 2, VDP 4, VDP 4 bis).

For the detailed description of the incentive and retention programs please see Note 28 of the Annual Financial Statements.

In September 2020 the Board of Directors of the Company decided to change the rules of all incentive and retention programs in connection with the tender offer to subscribe for the sale of the shares in the Company published on 21 September 2020 by Iliad S.A., please see also Note 24. In case Iliad acquires 80% or more shares of the Company, program members in future will no longer be entitled to obtain Award, Investment and Loyalty Shares, but will be entitled to receive a Cash Award. The value of the Cash Award will depend on remaining number of Original Shares held and the price of the Company’s shares or other performance measures which might be defined in the rules of the programs in future. The Cash Awards will be payable in tranches corresponding to lock-up periods foreseen previously in the programs. As the changes of the programs are conditional and the rules are still subject to change, the Group has not yet accounted for these changes while performing the valuation of the incentive and retention programs as at September 30, 2020.

### Change of value of the programs

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

	Other reserves - effect of valuation of equity-settled incentive and retention programs
<b>As at January 1, 2020</b>	<b>54,724</b>
Forfeited during the period	(1,214)
Exercised during the period: nominal value of issued shares - transfer to share capital	(0)
Changes in valuation during the period	8,643
<b>As at September 30, 2020, unaudited</b>	<b>62,153</b>

	Other reserves - effect of valuation of equity-settled incentive and retention programs
<b>As at January 1, 2019</b>	<b>39,123</b>
Exercised during the period	(0)
Changes in valuation during the period	7,475
<b>As at September 30, 2019, unaudited</b>	<b>46,598</b>

## 28. Trade and other payables

	September 30, 2020 Unaudited	December 31, 2019
Trade payables	721,863	673,315
Investment payables	135,566	122,738
Government payables	63,502	64,759
Employee payables	149	96
Other	4,201	4,497
	<b>925,281</b>	<b>865,405</b>

The increase of trade payables balance as at September 30, 2020 in comparison to December 31, 2019 resulted mainly from the higher handsets payables as well as the phasing of payments of other trade payables. The increase of investment payables as at September 30, 2020 in comparison to December 31, 2019 resulted mainly from the phasing of payments of investment purchases.

## 29. Accruals

Accruals include accruals for employee bonuses and unused holidays.

### 30. Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the end customer or the amount is due. As at September 30, 2020 contract liabilities comprise Group's obligation to transfer services from unused contract and prepaid balances.

The table below represents amounts recognized as service revenue during the reporting periods for which the customers had paid in advance and which had been presented as contract liabilities before the beginning of the reporting period.

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	94,499	86,840	2,417	1,754

### 31. Deferred income

	<b>September 30, 2020 Unaudited</b>	<b>December 31, 2019</b>
Prepaid services	86,165	88,129
Contract services	170,190	145,023
	<b>256,355</b>	<b>233,152</b>

Deferred income on sales of prepaid services comprises the value of prepaid products delivered to a distributor but not yet transferred to the end customer. Prepaid products transferred to end customer and not used are presented as contract liabilities (see also Note 30) while amounts of prepaid products used by end customers are recognized as revenue in the statement of comprehensive income.

Deferred income on sales of contract services comprises amounts relating to services that will be delivered in the future which are billed to a customer in advance but not yet due, whereas amounts billed in advance and due are presented as contract liabilities. Deferred income balances for contract services depend on whether due date for services is after or before the reporting date and may vary significantly between reporting dates.

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

	Nine-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2019 Unaudited	Three-month period ended September 30, 2020 Unaudited	Three-month period ended September 30, 2019 Unaudited
(Increase)/decrease of inventories	(11,641)	(16,371)	(1,010)	65,160
(Increase)/decrease of receivables	(3,435)	77,040	(2,895)	57,118
(Increase)/decrease of prepaid expenses	(773)	(11,251)	2,363	(11,235)
Increase/(decrease) of payables excluding investment payables	39,472	65,243	5,595	8,420
Increase/(decrease) of accruals	(37,840)	16,632	8,629	20,595
Increase/(decrease) of deferred income	18,527	16,680	(9,022)	(2,437)
(Increase)/decrease of long-term receivables	(316)	(547)	(70)	(225)
Increase/(decrease) of other non-current liabilities	(69)	208	11	(289)
<b>Changes in working capital and other</b>	<b>3,925</b>	<b>147,634</b>	<b>3,601</b>	<b>137,107</b>
(Increase)/decrease in contract costs	(9,589)	10,870	(9,678)	(2,556)
(Increase)/decrease in contract assets	36,512	(73,993)	(21,081)	(8,342)
Increase/(decrease) in contract liabilities	(5,242)	(4,138)	3,600	1,498
	<b>25,606</b>	<b>80,373</b>	<b>(23,558)</b>	<b>127,707</b>

The significant decrease of receivables in the nine-month period ended September 30, 2019 was driven mostly by settlements related to international roaming receivables. In the nine-month period ended September 30, 2020 receivables didn't change significantly.

The decrease in accruals in the nine-month period ended September 30, 2020 in comparison to increase in accruals in comparative period was driven mainly by utilization of accruals for employee bonuses related to strong performance achieved in the financial year ended December 31, 2019 which were paid in March 2020, which was not fully offset by creation of new accruals.

The decrease of contract assets in the nine-month period ended September 30, 2020 resulted mainly due to drop of devices sold to newly acquired and retained subscribers caused mainly by temporary closure of many of our stores as a result of COVID-19 lockdown introduced by Polish government. Additionally the decrease of contract assets resulted from higher impairment recognized as a result of expected COVID-19 impact (see also Note 8).

### 33. Cash flows relating to finance liabilities

	Nine-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2019 Unaudited	Three-month period ended September 30, 2020 Unaudited	Three-month period ended September 30, 2019 Unaudited
<b>Proceeds from finance liabilities</b>				
loans	1,200,000	-	-	-
	<b>1,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Repaid finance liabilities and paid interest and other costs relating to finance liabilities</b>				
loans	(1,282,445)	(564,524)	(207,851)	(240,689)
- <i>principal</i>	(1,139,820)	(348,063)	(173,408)	(174,659)
- <i>interests</i>	(133,760)	(194,568)	(33,619)	(65,220)
- <i>other</i>	(8,865)	(21,893)	(824)	(810)
notes	(14,925)	-	-	-
- <i>interests</i>	(13,385)	-	-	-
- <i>other</i>	(1,540)	-	-	-
leases	(174,687)	(164,182)	(59,406)	(62,692)
other debt	(22,301)	(19,825)	(6,512)	(5,634)
- <i>principal</i>	(21,679)	(19,250)	(6,320)	(5,426)
- <i>interests</i>	(613)	(575)	(189)	(208)
- <i>other</i>	(9)	-	(3)	-
	<b>(1,494,358)</b>	<b>(748,531)</b>	<b>(273,769)</b>	<b>(309,015)</b>

Other debt represents mainly installment purchase contracts relating to property, plant and equipment and intangible items.

### 34. Segment reporting

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

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

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

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

	<b>Nine-month period ended September 30, 2020 Unaudited</b>	<b>Nine-month period ended September 30, 2019 Unaudited</b>	<b>Three-month period ended September 30, 2020 Unaudited</b>	<b>Three-month period ended September 30, 2019 Unaudited</b>
<b>Operating profit</b>	<b>1,160</b>	<b>1,185</b>	<b>406</b>	<b>409</b>
Add depreciation and amortization	719	664	245	227
<b>EBITDA</b>	<b>1,878</b>	<b>1,850</b>	<b>651</b>	<b>636</b>
Add valuation of incentive and retention programs and special bonuses	7	7	3	2
Add other non-recurring costs	15	9	10	7
<b>Adjusted EBITDA</b>	<b>1,901</b>	<b>1,866</b>	<b>664</b>	<b>645</b>

Non-recurring costs are material items of unusual or non-recurring nature mainly connected with the projects outside the normal scope of business which are excluded from calculation of Adjusted EBITDA on the basis of the Group's decision.

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

## 35. Related party transactions

### 35.1 Transactions with management and supervisory bodies

Cost of remuneration (including accrued bonuses and special bonuses) of members of Boards of Directors or Boards of Managers in Group entities incurred for the nine-month period ended September 30, 2020 amounted to PLN 15,052 thousand (PLN 14,414 thousand for the nine-month period ended September 30, 2019).

Additionally, the members of the P4's Management Board participated in the incentive and retention programs (see Note 27). The valuation of the programs resulted in cost in the amount of PLN 6,394 thousand for the nine-month period ended September 30, 2020 and cost of PLN 6,204 thousand for the nine-month period ended September 30, 2019. Relating costs are included in general and administrative expenses in the consolidated statement of comprehensive income.

Cost of benefits for former Members of Boards of Directors or Boards of Managers in Group entities incurred after their step down from their positions for the nine-month period ended September 30, 2020 amounted to PLN 646 thousand and PLN 1,050 thousand for the nine-month period ended September 30, 2019.

Cost of remuneration of members of Supervisory Boards in Group entities incurred during the nine-month period ended September 30, 2020 amounted to PLN 80 thousand.

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

### 35.2 Transactions with other related parties

During the nine-month period ended September 30, 2020 and nine-month period ended September 30, 2019 the Group did not enter into any transactions with related parties other than described in the Note 35.1.

## **36. Commitments**

### **36.1 2100 MHz and 900 MHz license requirements**

As of the date of issuance of the Financial Statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums.

### **36.2 1800 MHz license requirements**

The 1800 MHz frequency reservation decision granted to the Group on June 14, 2013 outlined a set of regulatory requirements towards the Group. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment had to be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, the Group had to commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of the Financial Statements, the Group has fulfilled all these obligations.

### **36.3 800 MHz license requirements**

The 800 MHz frequency reservation decision granted to the Group on January 25, 2016 and replaced by decision granted to the Group on June 23, 2016 outlines a set of regulatory requirements towards the Group ("Decision"). These pertain mainly to realization of investment in telecommunications network covering 83% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunications network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, the Group had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of the Financial Statements, the Group has fulfilled the investment obligations.

### **36.4 2600 MHz license requirements**

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

## **37. Contingencies and legal proceedings**

### **37.1 Tax contingent liabilities**

Play Group conducts its operations mainly in the area of Polish tax jurisdiction. The Polish tax system is characterized by frequent changes. Recently, a number of new tax regulations have come into force which were prepared in a relatively short time and implemented with short grace periods. Other tax reporting or compliance obligations or new tax regulations may be introduced, which could also affect our operations.

With start of the COVID-19 pandemic crisis, the government announced a set of measures including tax-related facilitations, intended to help the taxpayers to manage with the effects of pandemic. The measures include *i.a.*: possibility of preferential recognition of tax loss for 2020 (loss may be settled with 2019 taxable income), postponement of deadlines for a number of tax duties, such as submission of CIT return for 2019, payment of income tax advances and submission of information on transfer pricing documentation, postponement of the obligations related to Standard Audit File for Tax reporting and of submission of annual Mandatory Disclosure Rules information (so called MDR-3) as well as further postponement of introduction of new retail tax and relaxation of the requirements for tax capital groups.

Some of the facilitations are subject to further conditions, thus their applicability towards Play Group entities is rather limited – Play Group benefited mostly from the postponement of some of its tax obligations (in particular submission of CIT return for 2019 and MDR-3 and Standard Audit File for Tax reporting).

In the Polish tax system taxpayers rely on laws, which are frequently amended but also on individual rulings, which are also subject to potential changes. Frequent changes in regulations may lead to uncertainties and conflicts in application.

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. The tax authorities may at any time inspect the books and records and may impose additional tax assessments with penalty interest and penalties within 5 years from the end of the year in which a tax is due. In some cases, it is difficult to predict the ultimate outcome.

P4 was subject to the tax audit concerning its settlements of the corporate income tax for 2013. It ended with the issuance by the tax authority of first instance of the decision challenging the amount of expenses on account of license fees paid by P4 to the holder of trademarks. As a result of the P4's appeal, the tax authority of second instance issued on December 20, 2019 the decision repealing the decision of the authority of first instance and discontinuing the proceedings in the case at issue. The decision is final in administrative proceedings and does not impose any obligation to pay tax for 2013 due to utilization of available tax losses. P4 appealed to the court against the decision issued, since it contained the legal assessment stating that license fees paid by P4 were not measured at their market value. In Group's view the amount of the license fees paid was established on arm's length conditions. At present, P4 is awaiting the resolution of the case. The Group considers it likely that the Court will support the Group's approach in this respect.

Currently, P4 is being subject to the customs and tax audit with respect to the corporate income tax settlement for 2014 (initiated in 2018). P4 was informed that the audit should end by December 1, 2020. This deadline may be further extended (this is a common practice of tax authorities). Tax authorities investigate in particular: (i) intra-group transactions and settlements, with special emphasis on settlements between P4 and Play Brand Management Limited as well as Play 3GNS Sp. z o.o. sp. k. and (ii) trademarks-related settlements. Moreover, tax authorities requested documents concerning different types of related party transactions (e.g. the transfer pricing documentation, fee calculations, and other similar documentation).

Currently, as well as in the previous years, P4 incurs license fees for using Play brand – those charges were treated as tax deductible expenses till the end of 2017. After performing analysis of tax risks connected with the above-mentioned tax settlements, supported by the external tax advisors, in the light of IFRIC 23 (Uncertainty over Income Tax Treatments) implementation, the Group concluded that no provision in this regard should be created.

In October 2019, customs and tax audits in respect of the P4's settlements of the withholding tax were commenced. The audits concern the performance of the obligations of a tax remitter in relation to the withholding tax on the interest paid by P4 in tax years 2015, 2016 and 2017. Until present, documents such as the transfer pricing documentation as well as many other information and documents, pursuant to which the interest was paid, were requested. The audits should end by December 14, 2020. This deadline may be, however, extended.

We cannot exclude the risk that the tax authorities will apply a different approach from the one we adopted, which may adversely affect our business.

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

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

There are currently no GAAR proceedings conducted with regard to the Play Group tax settlements.

### **37.2 Legal and regulatory proceedings**

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Polkomtel and PIRC and requested that the UKE President dismiss the applications for annulment. President of UKE in its decision of August 3, 2016 upheld the decision refusing to invalidate the 1800 MHz tender. The President UKE's decision was appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel, PIRC and Sferia. The Voivodship Administrative Court in its judgment of September 25, 2017 dismissed Polkomtel's, Sferia's and PIRC's appeals. The judgement was appealed against at the Supreme Administrative Court by Polkomtel, PIRC and Sferia in January 2018, however on October 10, 2018 PIRC withdrew the appeal to the Supreme Administrative Court. The Group assesses the risk of the outcome that would be unfavorable for the Group as low.

In June 2015 P4 filed a statement of claim for PLN 315,697 thousand to be paid jointly and severally by Orange Polska S.A., Polkomtel sp. z o.o., T-Mobile Polska sp. z o.o. The said amount comprises of PLN 231,000 thousand of damages for an act of unfair competition consisting in the setting up excessive fees for voice connections with Play network (and other form of discrimination of such connections) for a period from July 1, 2009 to March 31, 2012 and capitalized interests. In July 2018 P4 extended the claim demanding payment of additional PLN 313,572 thousand (PLN 258,000 thousand of damages and capitalized interests) for a consecutive period from April 1, 2012 to December 31, 2014. On December 27, 2018 the District Court in Warsaw dismissed P4's claim with respect to PLN 315,697 thousand. P4 filed an appeal, the Appeal Court in Warsaw have not heard the case yet. The claim for additional PLN 313,572 thousand is still subject of the proceedings before the District Court in Warsaw. In September 2019 P4 withdrew claims against T-Mobile. The claims against Orange and Polkomtel still remain at the previous amounts. As the receipt of the above amounts is not certain, the Group did not recognize any income in relation to this claim.

In November 2015, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for the annulment of the auction for the 800/2600 MHz frequency in its entirety, claiming the violation of procedures applicable to the allocation of frequencies. The motions to invalidate the auction tender initiated administrative proceeding before the UKE President. President of UKE in its decision of June 15, 2018 refused to invalidate the auction. Polkomtel, T-Mobile and Net Net requested reconsideration of the decision. The President of UKE upheld the decision refusing to invalidate the auction in its decision of November 12, 2019. Polkomtel appealed against the decision to the Voivodship Administrative Court. It is difficult to assess the legal risk of the appeal at this stage.

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

In July 2019 P4 filed a lawsuit in which it demands that T-Mobile pay missing MTR remuneration that P4 would have received from T-Mobile, if UKE had not decreased its MTRs by means of decisions which were subsequently annulled by court, as issued in violation of the law (procedural errors committed by UKE), and accumulated interest plus statutory interest from the time of filing the lawsuit.

In May 2019 the President of UKE commenced proceedings aimed to decline the prolongation of 3700 MHz frequency reservations. The proceedings were a part of the President of UKE's plan to reform the 3400-3800 MHz spectrum in order to introduce the 5G technology. In July 2019 the President of UKE declined prolongation of our nationwide and regional reservations of 3700 MHz frequency beyond the dates indicated above and P4 applied for reconsideration. On October 8, 2019 the President of UKE upheld the decisions. On November 12, 2019 P4 appealed against the decisions at the Voivodship Administrative Court. On August 26, 2020 the Voivodship Administrative Court dismissed all three appeals.

On February 4, 2020 the President of UKE issued a decision cancelling P4's reservation of 3700 MHz for 2x 14 MHz frequencies. On February 18, 2020 P4 applied for reconsideration of the decision. The President of UKE upheld the decision cancelling P4's reservation in a decision of June 3, 2020. On July 6, 2020 P4 appealed against the decision to the Voivodship Administrative Court.

On June 10, 2020 the President of UKE annulled ex officio the auction for 3,6 GHz frequencies in its entirety due to the fact that the project of a reservation decision, as one of the auction documents published at the announcement on March 6, 2020, did not meet new legal criteria introduced on May 16, 2020.

On July 16, 2020 P4 filed a motion to the President of the Office of the Competition and Consumer Protection for a 'commitment' decision described in the article 28 section 1 of the Competition and Consumer Protection Act within ongoing proceeding regarding reimbursement of the unused amount from top-ups in pre-paid offers. Decision in this case was issued on September 25, 2020, in line with P4's motion.

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

### **38. Events after the reporting period**

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



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Serdar Çetin  
Director



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Rouben Bourlas  
Director