PLAY COMMUNICATIONS S.A. AND ITS SUBSIDIARIES - CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Index to the consolidated financial statements

Consolidated statement of financial position F-6
Consolidated statement of comprehensive income F-7
Consolidated statement of changes in equity F-8
Consolidated statement of cash flows F-9
Notes F-10
1. The Company and the Play Group F-10
2. Summary of significant accounting policies F-11
2.1 Basis of preparation F-11
2.1.1 New standards, interpretations and amendments to existing standards F-11
2.1.2 Going concern F-13
2.1.3 Assessment of impact of IFRS 9 ..... F-13
2.1.4 Presentation changes F-14
2.2 Consolidation F-14
2.3 Foreign currency translation F-15
2.3.1 Functional and presentation currency F-15
2.3.2 Transactions and balances F-15
2.4 Property, plant and equipment F-16
2.5 Right-of-use assets and lease liabilities F-16
2.6 Intangible assets F-18
2.6.1 Licenses F-18
2.6.2 Computer software costs F-18
2.6.3 Goodwill F-18
2.6.4 Intangible assets under construction F-19
2.7 Contract costs F-19
2.8 Impairment of non-financial assets F-19
2.9 Inventories F-20
2.10 Trade and other receivables F-20
2.11 Contract assets F-20
2.12 Prepaid expenses F-20
2.13 Cash and cash equivalents in statement of financial position F-20
2.14 Cash and cash equivalents in statement of cash flows F-21
2.15 Retirement benefits F-21
2.16 Retention programs F-21
2.17 Financial liabilities F-21
2.18 Derivative instruments F-21
2.18.1 Derivatives embedded in host contracts F-21
2.18.2 Derivative instruments designated as hedges F-22
2.19 Trade liabilities F-23
2.20 Provisions F-23
2.21 Deferred income F-23
2.22 Contract liabilities F-23
2.23 Revenue F-23
2.24 Interest income F-25
2.25 Current income tax F-25
2.26 Deferred income tax F-25
2.27 Financial risk management F-25
2.27.1 Currency risk F-25
2.27.2 Credit risk F-27
2.27.3 Interest rate risk F-28
2.27.4 Liquidity risk F-29
2.27.5 Capital management F-30
2.28 Fair value estimation F-30
2.29 Critical accounting estimates and judgments F-31
2.29.1 Recognition of revenue F-31
2.29.2 Valuation of lease liabilities and right-of-use assets F-32
2.29.3 Valuation of the liabilities relating to cash-settled retention programs F-32

Index to the consolidated financial statements

2.29.4 Valuation of the equity-settled retention programs F-32
2.29.5 Assessment of close relation of embedded early redemption options to the host debt contract - performed as at issue date F-33
2.29.6 Valuation of the assets retirement obligation provision F-33
2.29.7 Deferred tax F-33
2.29.8 Impairment of non-current assets F-33
2.30 Segment reporting F-34
3. Property, plant and equipment F-36
4. Right-of-use assets F-39
5. Intangible assets F-42
6. Assets under construction F-46
7. Contract costs F-47
8. Finance receivables F-47
8.1 Debt securities F-47
8.2 Loans given F-48
9. Other long-term receivables F-48
10. Other finance assets and other finance liabilities F-49
10.1 Finance assets and finance liabilities at fair value through other comprehensive income F-49
10.2 Finance assets at fair value through profit or loss F-49
11. Inventories F-51
12. Trade and other receivables F-52
13. Contract assets F-53
14. Prepaid expenses F-53
15. Cash and cash equivalents F-54
16. Shareholders' equity F-54
16.1 Share capital F-54
16.2 Share premium F-55
17. Finance liabilities - debt F-55
17.1 Bank loans F-55
17.1.1 Senior Facilities Agreement (SFA) F-55
17.1.2 Revolving Credit Facility F-56
17.1.3 Bank Zachodni WBK loan F-56
17.1.4 Millennium Bank loan F-57
17.2 Notes F-57
17.2.1 EUR 5.25% Senior Secured Notes due 2019 ..... F-57
17.2.2 PLN Floating Rate Senior Secured Notes due 2019 ..... F-57
17.2.3 EUR 6.50% Senior Notes due 2019 ..... F-58
17.2.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015 ..... F-58
17.3 Lease liabilities F-59
17.4 Changes in finance liabilities F-60
17.5 Assets pledged as security for finance liabilities F-61
18. Provisions F-61
19. Retention programs F-62
19.1 Cash-settled retention programs F-62
19.2 Equity-settled retention programs F-64
19.3 Additional information F-65
20. Trade and other payables F-67
21. Accruals F-67
22. Deferred income F-67
23. Operating revenue F-67
24. Interconnection, roaming and other service costs F-68
25. Contract costs, net F-69
26. General and administrative expenses F-69
27. Depreciation and amortization F-70
28. Other operating income and other operating costs F-70
29. Finance income and finance costs F-71

Index to the consolidated financial statements

30. Taxation F-71
31. Earnings per share F-75
32. Cash and cash equivalents presented in statement of cash flows F-75
33. Changes in working capital and other presented in statement of cash flows F-76
34. Commitments F-76
  34.1 2100 MHz and 900 MHz license requirements F-76
  34.2 1800 MHz license requirements F-76
  34.3 800 MHz license requirements F-76
  34.4 2600 MHz license requirements F-76
35. Contingencies and legal proceedings F-77
  35.1 Tax contingent liabilities F-77
  35.2 Universal service liability to Orange Polska S.A. F-77
  35.3 Legal and regulatory proceedings F-79
36. Related party transactions F-80
37. Remuneration of management and supervisory bodies F-81
38. Auditor's fees F-81
39. Events after the reporting period F-81

Consolidated statement of financial position

	Notes	December 31, 2017	December 31, 2016	December 31, 2015
ASSETS				
Non-current assets				
Property, plant and equipment	3	1,282,347	1,089,437	907,747
Right-of-use assets	4	855,867	745,509	767,924
Intangible assets	5	2,683,857	2,628,786	1,126,772
Assets under construction	6	303,351	540,416	393,536
Contract costs	7	361,002	350,681	309,944
Long-term finance receivables	8	-	341,001	153,441
Other long-term receivables	9	13,835	12,164	11,134
Other long-term finance assets	10	4,268	134,246	19,219
Deferred tax asset	30	-	134,446	184,146
Total non-current assets		**5,504,527**	**5,976,686**	**3,873,863**
Current assets				
Inventories	11	159,279	149,685	212,209
Short-term finance receivables	8	-	274	-
Trade and other receivables	12	1,100,466	1,259,939	876,894
Contract assets	13	1,366,913	997,780	1,000,880
Current income tax receivables		47,529	-	-
Prepaid expenses	14	23,530	21,239	41,771
Cash and cash equivalents	15	628,725	340,994	1,556,801
Total current assets		**3,326,442**	**2,769,911**	**3,688,555**
TOTAL ASSETS		**8,830,969**	**8,746,597**	**7,562,418**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	16	128	52	52
Share premium	16	3,673,350	5,644,191	5,644,191
Other reserves	10, 19	28,228	-	-
Retained losses		(3,914,285)	(4,301,631)	(5,013,619)
Total equity		**(212,579)**	**1,342,612**	**630,624**
Non-current liabilities				
Long-term finance liabilities - debt	17	6,752,867	5,176,417	4,996,618
Long-term provisions	18	58,335	47,520	46,472
Long-term retention programs liabilities	19	-	150,064	163,040
Deferred tax liability	30	117,101	314	36
Other non-current liabilities		10,125	10,873	11,379
Total non-current liabilities		**6,938,428**	**5,385,188**	**5,217,545**
Current liabilities				
Short-term finance liabilities - debt	17	585,955	277,150	277,245
Other short-term finance liabilities	10	6,871	-	-
Trade and other payables	20	1,106,528	1,177,581	976,949
Contract liabilities		86,957	99,727	89,885
Current income tax payable		10,258	173,759	61,296
Accruals	21	59,519	54,429	68,539
Short-term provisions	18	78	1,006	996
Short-term retention programs liabilities	19	17,743	17,740	22,294
Deferred income	22	231,211	217,405	217,045
Total current liabilities		**2,105,120**	**2,018,797**	**1,714,249**
TOTAL LIABILITIES AND EQUITY		**8,830,969**	**8,746,597**	**7,562,418**

The accompanying notes are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

	Notes	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Operating revenue	23	**6,669,859**	**6,117,558**	**5,436,503**
Service revenue		4,878,228	4,492,818	4,059,534
Sales of goods and other revenue		1,791,631	1,624,740	1,376,969
Operating expenses		**(5,578,059)**	**(4,753,520)**	**(4,373,058)**
Interconnection, roaming and other services costs	24	(1,729,506)	(1,495,831)	(1,330,623)
Contract costs, net	25	(429,143)	(398,912)	(376,269)
Cost of goods sold		(1,409,818)	(1,366,156)	(1,181,221)
General and administrative expenses	26	(1,212,336)	(858,538)	(887,685)
Depreciation and amortization	27	(797,256)	(634,083)	(597,260)
Other operating income	28	109,778	70,662	78,488
Other operating costs	28	(94,695)	(144,449)	(76,080)
Operating profit		**1,106,883**	**1,290,251**	**1,065,853**
Finance income	29	178,850	134,953	7,576
Finance costs	29	(656,423)	(499,096)	(367,978)
Profit before income tax		**629,310**	**926,108**	**705,451**
Income tax charge	30	(241,964)	(214,120)	(155,173)
Net profit		**387,346**	**711,988**	**550,278**
Other comprehensive income to be reclassified to profit or loss in subsequent periods	10	**118**	-	-
Total comprehensive income		**387,464**	**711,988**	**550,278**
Earnings per share (in PLN) (basic equals diluted)	31	1.54	2.84	2.20
Weighted average number of shares (in thousands) (basic equals diluted)	31	251,906	250,538	250,538

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.

Consolidated statement of changes in equity

	Attributable to equity holders of the parent					
	Share capital	Share premium	Other reserves	Retained losses	Total equity	Notes
As at January 1, 2017	**52**	**5,644,191**	-	**(4,301,631)**	**1,342,612**	
Net profit for the period	-	-	-	387,346	387,346	
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Effect of valuation of finance assets and liabilities at fair value through other comprehensive income	-	-	118	-	118	10
Total comprehensive income	-	-	**118**	**387,346**	**387,464**	
Issue of shares	76	114,123	-	-	114,199	16
Issue of shares without consideration (VDP4 Original shares)	0	-	19,379	-	19,379	19
Effect of valuation of equity-settled retention programs	-	-	8,731	-	8,731	19
Increase of share premium	-	171,184	-	-	171,184	16
Redemption of share premium		(2,256,148)			(2,256,148)	16
As at December 31, 2017	**128**	**3,673,350**	**28,228**	**(3,914,285)**	**(212,579)**	

	Attributable to equity holders of the parent					
	Share capital	Share premium	Other reserves	Retained losses	Total equity	Notes
As at January 1, 2016	**52**	**5,644,191**	-	**(5,013,619)**	**630,624**	
Net profit for the period	-	-	-	711,988	711,988	
As at December 31, 2016	**52**	**5,644,191**	-	**(4,301,631)**	**1,342,612**	17

	Attributable to equity holders of the parent					
	Share capital	Share premium	Other reserves	Retained losses	Total equity	Notes
As at January 1, 2015	**52**	**5,635,996**	-	**(5,563,897)**	**72,151**	
Correction of currency translation	-	8,195	-	-	8,195	
Net profit for the period	-	-	-	550,278	550,278	
As at December 31, 2015	**52**	**5,644,191**	-	**(5,013,619)**	**630,624**	17

The accompanying notes are an integral part of these consolidated financial statements

Consolidated statement of cash flows

	Notes	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Profit before income tax		**629,310**	**926,108**	**705,451**
Depreciation and amortization		797,256	634,083	597,260
Change in contract costs		(10,321)	(40,737)	(52,830)
Interest expense (net)		372,452	316,870	302,743
(Gain)/Loss on finance instruments at fair value		169,341	(115,027)	38,392
Foreign exchange (gains)/losses		(64,083)	162,211	19,329
Gain on disposal of non-current assets		(5,780)	(8,796)	(3,900)
Impairment of non-current assets		5,586	6,275	1,664
Change in provisions and liabilities or equity related to retention programs		(123,149)	(17,118)	61,180
Changes in working capital and other	33	201,222	(237,122)	(37,755)
Change in contract assets		(369,133)	3,100	(114,890)
Change in contract liabilities		(12,770)	9,842	12,445
Cash provided by operating activities		**1,589,931**	**1,639,689**	**1,529,089**
Interest received		476	81	68
Income tax paid		(201,069)	(52,241)	(4,213)
Transfers from restricted cash (operating)		-	-	200
Net cash provided by operating activities		**1,389,338**	**1,587,529**	**1,525,144**
Proceeds from sale of non-current assets		3,539	5,511	7,832
Proceeds from loans given	8	18,335	-	79
Proceeds from finance receivables (Repayment of notes by Impera Holdings S.A.)	8	388,250	-	-
Purchase of fixed assets and intangibles and prepayments for assets under construction		(734,816)	(2,195,861)	(436,787)
Loans given		-	(17,851)	-
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	8	(68,922)	(141,056)	(143,993)
Net cash used in investing activities		**(393,614)**	**(2,349,257)**	**(572,869)**
Proceeds from equity increase		285,382	-	-
Proceeds from finance liabilities	17.4	6,443,000	385,000	543,772
Repaid finance liabilities and paid interest and other costs relating to finance liabilities	17.4	(5,208,251)	(839,168)	(436,965)
Purchase of notes issued by Impera Holdings S.A.	8, 17.4	(2,227,933)	-	-
Net cash provided by/(used in) financing activities		**(707,802)**	**(454,168)**	**106,807**
Net change in cash and cash equivalents		**287,922**	**(1,215,896)**	**1,059,082**
Effect of exchange rate change on cash and cash equivalents		(408)	89	(62)
Cash and cash equivalents at the beginning of the period		**340,994**	**1,556,801**	**497,781**
Cash and cash equivalents at the end of the period	32	**628,508**	**340,994**	**1,556,801**

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 16.

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

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

These consolidated financial statements comprise:
- consolidated statement of financial position;
- consolidated statement of comprehensive income;
- consolidated statement of changes in equity;
- consolidated statement of cash flows;
- summary of significant accounting policies and other notes

as at and for the year ended December 31, 2017 and comparative periods, hereafter the "consolidated financial statements".

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

Entity	Location	Principal activity	Ownership and percentage of voting rights		
			As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
Play Holdings 3 S. à r. l.	Luxembourg	Holding	- (merged with the Company)	- (merged with the Company)	100%
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%	100%
Play Finance 2 S.A. under liquidation	Luxembourg	Financing	100%	100%	100%
P4 Sp. z o.o.	Poland	Operating	100%	100%	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	100%	100%	100%
Tonhil Investments S.A.	Poland	Holding	- (disposed of in the year ended December 31, 2017)	100%	-

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

2. Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on February 27, 2018.

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.29.

2.1.1 New standards, interpretations and amendments to existing standards

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") issued and effective as at December 31, 2017. For the purpose of these consolidated financial statements the Group has adopted the following new standards, amendments to standards and interpretations:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 19, 2016	January 1, 2017	January 1, 2017	Permitted	Fully implemented
Amendments to IAS 7: Disclosure Initiative	January 29, 2016	January 1, 2017	January 1, 2017	Permitted	Fully implemented
Clarifications to IFRS 15: Revenue from Contracts with Customers	April 12, 2016	January 1, 2018	January 1, 2018	Permitted	Fully implemented

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended December 31, 2017 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
IFRS 14: Regulatory Deferral Accounts	January 30, 2014	January 1, 2016	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard	-	Assessment postponed

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 11, 2014	Deferred indefinitely by IASB	Endorsement process postponed by the EU	-	Assessment postponed
IFRS 9: Financial Instruments	July 24, 2014	January 1, 2018	January 1, 2018	Permitted	Assessment in progress - please see below
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 20, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 12, 2016	January 1, 2018	January 1, 2018	Permitted	Assessment in progress
Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28	December 8, 2016	January 1, 2018	January 1, 2018	Permitted	Assessment in progress
Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 12	December 8, 2016	January 1, 2017	Not endorsed yet	-	Assessment in progress
IFRIC 22: Foreign Currency Transactions and Advance Consideration	December 8, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress
Amendments to IAS 40: Transfers of Investments Property	December 8, 2016	January 1, 2018	Not endorsed yet	-	Assessment in progress
IFRIC 23: Uncertainty over Income Tax Treatments	June 7, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Amendments to IFRS 9: Prepayment Features with Negative Compensation	October 12, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	October 12, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Annual Improvements to IFRS Standards 2015-2017 Cycle	December 12, 2017	January 1, 2019	Not endorsed yet	-	Assessment in progress
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	February 7, 2018	January 1, 2019	Not endorsed yet	-	Assessment in progress
IFRS 17: Insurance contracts	May 18, 2017	January 1, 2021	Not endorsed yet	Permitted if IFRS 9 *'Financial Instruments'* and IFRS 15 *'Revenue from contracts with customers'* are applied at the adoption date or earlier	Assessment in progress

2.1.2 Going concern

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

2.1.3 Assessment of impact of IFRS 9

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

The Group has decided to adopt the new standard on January 1, 2018 and will not restate comparative information. The Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group issues first financial statements with adoption of IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the new classification criteria will not result in change of valuation methods used by the Group for the financial assets and liabilities existing as at December 31, 2017.

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

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

Currently, when measuring impairment provision for billing receivables the Group uses collectability ratio from previous periods including information on recoverability through the process of sales of outstanding invoices. This approach is in line with requirements of IFRS 9 which allows using historical credit loss experience as well as observable market information about the credit risk of the particular financial instrument for the calculation of expected credit losses. The Group has determined that the impact of implementing IFRS 9 on loss allowance on unsecured receivables will not be significant.

For other trade receivables the Group performs assessment for each individual debtor taking into account the probability of default or delinquency in payments and the probability that debtor will enter into financial difficulties or bankruptcy. When determining whether the recognition of lifetime expected credit loss is required under IFRS 9, the Group will use all reasonable and supportable information regarding debtors available at the assessment date and the Group expects that by using this approach the amount of loss allowance will not change significantly.

Currently, under IAS 39 the Group recognizes impairment of contract assets at the moment of disconnecting the customer due to breach of the contract. When measuring the loss allowance for contract assets under IFRS 9, at the initial recognition of contract asset the Group will use professional judgement to calculate probability-weighted estimate of credit losses over the expected life of contract assets.

The Group has determined that the provision for impairment of contract assets, existing as at December 31, 2017 will increase by about PLN 65 – 70 million with corresponding related decrease in the deferred tax liability of about PLN 12-13 million. As a result the consolidated equity will decrease by about PLN 53-57 million. The decrease in equity will be recorded as an adjustment to the retained losses opening balance as at January 1, 2018.

Hedge accounting
The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedge accounting requirements of IFRS 9 will not have a significant impact on Group's financial statements.

2.1.4 Presentation changes

In the year ended December 31, 2017 the Group changed the presentation of certain items relating to prepaid offerings between "Deferred income" and "Contract liability" lines. Contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer or the amount is due. Deferred income represents the Group's obligation to transfer goods or services to a customer for which the Group has not yet received consideration from the customer or the amount is not due. In relation to prepaid services the Group considers the delivery from the distributor to the end customer to be the event which triggers transfer from deferred income to contract liability, because only then the Group has to fulfill the performance obligation towards the end customer. However, as the Group has no means of knowing the exact moment at which the prepaid products are delivered to end customers, due to the fact that most of prepaid products are sold via independent third party sales channels, the Group needs to perform certain estimations in order to calculate the contract liability amount. During the IFRS 15 post-implementation analysis the Group concluded that for some prepaid tariffs it is more accurate to reclassify some balances presented previously in "Deferred income" line to "Contract liability" line as in order to reflect amounts already paid by the end customers in a more accurate way.

The amounts reclassified are as follows:

STATEMENT OF FINANCIAL POSITION	December 31, 2016 Previous report	Change	December 31, 2016 Changed	December 31, 2015 Previous report	Change	December 31, 2015 Changed
Current liabilities						
Contract liabilities	44,933	54,794	99,727	22,322	67,563	89,885
Deferred income	272,199	(54,794)	217,405	284,608	(67,563)	217,045
TOTAL LIABILITIES AND EQUITY	**8,746,597**	-	**8,746,597**	**7,562,418**	-	**7,562,418**

2.2 Consolidation

Subsidiaries, i.e. those entities over which the Play Group has a control, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual 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.

2.3 Foreign currency translation

2.3.1 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 consolidated 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.

2.3.2 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:

Currency	December 31, 2017	December 31, 2016	December 31, 2015
EUR	4.1709	4.4240	4.2615
GBP	4.7001	5.1445	5.7862
USD	3.4813	4.1793	3.9011

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.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost includes direct costs (materials, direct labor and work contracted out) and directly attributable own work costs. Fixed assets under construction represent the accumulation of costs associated with the construction of the telecommunications and data transmission networks and other tangible fixed assets; they are presented as Assets under construction. The Play Group includes in the construction cost of its assets all eligible borrowing costs (including interest expense and exchange differences arising from foreign currency borrowings relating to purchases of qualifying assets regarded as an adjustment to interest costs) and expenditure that is directly attributable to the acquisition or to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Costs relating to fixed assets under construction are transferred to the related property, plant and equipment account and depreciation begins when they become available for use.

Significant components of property, plant and equipment that require replacement at regular intervals are recognized as separate items. All other repairs and maintenance costs are charged to general and administrative expenses during the financial period in which they are incurred.

Subsequent costs are recognized as a separate asset only when the recognition criteria are met.

Depreciation is calculated using the straight-line method to allocate the surplus of the cost of the asset over its residual values over its estimated useful life. The estimated useful lives are as follows:

Description	Term in years
Buildings	10-25
Telecommunications equipment	1-10
Computers	3-5
Machinery and equipment	3-10
Motor vehicles	2-5
Office machinery and equipment	1-7

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

2.5 Right-of-use assets and lease liabilities

The Group is a party to lease contracts for, among others:
a) land for telecommunications constructions,
b) buildings:
- office space, warehouses and points of sale space,
- collocation centers,
- other space for other telecommunications equipment,
c) telecommunications network and equipment- dark fiber-optic cables,
d) computers,
e) motor vehicles.

Leases are recognized, measured and presented in line with IFRS 16 'Leases'.

Accounting by the lessee
The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions for short term leases in

relation to leases of billboards and not to apply exemptions for other short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.
The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

Description	Term in years
Land	15-25
Buildings	1-20
Telecommunications equipment	1-10
Computers	3-5
Motor vehicles	2-5

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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 obligations are capitalized as part of the cost of right-of-use assets and depreciated over the asset's estimated useful life. The Group estimates the fair value of asset retirement obligations using number of sites available for use, average site reinstatement cost and the discount rate which equals the interest rate of long-term treasury bonds.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease contract.

The lease term determined by the Group comprises:

- non-cancellable period of lease contracts,
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Group measures the lease liability by:
- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

Accounting by the lessor
In case of lease contracts based on which the Group is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:
- the lease transfers ownership of the asset to the lessee by the end of the lease term,
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
- the lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
- at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset; or
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

2.6 Intangible assets

2.6.1 Licenses

Licenses are stated at cost less accumulated amortization and accumulated impairment losses. The licenses are amortized over the period for which they are granted.

2.6.2 Computer software costs

Costs that are directly associated with the production of identifiable and unique software products controlled by the Play Group, and that will probably generate economic benefits exceeding costs, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Computer software development costs are recognized as separate assets and are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

2.6.3 Goodwill

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 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.

Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing goodwill is allocated to cash-generating units, not larger than an operating segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, but not larger than operating segment and not larger than units for which goodwill is monitored by the Group. The Group allocates goodwill to the entire Play Group as a single cash-generating unit.

2.6.4 Intangible assets under construction

Intangible assets under construction represent mainly software under development and are presented in Assets under construction.

2.7 Contract costs

Contract costs eligible for capitalization as incremental costs of obtaining a contract comprise commission on sale relating to postpaid contracts and "mix" contracts (contracts for a specified number and value of top-ups) with acquired or retained subscribers. Contract costs are capitalized in the month of service activation if the Group expects to recover those costs. Contract costs comprise sales commissions to dealers and to own salesforce which can be directly attributed to an acquired or retained contract. Contract costs constitute non-current assets as the economic benefits from these assets are expected to be received in the period longer than twelve months.

In all other cases, including acquisition of prepaid telecommunications customers, subscriber acquisition and retention costs are expensed when incurred.

Capitalized commission fees relating to postpaid contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. Contract costs relating to contracts signed with acquired or retained subscribers are amortized:

- for postpaid contracts - 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,
- for "mix" contracts – over the term during which a customer is expected to fulfil their obligation in relation to all top-ups required under a contract.

When the customer enters into a retention contract before the term of the previous one expires (which means that the original contracts costs have not been fully amortized), the new asset is recognized in the month the new contract is signed. The new asset is amortized over the term representing the sum of the period remaining to the end of the previous contract and the retention contract term. Amortization period of the contract cost relating to previous contract is then shortened to be in line with the actual contract term.

Contract costs capitalized are impaired if the customer is disconnected or if the asset's carrying amount exceeds projected discounted cash flows relating to the contract. An impairment loss is recognized in profit or loss to the extent of the carrying amount of an contract costs asset over the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

2.8 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. According to IAS 36 an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

Impairment losses are reversed if the carrying amount of the previously impaired asset is lower than its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the applicable variable selling expenses. For inventories intended to be sold in promotional offers calculation of net realizable value takes into account future margin expected from telecommunications services, with which the item of inventories is offered.

Inventories include handsets and other equipment transferred to dealers who act as agents. They are expensed to costs of goods sold on the date of activation of telecommunications services in relation to which the equipment was sold to the end customer or on the date when the equipment was sold to the end customer without a telecommunications service contract. The Group estimates the prevalent period between the date of transfer of the equipment to dealer and the date of service activation based on historical data. If no service agreement relating to the mobile device is activated during the period estimated as described above, it is assumed, that the mobile device was sold to the end customer without related service agreement and revenue from sale of goods and corresponding cost of sale are recognized in statement of comprehensive income.

2.10 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If there is objective evidence that the Play Group will not be able to collect amounts due according to the original terms of receivables, a provision for impairment is recognized in the statement of comprehensive income within "other operating costs".

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. For other trade receivables it is calculated on the basis of individual case analysis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Trade receivables are derecognized when:

- the rights to receive cash flows from the asset have expired,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. In particular the Group derecognizes receivables when they are sold to collection agencies.

2.11 Contract assets

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time (for example, delivery of other elements of the contracts). The Group recognizes contract assets mainly from the contracts in which goods delivered at a point in time are bundled with services delivered over time. The Group considers contract assets as current assets as they are expected to be realized in the normal operating cycle.

2.12 Prepaid expenses

Prepaid expenses comprise among others prepayments made in relation to ordered but not yet delivered services. Prepaid expenses are recognized at fair value of cash or cash equivalents transferred.

2.13 Cash and cash equivalents in statement of financial position

Cash and cash equivalents include cash in hand, cash at bank, short-term deposits with original maturities of three months or less and restricted cash.

In the statement of financial position cash and cash equivalents are carried at nominal value increased by interest accrued.

2.14 Cash and cash equivalents in statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts because bank overdrafts constitute integral component of cash management. For the purpose of the consolidated statement of cash flows, restricted cash is excluded from cash and cash equivalents because it is not regarded as an element of cash management but is used to secure the repayment of financial liabilities. Interest accrued is excluded as it does not represent actual cash inflows in the reporting period.

2.15 Retirement benefits

The Play Group makes contributions mainly to the Polish Government's retirement benefit scheme at the applicable rate during the period, based on gross salary payments (the "State Plan").

The State Plan is funded on a pay-as-you-go basis, i.e. the Play Group is only obliged to pay the contributions as they fall due based upon a percentage of salary, and if the Play Group ceases to employ members of the State Plan, it will have no obligation to pay any additional benefits. The State Plan is a defined contribution plan. The expense for the contributions is charged to the profit or loss in the same period as the related salary expense.

The Play Group has no other employee retirement plans.

2.16 Retention programs

The Play Group operates cash-settled and equity-settled share-based retention programs. Membership in programs is granted to members of the Management Board of P4 and key employees of the Group.

Under the terms of the cash-settled programs, members of the programs are entitled to remuneration paid in cash which value is dependent on the fair value of the Group as at the disposal of the shares by the shareholder or shareholders (liquidity event) or at the end of a program if the liquidity event has not occurred. Liabilities relating to cash–settled share-based retention programs are measured at the fair value of the liability at each end of the reporting period. Changes in the fair value of the liability are recognized in the profit or loss.

Under the terms of equity-settled programs the members of the programs are entitled to receive Company's shares if certain conditions are met. The equity relating to share-based retention programs is measured at the fair value at the grant date by applying a Monte Carlo simulation model. For significant accounting estimates in relation to valuation of the programs please see Note 2.29.4. The cost is recognized in the statement of comprehensive income in line with vesting conditions, which are described in Note 19.

2.17 Financial liabilities

Financial liabilities are recognized initially at fair value, net of the transaction costs incurred. Bank loans, finance lease liabilities and notes liabilities are subsequently stated at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Corresponding borrowing costs are recognized in profit or loss in the period in which they are incurred unless they are capitalized.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

2.18 Derivative instruments

2.18.1 Derivatives embedded in host contracts

Derivatives embedded in host contracts are accounted for as separate derivatives if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

In case of an early redemption option embedded in a host debt instrument, the close relation to the host instrument exists if:

- on each exercise date, the option's exercise price is approximately equal to the debt instrument's amortized cost or
- the exercise price of an early redemption option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract (lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the early redemption date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract).

Otherwise the early redemption option is not regarded as closely related and as such is subject to separate recognition and measurement.
The assessment of whether an embedded derivative meets the conditions for its separation from the host contract is made on initial recognition of the contract.

Early redemption options recognized as separate instruments are measured at fair value with changes in the valuation recognized in profit or loss.

2.18.2 Derivative instruments designated as hedges

Derivative financial instruments designated as hedging instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their current fair value.

On the date a derivative contract is entered into, the Group designates certain derivatives as either
(i) a hedge of the fair value of a recognized assets or liabilities (fair value hedge), or
(ii) a hedge of a highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking hedge transaction. This process includes linking all derivatives designed as hedges to specific firm commitments or forecast transaction. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transaction are highly effective in offsetting changes in fair values or cash flow hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement.

When a hedging instruments expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognized in the income statement when the planned transaction occurs. When a planned transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to the income statement.

The fair values of interest rate swaps used for cash flow hedge are disclosed in Note 10. Movements of the reserve capital are disclosed in Consolidated statement of changes in equity.

The fair value of a hedging derivative is classified as non-current assets or non-current liabilities if the remaining maturity of the hedged item is more than twelve months and as current assets or current liabilities, if the maturity of the hedged items is less than twelve months.

The fair values of the interest rate swaps are calculated by discounting the future cash flows of both the fixed rate and variable rate interest payments. The inputs used in determining the fair value fall within Level 2 of the fair value hierarchy (inputs observable for an asset or liability, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities).

2.19 Trade liabilities

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Provisions

Provisions are recognized when the Group has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's actions.

The estimate of the amount of the provision corresponds to the expenditure likely to be incurred by the Group to settle its obligation. If a reliable estimate of the amount of the obligation cannot be made, no provision is recognized and the obligation is disclosed as a contingent liability.

2.21 Deferred 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. Deferred income on sales of prepaid products comprises the value of prepaid products delivered to a distributor but not yet transferred to the end customer.

2.22 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.

2.23 Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intragroup sales.

The Group's revenues are earned mainly from the following telecommunications services and goods:

- voice and SMS telecommunications;
- data transfer;
- television and video on demand;
- value added services;
- interconnection;
- international roaming;
- sales of handsets and other equipment.

Revenues from voice, SMS telecommunications and data transfer include charges for telecommunications traffic originated in the Play network, including revenues from prepaid products.

Goods and services may be sold separately or in bundled packages. For bundled packages, including e.g. mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct – i.e. if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the Adjusted Contract Term (see Note 2.7). The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are estimated based on cost of sale plus margin. Please see Note 2.29.1. Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services.

Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual airtime or data usage, or is made upon the expiration of the Group's obligation to provide the services.

Mobile services are billed on a monthly basis and payments are due shortly after the bill date.

Telecommunications revenue from the sale of prepaid products in single–element contracts (i.e. with one performance obligation for telecommunications services) is recognized at the face value of a prepaid top-up sold, net of VAT. The difference between the face value of a prepaid offerings and the value for which the offerings are sold by the Group to its distributors, constitutes commission earned by the distributors, who act as agents. The Group acts as a principal in such agreements. The costs of prepaid commissions are recognized as other service costs when the distribution service is provided, i.e. when the prepaid product is delivered to the end customer. The revenue from the sale of prepaid products is deferred until the end customer commences using the product and presented in the statement of financial position as deferred income in case the prepaid product is held by a distributor or as contract liability in case the prepaid product had been transferred to the end customer but not yet used. The revenue from the sale of prepaid products is recognized in the profit or loss as telecommunications services are provided, based on the actual airtime or data usage at an agreed tariff, or upon expiration of the obligation to provide the service.

Revenues from the value added services are recognized in the amount of full consideration if the Group acts as principal in the relation with the customer or in the amount of the commission earned if the Group acts as agent.

Interconnection revenues are derived from calls and other traffic that originate in other operators' networks but use Play network. The Group receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the period in which the services were rendered.

International roaming revenues are derived from calls and other traffic generated by foreign operators' customers in Play network. The Group receives international roaming fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

Revenue from sale of handsets, other equipment and other goods is recognized when a promised good is transferred to the customer (typically upon delivery). The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data. For mobile devices sold separately (i.e. without the telecommunications contract), a customer usually pays full price at the point of sale.

For mobile devices sold in bundled contracts, customers are offered two schemes of payments – full payment at the commencement of the contract (in such contracts the handset price is significantly reduced and the cost of device is recovered through monthly fees for telecommunication services) or instalment sales with monthly instalments paid over the period of the contract plus initial fee paid upon delivery of a handset.

Revenues from content services (e.g. music and video streaming, applications and other value added services) rendered to our subscribers are recognized after netting off costs paid by us to third party content providers (when the Group acts as an agent in the transaction) or in the gross amount billed to a subscriber (when the Group acts as a principal).

2.24 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.25 Current income tax

The current income tax charge is determined in accordance with the relevant tax law regulations in respect of the taxable profit. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in countries where the Company and its subsidiaries operate and generate taxable income.

Income tax payable represents the amounts payable at the reporting date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognized in the statement of financial position as an income tax receivables.

2.26 Deferred income tax

Deferred income tax is calculated using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for tax losses. Deferred tax is not recognized when relating deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from different valuations of depreciable assets and accruals, provisions and deferred income for tax and accounting purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are also recognized for unused tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a company has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable base.

2.27 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.

2.27.1 Currency risk

A significant portion of the Group's borrowings had been historically denominated in EUR, which had exposed the Group to currency risk. In March 2017, the EUR-denominated borrowings have been replaced with PLN-denominated borrowings – see Note 17.1.1. This has significantly reduced the currency risk.

Nevertheless, the exposure to currency risk still exists because while most of the Group's revenue is earned in PLN, some operating costs are denominated in foreign currencies, mainly EUR. Also international roaming costs and revenue are recorded in foreign currencies.

Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (expressed in PLN) arising from fluctuations in the exchange rate of PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (expressed in PLN).

Currency risk is regularly monitored by the Group. The following instruments may be used to minimize the currency risk relating to the Group's foreign exchange transactions:

- forward foreign exchange contracts (also Non Delivery Forwards);
- foreign currency swaps (also Non Delivery Forwards);
- foreign currency options with an approved currency option hedging plan.

No derivatives were used during the year ended December 31, 2016 or in the year ended December 31, 2015. During the year ended December 31, 2017, the Group had entered among others into several forward foreign exchange contracts which were used to exchange PLN into EUR for the purpose of the repayment of the EUR-denominated notes with the proceeds from PLN-denominated bank loans - see Note 17.1.1 (forward contracts for the purchase of EUR 940,000 thousand) and for the purpose of purchasing of EUR-denominated Notes of Impera Holdings S.A. – see Note 8 (forward contracts for the purchase of EUR 520,000 thousand).

The table below presents split of assets and liabilities balances into currencies in which they are denominated:

Year ended December 31, 2017	PLN	EUR	other currencies	Total
Other long-term receivables before the impairment provision	12,541	1,664	-	14,205
Other long-term finance assets	4,268	-	-	4,268
Trade and other receivables before the impairment provision	1,201,723	18,014	10,898	1,230,635
Cash and cash equivalents	576,713	49,523	2,489	628,725
Assets	**1,795,245**	**69,201**	**13,387**	**1,877,833**
Long-term finance liabilities - debt	6,671,616	76,635	4,616	6,752,867
Other non-current liabilities	10,125	-	-	10,125
Short-term finance liabilities - debt	551,626	33,537	792	585,955
Other short-term finance liabilities	6,871	-	-	6,871
Trade and other payables	856,970	203,529	46,029	1,106,528
Short-term retention programs liabilities	17,743	-	-	17,743
Liabilities	**8,114,951**	**313,701**	**51,437**	**8,480,089**

Year ended December 31, 2016	PLN	EUR	other currencies	Total
Long-term receivables - debt securities	-	322,641	-	322,641
Long-term loans	-	18,360	-	18,360
Other long-term receivables before the impairment provision	11,213	1,359	-	12,572
Short-term finance receivables	-	274	-	274
Trade and other receivables before the impairment provision	1,372,992	15,268	14,870	1,403,130
Cash and cash equivalents	321,017	19,054	923	340,994
Assets	**1,705,222**	**376,956**	**15,793**	**2,097,971**
Long-term finance liabilities - debt	728,209	4,444,183	4,025	5,176,417
Long-term retention programs liabilities	16,901	133,163	-	150,064
Other non-current liabilities	10,873	-	-	10,873
Short-term finance liabilities - debt	151,463	124,913	774	277,150
Trade and other payables	1,045,352	98,303	33,926	1,177,581
Short-term retention programs liabilities	6,827	10,913	-	17,740
Liabilities	**1,959,625**	**4,811,475**	**38,725**	**6,809,825**

Year ended December 31, 2015	PLN	EUR	other currencies	**Total**
Long-term receivables - debt securities	-	153,441	-	153,441
Other long-term receivables before the impairment provision	10,876	1,230	-	12,106
Trade and other receivables before the impairment provision	951,177	8,852	9,835	969,864
Cash and cash equivalents	1,507,714	48,232	855	1,556,801
Assets	**2,469,767**	**211,755**	**10,690**	**2,692,212**
Long-term finance liabilities - debt	723,707	4,272,911	-	4,996,618
Long-term retention programs liabilities	12,296	150,744	-	163,040
Other non-current liabilities	11,379	-	-	11,379
Short-term finance liabilities - debt	152,097	125,148	-	277,245
Trade and other payables	758,508	189,154	29,287	976,949
Short-term retention programs liabilities	-	22,294	-	22,294
Liabilities	**1,657,987**	**4,760,251**	**29,287**	**6,447,525**

Other assets and liabilities are denominated in PLN.

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate, with all other variables held constant. As the balances denominated in other foreign currencies are relatively insignificant, the changes in the exchange rates other than EUR would not have any material impact on the financial statements.

	Change in EUR rate	**Effect on result before tax**
December 31, 2017	+5%	(12,225)
	-5%	12,225
December 31, 2016	+5%	(217,248)
	-5%	217,248
December 31, 2015	+5%	(222,707)
	-5%	222,707

The sensitivity analysis assumes that a 5% change in the EUR/PLN exchange rate had occurred at the end of the reporting period and had been applied to the financial assets and liabilities denominated in EUR at the end of the reporting period. Effect on equity comprises effect on profit before tax resulting from assets and liabilities valuation, as well as corresponding deferred tax effect.

The result is less sensitive to movement in EUR/PLN exchange rates in 2017 than in 2016 and 2015 mainly because of the repayment of euro-denominated notes which was replaced with PLN-denominated bank borrowings and because of settlement of euro-denominated retention programs liabilities.

2.27.2 Credit risk

A substantial part of the Group's receivables consists of billing receivables of low individual amounts. According to Group's principles the risk connected with billing receivables is limited by a number of procedures. These procedures include: verification of the financial standing of potential subscribers before signing the contract, imposing credit limits, payment monitoring, sending payment reminders and receivables collection.

Apart from billing receivables, the Group also has receivables from interconnect and international roaming partners, MVNOs, handsets dealers and other. The table below shows the balance of three major counterparties at the end of the reporting period and comparative periods and the percentage that the balance represents in total Group's trade and other receivables:

	December 31, 2017	
	%	Balance
Counterparty B	6.5%	72,045
Counterparty A	3.8%	41,624
Counterparty C	2.8%	30,707
	13.1%	144,376

	December 31, 2016	
	%	Balance
Counterparty A	6.7%	84,541
Counterparty B	2.3%	29,402
Counterparty C	2.1%	25,975
	11.1%	139,918

	December 31, 2015	
	%	Balance
Counterparty A	4.9%	43,217
Counterparty B	3.0%	26,294
Counterparty C	2.6%	23,220
	10.6%	92,731

Management and control of credit risk regarding receivables other than billing receivables, including the receivables from counterparties A, B, C is based on:

- investigation of financial standing in relation to the Group's business partners (current and potential);
- investigation of individual credit limit needs of business partners;
- security of credit limits by using hard security instruments (deposit, bank guarantee) and soft security instruments (submission for execution based on clause 777 of Polish code of civil procedure, bill of exchange);
- insurance of trade receivables in external institutions;
- periodical monitoring of different warning signals: lack of payment, lack of new orders;
- immediate response in case of appearance of any warning signals.

Except for balances listed above, the Play Group has no significant concentrations of credit risk because the Group has an extensive portfolio of receivables of low individual amounts.

Cash is deposited only in well recognized financial institutions.

2.27.3 Interest rate risk

In the years ended December 31, 2016 and December 31, 2015, the exposure on interest rate risk related primarily to bonds and finance leases with floating interest rates. In March 2017, the fixed-rate borrowings have been replaced with floating rate borrowings – see Note 17.1.1. This has increased the interest risk going forward. The risk has been partially mitigated by interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount for a three-year period. See also Note 10.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant.

	Increase / decrease in basis points (EURIBOR 3M, 6M / WIBOR 3M)	Effect on result before tax
Year ended December 31, 2017	+50	(18,340)
	-50	18,340
Year ended December 31, 2016	+50	(636)
	-50	636
Year ended December 31, 2015	+50	(659)
	-50	659

The result is more sensitive to changes in interest rates in 2017 than in 2016 and 2015 because of higher amount of floating rate debt after the Group had refinanced its fixed rate notes with floating rate bank loans in March 2017. Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

The sensitivity analysis assumes that a 50 basis points change in the 3M EURIBOR, a 50 basis points change in the 6M EURIBOR and 50 basis points change in the 3M WIBOR PLN interest rates had occurred during the whole period and had been applied to the appropriate floating rate liabilities during the year ended December 31, 2017, year ended December 31, 2016 and year ended December 31, 2015.

Interest risk of the Group is regularly monitored by the Group. The following instruments may be used to minimize the interest rate risk relating to the Group:

- Forward rate agreements (FRAs);
- Interest rate swaps;
- Interest rate options.

None of the derivatives were used during the year ended December 31, 2016 and year ended December 31, 2015. The Group entered into interest rate swaps in the year ended December 31, 2017, as described above.

2.27.4 Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities as well as availability of funding through an adequate amount of committed debt facilities.

The tables below present the maturity of bank loans, notes, lease liabilities and other debt in contractual values (i.e. excluding the impact of expenses incurred in relation to the liability), increased by projected value of interest payments. Values are not discounted.

December 31, 2017

	Liabilities (including projected interest) payable within:			
	1 year	2 to 5 years	over 5 years	Total
Bank loans	675,951	5,646,780	1,281,813	7,604,544
Lease	192,490	567,295	575,400	1,335,185
Other debt	12,072	15,503	-	27,575
	880,513	6,229,578	1,857,213	8,967,304

December 31, 2016	Liabilities (including projected interest) payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	252,910	4,948,341	-	5,201,251
Lease	179,033	530,224	466,007	1,175,264
Other debt	1,150	1,522	-	2,672
	433,093	**5,480,087**	**466,007**	**6,379,187**

December 31, 2015	Liabilities (including projected interest) payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	243,905	5,015,574	-	5,259,479
Lease	183,130	538,218	433,931	1,155,279
	427,035	**5,553,792**	**433,931**	**6,414,758**

All trade payables are due within one year from the end of the reporting period.

Other non-current liabilities, which comprise deposits received from business partners (mainly dealers) as a collateral for their liabilities towards the Group, were classified as due within over 5 years from the end of the reporting period as the Group expects that they will be settled only after termination of cooperation with its partners.

2.27.5 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, to enable the repayment of debt and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital using the net debt figure. The Group includes to net debt the borrowings at nominal value increased by accrued interest (excluding the impact of loan origination fees), less cash and cash equivalents.

	December 31, 2017	December 31, 2016	December 31, 2015
Cash and cash equivalents	**628,725**	**340,994**	**1,556,801**
Senior Facilities	6,444,597	-	-
Senior Secured Notes	-	3,408,206	3,287,868
Senior Notes	-	1,226,615	1,181,559
Leases	948,816	842,714	841,397
Other debt	26,448	2,672	-
Total debt	**7,419,861**	**5,480,207**	**5,310,824**
Net debt	**6,791,136**	**5,139,213**	**3,754,023**

2.28 Fair value estimation

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

The methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 2.29.3 and 2.18.2 respectively.

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

2.29 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.

2.29.1 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 23). 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 were historically determined based on the standard list prices at which the Group sold them separately (without a service contract). In the fourth quarter 2017, based on past experience, the Group changed its estimate to determine the stand-alone selling prices for mobile devices to cost of sale plus margin. The change results in a slightly different timing of revenue recognition. The Group considers the impact of the change on the recognized revenue as immaterial (less than 1% of the total operating revenues in the year ended December 31, 2017). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses.

Significant financing component

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

Material right considerations

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

Agent vs. principal considerations in relation to cooperation with dealers

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

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

d) credit risk related to consideration for service and in case of instalment sales model also credit risk related to consideration for equipment is borne by the Group.

2.29.2 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 17.3) and the valuation of right-of-use assets (please see Note 4). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group 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. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it (e.g. economic useful life of foundations of telecommunications towers in case of lease of land on which the tower is located) or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

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.

2.29.3 Valuation of the liabilities relating to cash-settled retention programs

In July 2017 the Company's shares were listed on the Warsaw Stock Exchange. The Initial Public Offering ("IPO") was considered an event triggering the final settlement of the retention programs granted to members of P4's Management Board: EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans. On July 27, 2017 the payouts from these programs were exercised and programs ended. For detailed descriptions of the plans, including also the description of prior interim payments, please see Note 19.

In the year ended December 31, 2017, apart from the retention programs granted to members of P4's Management Board, the Group operated also a program granted to key employees – Value Development Program 3 ("VDP 3"). As the IPO did not result in a change of control as defined under VDP 3 agreements, the IPO was not considered an event triggering the payouts from VDP 3. Due to the fact that there was no change of control before December 31, 2017, the value of the future payouts from VDP 3 is calculated based on level of achievement of certain key performance indicators by the Group in the years 2015-2017 and the fair value of the liabilities relating to the VDP 3 was estimated accordingly, taking into account the interim payments exercised in prior periods.

2.29.4 Valuation of the equity-settled retention programs

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

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

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

2.29.5 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 17.1.1) 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.

2.29.6 Valuation of the assets retirement obligation provision

As at December 31, 2017 the assets retirement obligation provision (please see Note 18) was calculated using discount rate of 2.99% (3.62% as at December 31, 2016 and 2.95% as at December 31, 2015), representing interest rate of 10-years treasury bonds as at that date.

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

2.29.7 Deferred tax

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Play Group's income taxes (please see Note 30). 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.

2.29.8 Impairment of non-current assets

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at December 31, 2017, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2017. 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.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2018-2022.

The key assumptions for the calculations include: the number of the new subscribers added ("gross adds"), ARPU Outbound (monthly revenue from retail usage per average subscriber), the costs of national roaming/network sharing and interconnection costs, unit subscriber acquisition and retention costs. The discount rate used (of 9.54%) reflects the risks specific to the Play Group's operations. The growth rate used to extrapolate cash flow projections beyond the forecast period (from 2023 onwards) is conservatively determined at 0%.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2017. As a result no impairment loss has been recognized.

However, there is considerable uncertainty as to the future expected economic benefits relating to the long-lived assets, including goodwill. Play Group's business model is based on a combination of operating an extensive, modern and cost-efficient 2G/3G/4G LTE telecommunications network of its own and providing nation-wide coverage to its customers via national roaming/network sharing agreements with other mobile telecommunications operators. The future success of this business model is dependent on many factors. The macroeconomic conditions of Poland and the European Union, the overall level of competition in the market, including market prices for voice and data services, the future take-up of new mobile data services, including demand for 4G LTE technology, possible significant changes in mobile technology, access to sufficient distribution channels and the impact of possible new entrants in the form of mobile network operators (MNOs) and mobile virtual network operators (MVNOs), as well as over-the-top (OTT) service providers, may all impact the Group's ability to generate revenues. Risks associated with rapidly growing demand for radio network capacity, and uncertainties over the market regulator's approach to new entrants relative to market incumbents, the development of unit costs of mobile devices and market levels of mobile devices subsidies, all generate uncertainties over achievable profit margins.

The mobile telecommunications industry is subject to significant governmental regulation and supervision and future changes in such regulations or telecommunications law may have an adverse impact on Play Group's revenues, require the Group to make additional expenditures and otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of these and other uncertainties the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.

However,

- If the total number of new subscribers added by the Group ("gross adds") in the projection period was 10% lower than the Group's assumptions, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.
- If the Blended ARPU Outbound (monthly revenue from retail usage per average subscriber) in the projection period was 5% lower than the Group's assumptions, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.
- If the revised estimated discount rate applied to the discounted cash flows was increased by 2 p.p., compared with the Group's estimates, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.

2.30 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):

	Year ended December 31, 2017	**Year ended December 31, 2016**	**Year ended December 31, 2015**
Operating profit	**1,107**	**1,290**	**1,066**
Add depreciation and amortization	797	634	597
Add management fees	49	36	28
Add valuation of retention programs and special bonuses	283	7	93
Add other non-recurring costs	62	68	2
Adjusted EBITDA	**2,298**	**2,035**	**1,786**

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

For more details on depreciation and amortization please see Note 27.

The valuation of retention programs and special bonuses increased in year ended December 31, 2017 due to the settlement of certain programs in relation to the refinancing concluded in March 2017 as well as in relation to the IPO; for more information see Note 19.

Costs of management fees increased in the year ended December 31, 2017 due to one-off fees incurred in connection with the IPO.

Other non-recurring costs for the year ended December 31, 2017 comprised: (i) costs of the IPO in the amount of PLN 45.9 million; (ii) non-recurring costs of PLN 11.4 million related to prepaid registration process to comply with new regulations introduced by the Act dated June 10, 2016 on Anti-terrorist Operations, which came into force in Poland on July 25, 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards; (iii) net non-recurring costs of strategic projects out of usual scope of our business of PLN 3.4 million and other non-recurring costs of PLN 1.3 million. Non-recurring costs of strategic projects out of usual scope of the Group's business incurred in prior periods were offset in the three-month period ended December 31, 2017 with income from sale of assets relating to those projects.

Other non-recurring costs for the year ended December 31, 2016 comprised: (i) cost of provision for early termination fee related to one of Group's commercial agreements in the amount of PLN 20.4 million; (ii) one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling; (iii) non-recurring costs of strategic projects out of usual scope of our business of PLN 12.0 million; (iv) a non-cash adjustment of prior years' deferred income balances of PLN 7.7 million; (v) impairment allowance for other non-current assets in the amount of PLN 4.6 million; and (vi) other non-recurring costs of PLN 10.5 million comprised mostly of costs of prepaid registration process to comply with new regulations.

Other non-recurring costs for the year ended December 31, 2015, comprised: (i) income from a reversal of provisions for a potential liability towards the UOKiK of PLN 10.7 million relating to the alleged participation in an anti-competitive agreement due to the repeal of the UOKiK's decision by the District Court in Warsaw in its judgment of June 19, 2015; (ii) non-recurring costs relating to legal and advisory services of PLN 3.3 million and other non-recurring costs of PLN 9.1 million.

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

3. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2017	46	858,585	125,567	1,066,942	345	122,018	2,173,503
Additions	-	-	41	-	-	27	68
Transfers and reclassifications	-	123,630	114,909	301,562	29	(39,620)	500,510
Disposals	-	(8,732)	(5,743)	(110,449)	(54)	(5,133)	(130,111)
As at December 31, 2017	**46**	**973,483**	**234,774**	**1,258,055**	**320**	**77,292**	**2,543,970**
Accumulated depreciation							
As at January 1, 2017	4	390,861	96,046	548,752	323	47,894	1,083,880
Charge	-	41,373	29,364	202,727	34	14,670	288,168
Transfers and reclassifications	-	(13,583)	17,345	20,694	-	(7,111)	17,345
Disposals	-	(8,624)	(5,740)	(110,263)	(52)	(4,778)	(129,457)
As at December 31, 2017	**4**	**410,027**	**137,015**	**661,910**	**305**	**50,675**	**1,259,936**
Accumulated impairment							
As at January 1, 2017	-	-	34	-	-	152	186
Impairment charge	-	-	471	984	-	145	1,600
Utilization of impairment provision	-	-	(2)	-	-	(97)	(99)
As at December 31, 2017	-	-	**503**	**984**	-	**200**	**1,687**
Net book value as at December 31, 2017	42	563,456	97,256	595,161	15	26,417	1,282,347

The transfers recorded during year ended December 31, 2017 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. The increase in value of completed investments in buildings in the year ended December 31, 2017 in comparison to the year ended December 31, 2016 is connected with the nationwide rollout of the network. The increase in value of IT equipment in the year ended December 31, 2017 in comparison to the year ended December 31, 2016 relates to completion of certain IT projects. The continuing increase in value of completed investments in telecommunications network and equipment in the year ended December 31, 2017 and in the year ended December 31, 2016 in comparison to the year ended December 31, 2015 is connected with the improvements on the existing sites to expand our 4G LTE and 4G LTE Ultra coverage using the 800 MHz and 2600 MHz frequencies acquired in the year ended December 31, 2016 as well as with the nationwide rollout of the network.

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2016	46	796,404	101,546	905,081	-	60,098	1,863,175
Transfers and reclassifications	-	65,409	29,239	234,843	345	65,363	395,199
Disposals	-	(3,228)	(5,218)	(72,982)	-	(3,443)	(84,871)
As at December 31, 2016	**46**	**858,585**	**125,567**	**1,066,942**	**345**	**122,018**	**2,173,503**
Accumulated depreciation							
As at January 1, 2016	4	360,362	88,999	471,981	-	34,082	955,428
Charge	-	32,680	16,011	142,743	27	17,613	209,074
Transfers and reclassifications	-	-	(3,866)	6,631	296	(609)	2,452
Disposals	-	(2,181)	(5,098)	(72,603)	-	(3,192)	(83,074)
As at December 31, 2016	**4**	**390,861**	**96,046**	**548,752**	**323**	**47,894**	**1,083,880**
Accumulated impairment							
As at January 1, 2016	-	-	-	-	-	-	-
Impairment charge	-	-	34	-	-	152	186
As at December 31, 2016	-	-	**34**	-	-	**152**	**186**
Net book value as at December 31, 2016	42	467,724	29,487	518,190	22	73,972	1,089,437

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other	Total
Cost							
As at January 1, 2015	46	691,837	111,593	926,038	-	49,616	1,779,130
Additions	-	-	-	-	-	-	-
Transfers and reclassifications	-	111,530	4,967	187,824	-	23,332	327,653
Disposals	-	(6,963)	(15,014)	(208,781)	-	(12,850)	(243,608)
As at December 31, 2015	**46**	**796,404**	**101,546**	**905,081**	**-**	**60,098**	**1,863,175**
Accumulated depreciation							
As at January 1, 2015	4	274,028	90,719	516,700	-	37,328	918,779
Charge	-	90,831	13,745	163,268	-	9,479	277,323
Transfers and reclassifications	-	95	(454)	-	-	-	(359)
Disposals	-	(4,592)	(15,011)	(207,987)	-	(12,725)	(240,315)
As at December 31, 2015	**4**	**360,362**	**88,999**	**471,981**	**-**	**34,082**	**955,428**
Net book value as at December 31, 2015	**42**	**436,042**	**12,547**	**433,100**	**-**	**26,016**	**907,747**

4. Right-of-use assets

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2017	132,530	1,174,013	82,525	74,056	25,767	718	1,489,609
Additions	39,143	217,493	-	5,980	-	27	262,643
Asset retirement obligation	-	10,145	-	-	-	-	10,145
Transfers and reclassifications	(7,513)	7,513	(17,236)	-	7,483	-	(9,753)
Disposals	(706)	(39,701)	(2,289)	(7,041)	(6,155)	-	(55,892)
As at December 31, 2017	**163,454**	**1,369,463**	**63,000**	**72,995**	**27,095**	**745**	**1,696,752**
Accumulated depreciation							
As at January 1, 2017	44,524	572,474	58,716	54,518	13,203	665	744,100
Charge	10,816	103,270	14,337	9,553	7,437	13	145,426
Charge from asset retirement obligation	-	2,602	-	-	-	-	2,602
Transfers and reclassifications	(377)	377	(17,345)	-	-	-	(17,345)
Disposals	(134)	(20,608)	(2,276)	(4,756)	(6,124)	-	(33,898)
As at December 31, 2017	**54,829**	**658,115**	**53,432**	**59,315**	**14,516**	**678**	**840,885**
Net book value as at December 31, 2017	**108,625**	**711,348**	**9,568**	**13,680**	**12,579**	**67**	**855,867**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the year ended December 31, 2017. 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 10,126 thousand for the year ended December 31, 2017.

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2016	113,374	1,104,525	89,116	92,219	26,097	-	1,425,331
Additions	20,460	121,489	-	4,112	-	-	146,061
Asset retirement obligation	-	(88)	-	-	-	-	(88)
Transfers and reclassifications	-	-	4,426	(9,827)	6,735	718	2,052
Disposals	(1,304)	(51,913)	(11,017)	(12,448)	(7,065)	-	(83,747)
As at December 31, 2016	**132,530**	**1,174,013**	**82,525**	**74,056**	**25,767**	**718**	**1,489,609**
Accumulated depreciation							
As at January 1, 2016	35,875	501,646	44,821	61,681	13,384	-	657,407
Charge	9,495	97,270	21,019	10,661	7,164	56	145,665
Charge from asset retirement obligation	-	2,242	-	-	-	-	2,242
Transfers and reclassifications	-	-	3,866	(6,631)	(296)	609	(2,452)
Disposals	(846)	(28,684)	(10,990)	(11,193)	(7,049)	-	(58,762)
As at December 31, 2016	**44,524**	**572,474**	**58,716**	**54,518**	**13,203**	**665**	**744,100**
Net book value as at December 31, 2016	**88,006**	**601,539**	**23,809**	**19,538**	**12,564**	**53**	**745,509**

In the year ended December 31, 2016 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,810 thousand.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 10,128 thousand in the year ended December 31, 2016.

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2015	98,159	973,753	63,478	106,064	27,121	-	1,268,575
Additions	15,432	143,641	-	6,976	-	-	166,049
Asset retirement obligation	-	6,224	-	-	-	-	6,224
Transfers and reclassifications	-	(364)	25,668	31	7,770	-	33,105
Disposals	(217)	(18,729)	(30)	(20,852)	(8,794)	-	(48,622)
As at December 31, 2015	**113,374**	**1,104,525**	**89,116**	**92,219**	**26,097**	**-**	**1,425,331**
Accumulated depreciation							
As at January 1, 2015	27,382	418,451	25,359	62,839	15,231	-	549,262
Charge	8,493	94,870	19,038	19,545	6,899	-	148,845
Charge from asset retirement obligation	-	1,923	-	-	-	-	1,923
Transfers and reclassifications	-	(95)	454	-	-	-	359
Disposals	-	(13,503)	(30)	(20,703)	(8,746)	-	(42,982)
As at December 31, 2015	**35,875**	**501,646**	**44,821**	**61,681**	**13,384**	**-**	**657,407**
Net book value as at December 31, 2015	**77,499**	**602,879**	**44,295**	**30,538**	**12,713**	**-**	**767,924**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,175 thousand in the year ended December 31, 2015.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 11,888 thousand in the year ended December 31, 2015.

5. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2017	2,779,955	830,955	238,301	29,904	3,879,115
Additions	81,000	-	-	-	81,000
Transfers and reclassifications	-	321,359	-	14,242	335,601
Disposals	-	(4,929)	-	-	(4,929)
As at December 31, 2017	**2,860,955**	**1,147,385**	**238,301**	**44,146**	**4,290,787**
Accumulated amortization					
As at January 1, 2017	557,879	672,922	-	14,931	1,245,732
Charge	194,136	158,861	-	8,063	361,060
Disposals	-	(458)	-	-	(458)
As at December 31, 2017	**752,015**	**831,325**	**-**	**22,994**	**1,606,334**
Accumulated impairment					
As at January 1, 2017	-	-	-	4,597	4,597
Impairment charge	-	596	-	(128)	468
Transfers and reclassifications	-	4,469	-	(4,469)	-
Utilization of impairment provision	-	(4,469)	-	-	(4,469)
As at December 31, 2017	**-**	**596**	**-**	**-**	**596**
Net book value as at December 31, 2017	**2,108,940**	**315,464**	**238,301**	**21,152**	**2,683,857**

The transfers recorded during year ended December 31, 2017 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer and network software and other intangible assets.

On August 23, 2005 the Group was granted by the Polish regulator Urząd Komunikacji Elektronicznej ("UKE") a reservation of the 2100 MHz frequency for the period from July 1, 2006 to December 31, 2022. On March 16, 2007 the Group started providing mobile telecommunications services and started to amortize the 2100 MHz license from March 1, 2007. The license is amortized over the period for which it was granted. As at December 31, 2017 the carrying value of the 2100 MHz license was PLN 109,207 thousand.

On December 9, 2008 the Group was granted a reservation of the 900 MHz frequency for the period from December 9, 2008 to December 31, 2023. the Group started to amortize the 900 MHz license from January 2009. The license is amortized over the period for which it was granted. As at December 31, 2017 the carrying value of the 900 MHz license was PLN 87,079 thousand.

On February 13, 2013, the Group was granted a reservation of the 1800 MHz frequency for the period from February 13, 2013 to December 31, 2027. The license is amortized over the period for which it was granted. As at December 31, 2017 the carrying value of the 1800 MHz license was PLN 343,448 thousand.

On January 25, 2016, the Group was granted a reservation of the 800 MHz frequency. On June 23, 2016, the UKE President issued new decisions on reservation of 800 MHz frequency and changed the allocation of the frequency blocks among operators (the Group was allocated the Block C instead of the Block D). The reservation is granted till June 22, 2031. The license is amortized over the period for which it was granted. As at December 31, 2017 the carrying value of the 800 MHz license was PLN 1,303,477 thousand.

On January 25, 2016, the Group was granted a reservation of the 2600 MHz frequency for the period from January 25, 2016 to January 24, 2031. The license is amortized over the period for which it was granted. As at December 31, 2017 the carrying value of the 2600 MHz license was PLN 193,729 thousand.

On August 10, 2017, the Group was granted a reservation of the 3700 MHz frequency for the period from October 1, 2017 to December 29, 2019. The license is amortized over the period for which it was granted. As at December 31, 2017 the carrying value of the 3700 MHz license was PLN 72,000 thousand.

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

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

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2016	1,061,522	781,608	238,301	21,626	2,103,057
Additions	1,718,433	-	-	-	1,718,433
Transfers and reclassifications	-	56,871	-	8,408	65,279
Disposals	-	(7,524)	-	(130)	(7,654)
As at December 31, 2016	**2,779,955**	**830,955**	**238,301**	**29,904**	**3,879,115**
Accumulated amortization					
As at January 1, 2016	380,388	582,856	-	13,041	976,285
Charge	177,491	97,590	-	2,020	277,101
Disposals	-	(7,524)	-	(130)	(7,654)
As at December 31, 2016	**557,879**	**672,922**	**-**	**14,931**	**1,245,732**
Accumulated impairment					
As at January 1, 2016	-	-	-	-	-
Impairment charge	-	-	-	4,597	4,597
As at December 31, 2016	**-**	**-**	**-**	**4,597**	**4,597**
Net book value as at December 31, 2016	**2,222,076**	**158,033**	**238,301**	**10,376**	**2,628,786**

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2015	1,061,522	764,901	238,301	17,934	2,082,658
Transfers and reclassifications	-	27,368	-	6,937	34,305
Disposals	-	(10,661)	-	(3,245)	(13,906)
As at December 31, 2015	**1,061,522**	**781,608**	**238,301**	**21,626**	**2,103,057**
Accumulated amortization					
As at January 1, 2015	309,688	497,586	-	13,748	821,022
Charge	70,700	95,931	-	2,538	169,169
Disposals	-	(10,661)	-	(3,245)	(13,906)
As at December 31, 2015	**380,388**	**582,856**	**-**	**13,041**	**976,285**
Net book value as at December 31, 2015	**681,134**	**198,752**	**238,301**	**8,585**	**1,126,772**

6. Assets under construction

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cost			
As at January 1	543,114	395,385	286,447
Additions	595,919	611,065	504,908
Radio network	391,810	391,279	259,467
Core network and network operations center	48,923	72,978	73,096
IT	131,955	116,452	111,418
Other capital expenditures	23,231	30,356	60,927
Transfers and reclassifications	(826,358)	(462,530)	(395,063)
Disposals	(3,106)	(806)	(907)
As at December 31	**309,569**	**543,114**	**395,385**
Accumulated impairment			
As at January 1	2,698	1,849	981
Impairment charge	3,520	1,491	1,686
Utilization of impairment provision	-	(642)	(818)
As at December 31	**6,218**	**2,698**	**1,849**
Net book value as at December 31	**303,351**	**540,416**	**393,536**

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction. Assets under construction include also right-of-use assets being in the process of preparation for use amounting to PLN 10,010 thousand as at December 31, 2017, PLN 10,140 thousand as at December 31, 2016 and nil as at December 31, 2015.

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.

Contractual commitments for purchase of property, plant and equipment and intangible assets amounted to PLN 120,037 thousand as at December 31, 2017, PLN 85,724 thousand as at December 31, 2016 and PLN 75,585 thousand as at December 31, 2015.

7. Contract costs

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cost			
As at January 1	703,567	605,668	484,039
Additions	414,155	421,951	395,403
Disposals - terminated contracts	(388,758)	(324,052)	(273,774)
As at December 31	**728,964**	**703,567**	**605,668**
Accumulated amortization			
As at January 1	352,886	295,724	226,925
Charge (including impairment)	403,834	381,214	342,573
Disposals (including impairment) - terminated contracts	(388,758)	(324,052)	(273,774)
As at December 31	**367,962**	**352,886**	**295,724**
Net book value as at December 31	**361,002**	**350,681**	**309,944**

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

8. Finance receivables

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term finance receivables			
EUR 8.22% Senior Notes due in 2020, tranche A, B, C	-	249,788	153,441
EUR 6.11% Senior Notes due in 2020, tranche D	-	72,853	-
Loans given	-	18,360	-
	-	341,001	153,441
Short-term finance receivables			
Loans given	-	274	-
	-	274	-

8.1 Debt securities

EUR Senior Notes tranche A, B, C, D and E, due in 2020 issued by Impera Holdings S.A.

On February 26, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Notes issued by Impera Holdings S.A. On August 26, 2015, the Group purchased EUR 16,260 thousand in aggregate principal amount of B Series Notes issued by Impera Holdings S.A. On February 25, 2016, the Group purchased EUR 15,950 thousand in aggregate principal amount of C Series Notes issued by Impera Holdings S.A. On August 26, 2016, the Group purchased EUR 16,550 thousand in aggregate principal amount of D Series Notes issued by Impera Holdings S.A. On February 24, 2017, the Group purchased EUR 16,000 thousand in aggregate principal amount of E Series Notes issued by Impera Holdings S.A. The purpose of the notes was to facilitate the interest payments on the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Impera Holdings S.A. The initial maturity date of A, B, C, D and E Series Notes was February 28, 2020. Interest on the A, B and C Series Notes was calculated at the rate of 8.22% per annum, interest on the D Series was calculated at the rate of 6.11% per annum and interest on the E Series was calculated at the rate of 6.36% per annum. Interest accrued on all tranches was to be paid on the Notes repurchase date.

The notes receivables were measured at amortized cost using the effective interest rate. As at December 31, 2016 the effective interest rate on tranches A, B and C amounted to 8.23% and on tranche D amounted to 6.12%. The effective interest rate on tranche E amounted to 6.36%.

The A, B, C, D and E Series Notes were repaid by Impera Holdings S.A. on March 20, 2017.

EUR Notes due in 2023 issued by Impera Holdings S.A.

On March 20, 2017, the Group purchased EUR 524,000 thousand in aggregate principal amount of A Series Notes issued by Impera Holdings S.A. The purpose of the notes was to facilitate the repayment of the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Impera Holdings S.A., using the proceeds from the Senior Facilities Agreement. The initial maturity date of A Series Notes was March 31, 2023. Interest was calculated based on EURIBOR 3M plus margin. Interest could be paid for the 3-month interest periods or capitalized at the Group's discretion. On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium.

The notes receivables were measured at amortized cost using the effective interest rate. Fees received in relation to issuance of the notes were included in the calculation of the effective interest rate.

The carrying amount of the notes receivables approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

Critical assumptions and implemented valuation techniques for measuring the fair value for the fixed-rate notes were as follows:

- fair value of notes was determined as future cash flows from repayment of notes and interest discounted to valuation date,
- interest was calculated using risk free rate increased by credit spread,
- risk free rate was presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date was determined as implied credit spread from most actual debt issue of Impera Holdings S.A. and adjusted by the actual change in broad market credit index for corporations with rating as of Impera Holdings S.A. (actually CDS index for entities rated "CCC" was assumed as a benchmark),
- the discount rate was an effective interest rate of cash flows with recalculated interest value.

8.2 Loans given

On September 5, 2016, the Group granted a loan to Impera Holdings S.A. in the total available amount of EUR 5,000 thousand. The actual amount drawn totaled EUR 4,150 thousand. Interest on the loan was calculated at the rate of 6M EURIBOR plus margin. The loan was to be repaid in 2019.

The loan was repaid by Impera Holdings S.A. on March 20, 2017.

9. Other long-term receivables

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term receivables	14,205	12,572	12,106
Impairment of long-term receivables	(370)	(408)	(972)
	13,835	**12,164**	**11,134**

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

10. Other finance assets and other finance liabilities

Other finance assets	December 31, 2017	December 31, 2016	December 31, 2015
Early redemption option embedded in Senior Secured Notes	-	83,522	8,580
Early redemption option embedded in Senior Notes	-	50,724	10,639
Finance assets at fair value through profit or loss	**-**	**134,246**	**19,219**
Interest rate swaps	4,268	-	-
Finance assets at fair value through other comprehensive income	**4,268**	**-**	**-**
Other long-term finance assets	4,268	134,246	19,219
Other finance liabilities			
Interest rate swaps	6,871	-	-
Finance liabilities at fair value through other comprehensive income	**6,871**	**-**	**-**
Other short-term finance liabilities	6,871	-	-

10.1 Finance assets and finance liabilities at fair value through other comprehensive income

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

Drawings under the Senior Facilities Agreement (please see Note 17.1.1) bear interest at floating rates tied to WIBOR plus margin. In May 2017, the Group entered into interest rate swaps designated to fix the interest rate in relation to 33% of the Senior Facilities Agreement amount (i.e. PLN 2,150,000 thousand) for a three-year period starting from July 1, 2017. The cash flows are expected to occur on the last days of quarters within this period whereas the interest cost are recognized in the statement of comprehensive income using the amortized cost method. Please see also Note 2.27.3.

The effective portion of changes in the fair value of the above mentioned finance assets and finance liabilities resulted in other comprehensive gain of PLN 118 thousand for the year ended December 31, 2017.

10.2 Finance assets at fair value through profit or loss

Finance assets at fair value through profit or loss comprised early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 2.29.5 and Note 10). These financial instruments were derecognized in the year ended December 31, 2017.

Critical terms with respect to redemption price and portion of principal amount available for early redemption at particular price were as follows:

a) for Senior Secured Notes:
   (i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem:
   - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 105.25% of the principal amount, or
   - during each twelve-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount at a redemption price equal to 103% of the principal amount, or
   - all or a portion of principal amount at a redemption price equal to 100% of the principal amount plus the applicable premium as of redemption date. The premium was determined as maximum of 1% of the principal amount or excess of the present value of sum of 102.625% and interests payments due through February 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Fixed Rate Senior Secured Notes.

   (ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
   - 102.625% - in period from February 1, 2016 to February 1, 2017,
   - 101.313% - in period from February 1, 2017 to February 1, 2018,
   - 100.000% - in period from February 1, 2018 to February 1, 2019.

b) for Senior Notes:
   (i) at any time prior to August 1, 2016 the Senior Notes Issuer was entitled to redeem:
   - on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 106.50% of the principal amount, or
   - all or a portion of principal amount at a redemption price equal to 100.00% of the principal amount plus the applicable premium as of redemption date. The premium was determined as maximum of 1% of the principle amount or excess of the present value of sum of 103.25% and interests payments due through August 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Senior Notes.

   (ii) at any time on or after August 1, 2016 the Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:
   - 103.250% - in period from August 1, 2016 to August 1, 2017,
   - 101.625% - in period from August 1, 2017 to August 1, 2018,
   - 100.000% - in period from August 1, 2018 to August 1, 2019.

In each of the above cases the redemption price was additionally increased by the amount of accrued and unpaid interests as to redemption date.

Change in fair value of early redemption options impacted profit or loss (finance income or finance costs). The table below presents reconciliation of change in fair value in the reporting periods.

	Early redemption option embedded in Senior Secured Notes	Early redemption option embedded in Senior Notes	Total
Valuation as at January 1, 2017	83,522	50,724	134,246
Valuation as at December 31, 2017	-	-	-
Impact of change in fair value on profit or loss for the year ended December 31, 2017	**(83,522)**	**(50,724)**	**(134,246)**
Valuation as at January 1, 2016	8,580	10,639	19,219
Valuation as at December 31, 2016	83,522	50,724	134,246
Impact of change in fair value on profit or loss for the year ended December 31, 2016	**74,942**	**40,085**	**115,027**
Valuation as at January 1, 2015	38,948	18,663	57,611
Valuation as at December 31, 2015	8,580	10,639	19,219
Impact of change in fair value on profit or loss for the year ended December 31, 2015	**(30,368)**	**(8,024)**	**(38,392)**

The Senior Secured Notes liability and Senior Notes liability had been fully repaid in March 2017, using proceeds from Senior Facilities Agreement drawn down in March 2017 (see Note 17). Therefore the early redemption option assets were derecognized in the year ended December 31, 2017.

11. Inventories

	December 31, 2017	December 31, 2016	December 31, 2015
Goods for resale	130,494	121,686	166,643
Goods in dealers' premises	38,439	39,619	34,611
Prepaid deliveries	-	2	18,158
Impairment of goods for resale	(9,654)	(11,622)	(7,203)
	159,279	149,685	212,209

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

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

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Beginning of period	**11,622**	**7,203**	**6,503**
- charged/(credited) to income statement	(1,968)	5,985	1,421
- utilized	-	(1,566)	(721)
End of period	**9,654**	**11,622**	**7,203**

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

12. Trade and other receivables

	December 31, 2017	December 31, 2016	December 31, 2015
Trade receivables	1,226,757	1,400,747	967,401
Impairment of trade receivables	(130,169)	(143,191)	(92,970)
Trade receivables (net)	**1,096,588**	**1,257,556**	**874,431**
VAT and other government receivables	3,272	2,127	2,161
Other receivables	606	256	302
Other receivables (net)	**3,878**	**2,383**	**2,463**
	1,100,466	**1,259,939**	**876,894**

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 balance of trade receivables decreased following the significant reduction in the volume of installment sales after October 2016.

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

As of December 31, 2017 trade receivables of PLN 130,169 thousand (December 31, 2016: PLN 143,191 thousand and December 31, 2015: PLN 92,970 thousand) were impaired. The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

As of December 31, 2017 trade receivables of PLN 195,945 thousand (December 31, 2016: PLN 174,225 thousand and December 31, 2015: PLN 161,408 thousand) were past due but not impaired. These relate mainly to individual customers for whom there is no history of default.

The ageing analysis of trade receivables that were not impaired is as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Current	900,643	1,083,331	713,023
Overdue 0 to 3 months	152,903	119,339	91,819
Overdue 3 to 6 months	18,957	17,511	18,436
Overdue over 6 months	24,085	37,375	51,153
	1,096,588	**1,257,556**	**874,431**

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:

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Beginning of period	**143,191**	**92,970**	**84,945**
- charged/(credited) to income statement	(12,813)	50,221	8,165
- write-downs applied	(209)	-	(140)
End of period	**130,169**	**143,191**	**92,970**

The amount charged to income statement in the year ended December 31, 2016 comprises among others a one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12,735 thousand due to unfavorable court ruling and impairment allowance for receivables from installments sales resulting from increased sales volumes in installment model. In the year ended December 31, 2017 the decrease in provision for impairment of trade receivables results from decreased volume of installments sales as well as improved collectability of receivables achieved among others thanks to accelerated sales of receivables to collection agencies at favorable prices.

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

13. Contract assets

	December 31, 2017	December 31, 2016	December 31, 2015
Contract assets	1,366,913	997,780	1,000,880

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

Impairment of contract assets results from disconnecting the customer due to breach of the contract (see also Note 28).

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.

The balance of contract assets increased following the significant reduction in the volume of installment sales after October 2016. Contract assets resulting from individual non-installment sales contracts are higher than from installment sales contracts.

14. Prepaid expenses

	December 31, 2017	December 31, 2016	December 31, 2015
Distribution and selling costs	8,449	8,815	9,612
Security deposits paid to UKE	-	-	20,000
Network and IT maintenance	3,852	2,626	749
Other	11,229	9,798	11,410
	23,530	**21,239**	**41,771**

As of December 31, 2017, other prepaid expenses include mainly advance payments for services.

The security deposits in the amount of PLN 20,000 thousand were paid to UKE during the year ended December 31, 2014 in relation with Group's participation in auction for frequencies in the 800 MHz and in the 2600 MHz band, of which the security deposits in the amount of PLN 14,000 thousand were accounted for payment for the reservations granted to the Group in the year ended December 31, 2016. The remaining portion was returned to the Group.

15. Cash and cash equivalents

	December 31, 2017	December 31, 2016	December 31, 2015
Petty cash	871	702	493
Balances deposited with banks	627,403	339,336	1,555,755
Other cash assets	451	956	553
	628,725	340,994	1,556,801

16. Shareholders' equity

16.1 Share capital

As at December 31, 2016, the Play Group's share capital consisted of 12,501 shares issued, paid and authorized with a par value of EUR 1 per share. Play Holdings 1 S. à r. l. was the owner of 12,501 shares, constituting 100% of the Play Group's share capital.

In June 2017, following the transformation to a public limited liability company, the Company's shares were split and the capital was increased to PLN 126 thousand. As a result the capital consisted of 250,000,000 shares issued, paid and authorized with a par value of EUR 0.00012 per share.

The Company's shares have been listed on the Warsaw Stock Exchange ("WSE") since July 2017. The offering included 121,572,621 shares.

The final number of shares offered to retail investors and authorized employees has been set to 6,137,616 (ca. 5.0% of the offer shares); this includes 5,980,249 shares (ca. 4.9% of the offer shares) offered to retail investors and 157,367 shares (ca. 0.1% of the offer shares) offered to authorized employees; the remaining 115,435,005 shares (including over-allotment shares) have been offered to institutional investors (ca. 95.0% of the offer shares).

Additionally, on July 27, 2017, 3,170,119 new shares were issued under new Performance Incentive Plan for the members of the Management Board of P4. The members of the Management Board of P4 subscribed for these shares at the price of PLN 36.0 per share. Also, on July 27, 2017, 538,325 shares were issued for no consideration to 84 managers and key employees in relation to Value Development Program 4. In addition, 222,222 new shares will be authorized and available for issuance under future incentive programs dedicated to new managers and key employees joining the Play Group or to add new participants or increase the value of the existing incentive programs dedicated to the managers and key employees.

On August 1, 2017 Impera Holdings S.A. acquired 128,427,379 shares from Play Holdings 1 S. à r. l. constituting 50.62% of the Company's share capital. On August 8, 2017 Telco Holdings S. à r. l. acquired 63,828,407 shares from Impera Holdings S.A. constituting 25.16% of the Company's share capital. On August 11, 2017 Tollerton Investments Limited acquired 64,598,972 shares from Impera Holdings S.A. constituting 25.46% of the Company's share capital.

The stabilization period ended on August 25, 2017. The over-allotment option was not exercised and the 11,052,056 shares lent to J.P. Morgan Securities plc, as stabilization manager, for the duration of the stabilization period, were redelivered to the selling shareholder. Hence, as of December 31, 2017, as the over-allotment option

was not exercised, the Company's share capital consisted of 253,708,444 shares issued, of which 27.65% were owned by Tollerton Investment Limited, 27.32% by Telco Holdings S.à r.l. and 45,02% by other shareholders.

16.2 Share premium

On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. (see Note 8.1) were redeemed against the Company's share premium resulting in the decrease of share premium in the amount of PLN 2,256,148 thousand.

On July 27, 2017, Play Holdings 1 S.à r.l. (the former shareholder of the Company) paid in cash additional share premium in the amount of PLN 171,184 thousand, which was used for repayment of the liabilities resulting from settlement of the cash-settled retention programs towards the members of the Management Board of P4.

17. Finance liabilities - debt

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term finance liabilities			
Long-term bank loans	5,975,570	-	-
Long-term notes liabilities	-	4,505,269	4,333,232
Long-term lease liabilities	762,214	669,635	663,386
Other debt	15,083	1,513	-
	6,752,867	**5,176,417**	**4,996,618**
Short-term finance liabilities			
Short-term bank loans	387,988	-	-
Short-term notes liabilities	-	102,941	99,234
Short-term lease liabilities	186,602	173,079	178,011
Other debt	11,365	1,130	-
	585,955	**277,150**	**277,245**
	7,338,822	**5,453,567**	**5,273,863**

17.1 Bank loans

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term bank loans			
SFA	5,975,570	-	
	5,975,570	-	-
Short-term bank loans			
SFA	387,988	-	
	387,988	-	-
	6,363,558	-	-

17.1.1 Senior Facilities Agreement (SFA)

On March 7, 2017 the Play Group entered into PLN 7,000,000 thousand Senior Facilities Agreement with a consortium of banks. The amount includes PLN 6,600,000 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 December 31, 2017.

The funds were used to repay EUR 5.25% Senior Security Notes due 2019, PLN Floating Rate Senior Security Notes due 2019 and EUR 6.5% Senior Notes due 2019 issued by the Group and to cover all costs related to repayment of the notes as well as to purchase A Series Notes issued by Impera Holdings S.A. on March 20, 2017 (see Note 8).

The loan drawn down under Facility A in the amount of PLN 2,443,000 thousand is repayable in semi-annual installments. The first two installments, each one in the amount of 8% of the total Facility A amount, are due in March 2018 and September 2018 respectively. Further installments, each of which will amount to 12% of the total Facility A amount, will be repaid semi-annually till March 2022. The loan drawn down under Facility B in the amount of PLN 2,732,000 thousand is repayable in full on September 20, 2022. The loan drawn down under Facility C in the amount of PLN 1,268,000 thousand is repayable in full on March 20, 2023.

Interest on each loan under SFA Agreement is calculated based on the 3M WIBOR rate plus margin and repayable in quarterly periods.

The loan is measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the loan are included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 81,039 thousand as at December 31, 2017. The effective interest rate was 4.56% for Facility A, 4.87% for Facility B and 5.37% for Facility C as at December 31, 2017.

The carrying amount of the bank loan approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate.

The Senior Facilities Agreement contains three financial covenants requiring Play to ensure that:

- senior secured leverage: the ratio of consolidated senior secured net debt (limited to borrowings ranking pari passu with the facilities under the Intercreditor Agreement) to consolidated EBITDA shall not exceed certain thresholds on each relevant quarter test date, the threshold starting from the level 4.25:1 and gradually decreasing to 3.75:1;
- total leverage: the ratio of consolidated total net debt to consolidated EBITDA shall not exceed certain thresholds on each relevant quarter test date, the threshold starting from the level 5.25:1 and gradually decreasing to 3.75:1;
- cashflow cover: the ratio of consolidated cashflow to net debt service shall not be less than 1.0 on each relevant quarter test date starting from 30 June 2017.

Additionally, in case of change of control there a certain procedure is launched. The SFA also lists certain permitted acquisition transactions. Any acquisition transactions outside the list require prior written consent of the majority lenders. The SFA also restricts the Group from making certain type of unusual payments at the same time allowing the Group to run normal operations under permitted payments definition.

17.1.2 Revolving Credit Facility

Historically, the Play Group had a multi-currency revolving facility with Alior Bank S.A. as a lender, and Bank Zachodni WBK S.A. as a lender and facility agent for the amount of PLN 400,000 thousand. The funds could be used to finance general corporate and working capital purposes of the Group (including the acquisition of telecommunications licenses or capital expenditure relating thereto, as well as other capital expenditure). The bank loan was to be repaid until January 31, 2018. Interest was calculated based on relevant LIBOR, EURIBOR or WIBOR rate (depending on the currency drawn and the interest period) plus margin. The agreement was terminated on March 20, 2017.

17.1.3 Bank Zachodni WBK loan

The Play Group has an overdraft agreement with Bank Zachodni WBK S.A. As at December 31, 2017 the available amount was PLN 150,000 thousand. On February 8, 2018 the agreement was amended: the available amount was reduced to PLN 100,000 thousand in order to reflect the good cash position of the Group and to optimize the cost of available financing. The funds can be used to finance working capital needs.

The facility in the amount of PLN 150,000 thousand is available until May 31, 2018. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2017, the overdraft line in Bank Zachodni WBK S.A. was fully available.

17.1.4 Millennium Bank loan

The Play Group has an overdraft agreement with Bank Millennium S.A. for the amount of PLN 50,000 thousand. The funds can be used to finance working capital needs.

The facility is available until November 12, 2018. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2017, the overdraft line in Bank Millennium S.A. was fully available.

17.2 Notes

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term notes liabilities			
EUR 5.25% Senior Secured Notes due 2019	-	2,631,938	2,525,394
PLN Floating Rate Senior Secured Notes due 2019	-	129,297	128,546
EUR 6.5% Senior Notes due 2019	-	1,183,033	1,135,512
2015 EUR 5.25% Senior Secured Notes due 2019	-	561,001	543,780
	-	4,505,269	4,333,232
Short-term notes liabilities			
Accrued interest related to notes	-	102,941	99,234
	-	102,941	99,234
	-	4,608,210	4,432,466

17.2.1 EUR 5.25% Senior Secured Notes due 2019

On January 31, 2014, the Group issued EUR 600,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes maturity date was on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes was calculated at the rate of 5.25% per annum and was payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 22,462 thousand as at December 31, 2016 and PLN 31,506 thousand as at December 31, 2015. The effective interest rate was 5.77% as at December 31, 2016 and December 31, 2015.

The carrying amount of the notes liability approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

17.2.2 PLN Floating Rate Senior Secured Notes due 2019

On January 31, 2014, the Group issued PLN 130,000 thousand in aggregate principal amount of Floating Rate Senior Secured Notes. The notes maturity date was on February 1, 2019. Interest on the Floating Rate Senior Secured Notes was calculated based on the 3M WIBOR rate plus margin and was payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2014.

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized

fees amounted to PLN 703 thousand as at December 31, 2016 and PLN 1,454 thousand as at December 31, 2015). The effective interest rate was 5.70% as at December 31, 2016 and 5.82% as at December 31, 2015).

The carrying amount of the notes liability approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

17.2.3 EUR 6.50% Senior Notes due 2019

On January 31, 2014, the Group issued EUR 270,000 thousand in aggregate principal amount of Senior Notes. The notes maturity date was on August 1, 2019. Interest on the Senior Notes was calculated at the rate of 6.50% per annum and was payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2014.

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 11,447 thousand as at December 31, 2016 and PLN 15,092 thousand as at December 31, 2015. The effective interest rate was 7.04% as at December 31, 2016 and December 31, 2015.

The carrying amount of the notes liability approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

17.2.4 EUR 5.25% Senior Secured Notes due 2019 issued in March 2015

On March 19, 2015, the Group issued EUR 125,000 thousand in aggregate principal amount of Fixed Rate Senior Secured Notes. The notes maturity date was on February 1, 2019. Interest on the Fixed Rate Senior Secured Notes was calculated at the rate of 5.25% per annum and was payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2015.

The notes liability was measured at amortized cost using the effective interest rate. Loan origination fees incurred in relation to the notes, adjusted by the value of premium, were included in the calculation of the effective interest rate. As a result of the purchase of notes at a premium the balance of unamortized fees was negative and amounted to PLN 8,001 thousand as at December 31, 2016 and PLN 11,091 as at December 31, 2015. The effective interest rate was 4.57% as at December 31, 2016 and December 31, 2015.

The carrying amount of the notes liability approximated its fair value. The discount rate for the fair value calculation approximated the effective interest rate.

The notes liability was fully repaid in March 2017, using proceeds from Senior Facilities Agreement. Unamortized loan origination fees were fully written-off.

17.3 Lease liabilities

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term lease liabilities			
Telecommunications sites	660,308	564,680	536,813
Points of sale	54,257	33,390	35,657
Dark fiber optic cable	6,322	10,581	16,475
Collocation centers	11,797	16,931	20,163
Offices and warehouse	22,173	29,813	33,967
IT equipment and telecommunications equipment	2,723	9,803	15,300
Motor vehicles	4,634	4,437	5,011
	762,214	**669,635**	**663,386**
Short-term lease liabilities			
Telecommunications sites	119,386	109,607	108,415
Points of sale	28,932	22,290	24,914
Dark fiber optic cable	7,484	9,162	9,992
Collocation centers	5,785	6,234	5,690
Offices and warehouse	10,705	4,766	7,617
IT equipment and telecommunications equipment	9,616	15,136	16,128
Motor vehicles	4,694	5,884	5,255
	186,602	**173,079**	**178,011**
	948,816	**842,714**	**841,397**

For future payments payable under leases which are in place at the reporting date, please see Note 2.27.4.

17.4 Changes in finance liabilities

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Bank loans			
As at January 1	-	-	-
Cash inflows	6,443,000	385,000	-
Interest accrued	265,101	7,647	3,706
Cash outflows: interest paid	(238,432)	(4,328)	-
Cash outflows: other payments	(106,111)	(3,319)	(3,706)
Cash outflows: repayment of principal	-	(385,000)	-
As at December 31	6,363,558	-	-
Notes			
As at January 1	**4,608,210**	**4,432,466**	**3,864,630**
Cash inflows	-	-	543,772
Interest accrued	157,457	267,372	244,643
Cash outflows: interest paid	(156,223)	(252,433)	(226,065)
Cash outflows: other payments	(78,689)	-	(8,792)
Effect of changes in foreign exchange rates	(104,961)	160,805	14,278
Cash outflows: repayment of principal	(4,425,794)	-	-
As at December 31	-	4,608,210	4,432,466
Finance lease			
As at January 1	**842,714**	**841,397**	**797,038**
New leases	263,512	156,200	166,049
Modifications or terminations of lease contracts	(16,865)	(26,535)	15,126
Interest accrued	62,411	60,656	61,066
Effect of changes in foreign exchange rates	(6,861)	3,713	520
Lease payments	(196,095)	(192,717)	(198,402)
As at December 31	948,816	842,714	841,397
Other debt			
As at January 1	**2,643**	-	-
New contracts	30,344	4,001	-
Interest accrued	368	13	-
Cash outflows: interest paid	(368)	(13)	-
Cash outflows: repayment of principal	(6,539)	(1,358)	-
As at December 31	26,448	2,643	-

Lines "Interest accrued" above represent interest calculated using the amortized cost method, i.e. including amortization of the loan origination fees.

Other payments relating to loans represent the loan origination fees incurred in relation with the Senior Facilities Agreement signed in March 2017 – please see also Note 17.1.1. Other payments relating to Notes represent the early redemption fees paid in relation to repayment of the Notes – please see also Note 17.2.

Apart from cash flows related to finance liabilities in the year ended December 31, 2017 the Group presents in cash flows from financing activities also cash outflows in the amount of PLN 2,227,933 thousands relating to purchase of notes issued by Impera Holdings S.A. in March 2017 (see Note 8). The purpose of the notes was to facilitate the repayment by Impera Holdings S.A. of the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due

2020 issued on August 6, 2014, proceeds of which had been previously used to finance distribution of share premium to Impera Holdings S.A. shareholders.

17.5 Assets pledged as security for finance liabilities

Until June 16, 2017 the Senior Facilities were secured by pledge over the shares in Play Communications S.A. established by Play Holdings 1 S.à r.l. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee. On June 16, 2017 the pledge over the shares was released by virtue of a release agreement executed in connection with the amendment agreement to the Senior Facilities Agreement.

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 Bank Zachodni WBK 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 Bank Zachodni WBK 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 Bank Zachodni WBK S.A. as pledgee;
- pledges over bank accounts established by Play Communications S.A. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- financial pledges over bank accounts established by P4 sp. z o.o. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- financial pledges over bank accounts established by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k as pledgor in favor of Bank Zachodni WBK 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 Bank Zachodni WBK 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 Bank Zachodni WBK 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 Bank Zachodni WBK S. A. as pledgee;
- assignment relating to intra-group receivables executed by P4 sp. z o.o. as assignor in favor of Bank Zachodni WBK S.A. as assignee;
- assignment relating to intra-group receivables executed by Play Communications S.A. as assignor in favor of Bank Zachodni WBK S.A. as assignee;
- assignment relating to intra-group receivables executed by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. as assignor in favor of Bank Zachodni WBK 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 Bank Zachodni WBK S.A.

18. Provisions

	December 31, 2017	December 31, 2016	December 31, 2015
Assets retirement provision	49,985	38,902	38,255
Other long-term provisions	8,350	8,618	8,217
Short-term provisions	78	1,006	996
	58,413	48,526	47,468

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2017	**38,902**	**8,618**	**1,006**	**48,526**
Increase	11,512	315	15	**11,842**
Decrease:	(429)	(583)	(943)	**(1,955)**
- reversal of provisions	(429)	(220)	(162)	**(811)**
- utilization	-	(363)	(781)	**(1,144)**
As at December 31, 2017	**49,985**	**8,350**	**78**	**58,413**

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2016	**38,255**	**8,217**	**996**	**47,468**
Increase	1,021	592	20,443	**22,056**
Decrease:	(374)	(191)	(20,433)	**(20,998)**
- reversal of provisions	(374)	(191)	-	**(565)**
- utilization	-	-	(20,433)	**(20,433)**
As at December 31, 2016	**38,902**	**8,618**	**1,006**	**48,526**

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2015	**31,640**	**21,883**	**1,653**	**55,176**
Increase	7,129	602	47	**7,778**
Decrease:	(514)	(14,268)	**(704)**	**(15,486)**
- reversal of provisions	(514)	(10,848)	-	**(11,362)**
- utilization	-	(3,420)	(704)	**(4,124)**
As at December 31, 2015	**38,255**	**8,217**	**996**	**47,468**

19. Retention programs

19.1 Cash-settled retention programs

During the year ended December 31, 2017 and during the comparative periods, the Play Group operated following cash-settled share-based retention programs, which were settled in the year ended December 31, 2017 or earlier:

- EGA MB Plan
- PSA 1, PSA 2 and PSA 3 Plans
- SF 1 and SF 2 Plans
- EGA Employees Plan
- VDP 2 Plan

The Play Group operated also a cash-settled retention program "VDP 3" which ended on December 31, 2017 and will be finally settled in 2018 – please see below.

EGA MB Plan

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2006 and 2007. During year 2014 the plan operated by P4 was replaced by the plan with the same conditions operated by the Company. The percentage granted under the plan was transformed into number of rights. In accordance with the conditions of the EGA MB Plan upon disposal of shares by the shareholders

(a liquidity event), including the following transactions: sale of shares, initial public offering, cancellation or redemption of shares, at or above a minimum required liquidity event price, program members were entitled to receive amounts calculated as number of rights multiplied by the value of one right which was dependent on liquidity event price corrected by excess equity contributions, if they have not resigned or been dismissed by the Group during the vesting period. In case of the distribution of equity to shareholders program members were entitled to receive additional payments. The number of rights granted under the plan was 2,181 as at December 31, 2016 and as at December 31, 2015. The fair value of share appreciation rights was estimated using a geometric Brownian motion process (a Monte Carlo model).

The EGA MB Plan was settled in cash upon the IPO in the year ended December 31, 2017.

PSA 1, PSA 2 and PSA 3 Plans

Under the PSA 1 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2009. Under the PSA 2 and PSA 3 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. During year 2014 the plans operated by P4 were replaced by one plan operated by the Company and modified; the percentage granted under the plans was transformed into number of rights. In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members were entitled to receive amounts calculated as number of rights multiplied by the value of one right which was dependent on the excess of liquidity event price above base value defined in the agreement, if they have not resigned or been dismissed by the Group during the vesting period. The number of rights granted under the plan was 2,181 as at December 31, 2016 and as at December 31, 2015. In accordance with the conditions of the PSA 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members were entitled to receive amounts calculated as number of rights multiplied by the value of one right which was dependent on the excess of liquidity event price above base value defined in the agreement less amount paid under PSA 3 Plan. The amount paid under PSA 2 Plan could not be greater than the limit set in agreement. The number of rights granted under the plan was 727 as at December 31, 2016 and as at December 31, 2015. In accordance with the conditions of the PSA 3 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members were entitled to receive amounts defined in the agreement. In case of the distribution of equity to shareholders program members were entitled to receive interim payments. The fair value of share appreciation rights of PSA 1, PSA 2 and PSA 3 Plans was estimated using a geometric Brownian motion process (a Black-Scholes model).

The agreement relating to one member of PSA 1, PSA 2 and PSA 3 Plans was transformed into EGA MB Plan in the year ended December 31, 2017 before the IPO.

The PSA 1, PSA 2 and PSA 3 Plans were settled in cash upon the IPO in the year ended December 31, 2017.

SF 1 and SF 2 Plans

Under the SF 1 and SF2 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. During year 2015 the plans operated by P4 were replaced by plans operated by the Company and modified. In accordance with the conditions of the SF 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program member was entitled to receive amount defined in agreement. In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member was entitled to receive amount calculated as granted percentage of the excess of liquidity event price above base value defined in the agreement less amount paid under SF 1 Plan. The amount paid from SF 2 Plan could not be greater than the limit set in agreement. Percentage granted under the plan was 0.20% as at December 31, 2016 and as at December 31, 2015. In case of the distribution of equity to shareholders program member was entitled to receive interim payments. The fair value of share appreciation rights of SF 1 and SF 2 Plans was estimated using a geometric Brownian motion process (a Black-Scholes model).

The agreements relating to SF 1 and SF 2 Plans were terminated in March 2017. The member of the program received a payout based on the agreed liquidity option.

The total cost recognized in the general and administrative expenses in relation to the P4's Management Board cash-settled retention programs in the year ended December 31, 2017 amounted to PLN 226,002 thousand.

EGA Employees Plan

Under the EGA Employees Plan the members of the Group's Key Personnel were granted share appreciation rights by P4 during years 2007 and 2008. In April 2014 the program was modified: the percentage granted under the plan was transformed into rights to remuneration dependent on the Group's performance in 2014, rights to remuneration dependent on the Group's performance in 2016 and share appreciation rights. In accordance with the conditions of the EGA Employees Plan, upon the disposal of shares by the current shareholders (a liquidity event) before June 30, 2016, at or above a minimum required liquidity event price, program members would be entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions. As there was no change of control over P4 until June 30, 2016, program members were entitled to remuneration dependent on the Group's performance in 2014 and 2016. The rights to remuneration dependent on the Group's performance in 2014 have been exercised in the year ended December 31, 2014. The rights to remuneration dependent on the Group's performance in 2016 have been exercised in the year ended December 31, 2016. The plan was settled in cash. The number of rights granted to the Group's Key Personnel under the plan was 27 as at December 31, 2015. Historically the fair value of share appreciation rights was estimated using a geometric Brownian motion process (a Monte Carlo model).

VDP 2 Plan

Under the VDP 2 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2013 and 2014. In accordance with the conditions of the VDP 2, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right was calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2014. Therefore value of one right was calculated taking into account the increase in fair value of P4's equity until December 31, 2014. Amounts due under VDP 2 plan were paid out to program members in the year ended December 31, 2015.

VDP 3 Plan

Under the VDP 3 the members of the Group's key personnel were granted share appreciation rights by P4 in June 2015, August 2015 and September 2016. In accordance with the conditions of the VDP 3, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right was calculated in reference to the increase in fair value of Group's equity until the date of change of control over the Group (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2017. In the light of the provisions of the program, IPO did not qualify as a change of control. Due to the fact that there was no change of control before December 31, 2017, the value of the payouts from VDP 3 is calculated based on level of achievement of certain key performance indicators by the Group in the years 2015-2017 and the fair value of the liabilities relating to the VDP 3 was estimated accordingly, taking into account the interim payments exercised in prior periods. Historically, the fair value of share appreciation rights was estimated using a geometric Brownian motion process (a Black-Scholes model).

19.2 Equity-settled retention programs

Upon the IPO, on July 27, 2017, the members of the Management Board of P4 and key employees have entered into new equity-settled Performance Incentive Plan ("PIP") and Value Development Plan 4 ("VDP4") respectively.

Under the PIP the members of the Management Board of P4 purchased on the IPO date (July 27, 2017) 3,170,119 shares of the Company ("Original Shares") for which they paid cash at IPO price (36 PLN per share).

Under the VDP4 on the IPO date the members of the scheme received the shares of the Company ("Original Shares") without consideration.

On the first to fifth anniversaries of the IPO date the members of PIP and VDP4 schemes will receive Award Shares, provided that:

a) they remain an employee of the Group at the respective IPO anniversary (and no notice being given in respect of the termination of their employment);
b) they continue to hold Original Shares; and
c) certain performance measures, as specified in the programs, are met in whole or in part.

The members of the schemes will receive Award Shares with maximum number: of 0.10, 0.15, 0.20, 0.25 and 0.30 Award Shares per Original Share held by or on behalf of a member respectively on the first, second, third, fourth and fifth anniversary of the IPO Date.

The exact number of Award Shares will depend on the performance measures, i.e. the value of the Company's shares in comparison to other companies among WIG20 index and the set group of companies (comprising selected European telecommunications companies), measured with the total shareholders reward (in relation to a company, the change of such company's market capitalization over the relevant performance period, plus any dividends or any other cash payments to the company's shareholders, other than in respect of services provided, expressed as a percentage of the opening value at the start of the relevant performance period). 50% of the multiple will depend on WIG20 percentage and the other 50% of the multiple will depend on set companies percentage.

There are certain lock-up arrangements on Original Shares and on Award Shares. The percentage of Original Shares subject to lock-up is 100%, 80% and 40% in the periods commencing on the IPO date and ending on respectively the first, second and third IPO anniversary. The percentage of Award Shares subject to lock-up is 100% and 50% in the periods commencing on the date of issuance of the Award Shares and ending on respectively the first and second anniversary of the date of issuance of the Award Shares.

19.3 Additional information

Number and movements of VDP 3 and VDP 2 share appreciation rights

The following table illustrates the number of, and movements in VDP 3 and VDP 2 share appreciation rights (not in thousands) during the periods:

	Year ended December 31, 2017	**Year ended December 31, 2016**	**Year ended December 31, 2015**	
	VDP Plan 3	VDP Plan 3	VDP Plan 2	VDP Plan 3
As at January 1	**19,707,094**	**20,443,338**	**12,085,617**	-
Granted during the period	-	228,334	-	20,490,000
Granted in prior periods (correction)	-	-	70,601	-
Forfeited during the period	(38,328)	(964,578)	-	(46,662)
Exercised during the period	-	-	(12,156,218)	-
As at December 31	**19,668,766**	**19,707,094**	-	**20,443,338**
Exercisable at December 31	19,668,766	-	-	-

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.

	Long-term cash-settled retention programs liabilities	Short-term cash-settled retention programs liabilities	Other reserves - effect of valuation of equity-settled retention programs
As at January 1, 2017	**150,064**	**17,740**	-
Granted during the period	-	-	19,380
Exercised during the period	-	(381,587)	-
Changes in valuation during the period	231,526	-	8,730
Transferred during the period	(381,590)	381,590	-
As at December 31, 2017	-	**17,743**	**28,110**
Vested at December 31, 2017	-	17,743	-

The amounts exercised during the year ended December 31, 2017 comprise the interim payments exercised under EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans in March 2017 and April 2017, amounts paid under SF 1 and SF 2 Plans in March 2017, advance payments under VDP 3 in June 2017 and final settlement of the liabilities resulting from EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans upon the IPO.

	Long-term cash-settled retention programs liabilities	Short-term cash-settled retention programs liabilities
As at January 1, 2016	**163,040**	**22,294**
Exercised during the period	-	(24,701)
Changes in valuation during the period	7,171	-
Transferred during the period	(20,147)	20,147
As at December 31, 2016	**150,064**	**17,740**
Vested at December 31, 2016	132,721	10,806

	Long-term cash-settled retention programs liabilities	Short-term cash-settled retention programs liabilities
As at January 1, 2015	**95,702**	**14,129**
Granted in prior periods (correction)	-	84
Exercised during the period	-	(18,009)
Changes in valuation during the period	93,175	253
Transferred during the period	(25,837)	25,837
As at December 31, 2015	**163,040**	**22,294**
Vested at December 31, 2015	145,390	10,670

20. Trade and other payables

	December 31, 2017	December 31, 2016	December 31, 2015
Trade payables	812,761	761,621	670,060
Investment payables	190,478	320,617	194,600
Government payables	97,218	89,991	109,613
Employee payables	107	104	35
Other	5,964	5,248	2,641
	1,106,528	1,177,581	976,949

21. Accruals

Accruals include accruals for employee bonuses and unused holidays.

22. Deferred income

	December 31, 2017	December 31, 2016	December 31, 2015
Prepaid services	92,257	78,482	73,345
Contract services	138,327	138,923	143,700
Other	627	-	-
	231,211	217,405	217,045

23. Operating revenue

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

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Service revenue	**4,878,228**	**4,492,818**	**4,059,534**
Usage revenue	3,645,807	3,432,026	3,180,086
Interconnection revenue	1,232,421	1,060,792	879,448
Sales of goods and other revenue	**1,791,631**	**1,624,740**	**1,376,969**
	6,669,859	**6,117,558**	**5,436,503**

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Usage revenue by category			
Retail contract revenue	2,875,570	2,679,081	2,459,003
Retail prepaid revenue	618,996	639,991	642,894
Other revenue	151,241	112,954	78,189
	3,645,807	**3,432,026**	**3,180,086**

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.

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	92,546	84,001	74,710

The amounts represent service revenues recognized in the reporting periods for which the customers had paid in advance before the beginning of the reporting period.

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

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

	December 31, 2017	December 31, 2016	December 31, 2015
Transaction price allocated to the remaining performance obligation to be satisfied within:			
1 year	1,720,012	1,512,888	1,536,445
later than 1 year and not later than 2 years	684,130	460,961	321,201
later than 2 years and not later than 3 years	69,784	77,923	8,154
later than 3 years	145	99	-
	2,474,070	2,051,871	1,865,800

24. Interconnection, roaming and other service costs

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Interconnection costs	(1,291,446)	(1,154,265)	(1,002,357)
National roaming/network sharing	(192,344)	(176,255)	(160,045)
Other services costs	(245,716)	(165,311)	(168,221)
	(1,729,506)	**(1,495,831)**	**(1,330,623)**

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 content providers in transactions in which the Group acts as a principal.

25. Contract costs, net

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Contract costs incurred	(439,464)	(439,649)	(429,099)
Contract costs capitalized	414,155	421,951	395,403
Amortization and impairment of contract costs	(403,834)	(381,214)	(342,573)
	(429,143)	**(398,912)**	**(376,269)**

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

26. General and administrative expenses

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Employee benefits	**(525,565)**	**(227,476)**	**(307,699)**
Salaries	(213,095)	(194,237)	(189,188)
Social security	(29,612)	(26,067)	(25,387)
Special bonuses	(23,223)	-	388
Retention programs, including:	(259,635)	(7,172)	(93,512)
- equity settled	*(28,110)*	-	-
External services	**(606,301)**	**(567,041)**	**(525,524)**
Network maintenance, leased lines and energy	(131,078)	(119,443)	(111,642)
Advertising and promotion expenses	(169,347)	(198,068)	(181,011)
Customer relations costs	(70,337)	(65,702)	(66,573)
Office and points of sale maintenance	(16,091)	(15,736)	(15,940)
IT expenses	(28,334)	(29,509)	(30,088)
People related costs	(20,631)	(18,925)	(19,169)
Finance and legal services	(55,181)	(19,902)	(18,532)
Management fees	(48,606)	(35,898)	(27,677)
Other external services	(66,696)	(63,858)	(54,892)
Taxes and fees	**(80,470)**	**(64,021)**	**(54,462)**
	(1,212,336)	**(858,538)**	**(887,685)**

The increase in costs of special bonuses and retention programs resulted from the settlement of the Management Board retention plans triggered by the IPO. The increase in costs of finance and legal services was mainly caused by expenses related to the IPO. The increase in management fees (see also Note 36) was mainly due to additional services provided in connection with the IPO process.

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. During the year ended December 31, 2017, the year ended December 31, 2016 and the year ended December 31, 2015, the rate of social security contributions amounted to 9.76% of gross salaries for the employees in Poland and 8% of gross salaries for the employees in Luxembourg. The Group is not required to make any contributions in excess of this statutory rate.

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

27. Depreciation and amortization

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Depreciation and amortization			
Depreciation of property, plant and equipment	(288,168)	(209,074)	(277,323)
Amortization of intangibles	(361,060)	(277,102)	(169,169)
Depreciation of right-of-use assets	(148,028)	(147,907)	(150,768)
	(797,256)	**(634,083)**	**(597,260)**

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

28. Other operating income and other operating costs

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Other operating income			
Income from early contract termination	14,249	30,969	30,255
Gain on disposal of non-current assets	5,351	8,796	3,900
Reversal of bad debt provision	20,960	-	-
Reversal of provisions	382	-	10,706
Exchange rate gains	7,835	-	-
Income from subleasing of right-of-use assets	11,426	8,661	8,567
Interest income on trade receivables and cash	9,842	8,216	14,918
Other miscellaneous operating income	39,733	14,020	10,142
	109,778	**70,662**	**78,488**
Other operating costs			
Impairment of contract assets	(75,889)	(49,202)	(51,394)
Impairment of non-current assets	(5,586)	(6,275)	(1,664)
Bad debt provision	-	(53,325)	(14,171)
Exchange rate losses	-	(4,619)	(2,368)
Other miscellaneous operating costs	(13,220)	(31,028)	(6,483)
	(94,695)	**(144,449)**	**(76,080)**

The lines "Reversal of bad debt provision" and "Bad debt provision" represent the movement of the provision for impairment of receivables as well as net result of sales of overdue receivables to collecting agencies. In the year ended December 31, 2017, using the favorable market circumstances, the Group accelerated the sales of substantial volume of overdue receivables, which resulted in net income recognized in the "Reversal of bad debt" line.

29. Finance income and finance costs

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Finance income			
Interest income	114,358	19,926	7,576
Net gain on finance instruments at fair value	-	115,027	-
Exchange rate gains	64,492	-	-
	178,850	134,953	7,576
Finance costs			
Interest expense, including:	(486,810)	(336,796)	(310,319)
- on lease liabilities	*(62,411)*	*(60,656)*	*(61,066)*
Net loss on finance instruments at fair value	(169,613)	-	(38,392)
- early redemption options	*(134,246)*	-	*(38,392)*
- hedging instruments at fair value through profit or loss	*(32,646)*	-	-
- loss relating to ineffective portion of hedging instruments at fair value through other comprehensive income	*(2,721)*	-	-
Exchange rate losses	-	(162,300)	(19,267)
	(656,423)	(499,096)	(367,978)

The increase in interest expense resulted mainly from redemption costs in the amount of PLN 78,689 thousand related to repayment of Senior Secured Notes and Senior Notes liabilities in March 2017. Please see Note 17.

The increase in interest income resulted mainly from early redemption fee as well as one-off recognition of income from unamortized loan origination fees in the total amount of PLN 67,756 thousand in relation to early redemption of the notes issued by Impera Holdings S.A. in July 2017. Please see Note 8.

The loss on finance assets at fair value in the year ended December 31, 2017 resulted mainly from the de-recognition of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture (please see also Note 10) as a result of the repayment of the Notes, as well as losses on derivatives used to hedge the currency risk related to repayment of the EUR-denominated Notes (please see also Note 2.27.1).

30. Taxation

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Current tax benefit/(charge)	9,269	(164,142)	(57,808)
Deferred tax charge	(251,233)	(49,978)	(97,365)
Income tax charge	**(241,964)**	**(214,120)**	**(155,173)**

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

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Profit before income tax	**629,310**	**926,108**	**705,451**
Tax calculated at the prevailing tax rate applicable to profit (19%)	(119,569)	(175,961)	(134,036)
Effect of difference between tax rates in Luxembourg and in Poland	16,085	(13,002)	2,101
Expenses not subject to tax	(65,581)	(25,097)	(25,052)
Income not subject to tax	65,913	42,010	11,358
Previous years tax income included in current year accounting profit	1,782	-	315
Adjustments relating to previous tax years	11,617	(27,491)	(13,764)
Change in unrecognized deferred tax asset arising from tax losses	(89,329)	(882)	4,896
Taxable costs not included in accounting profit	-	-	8,136
Taxable income not included in accounting profit	(904)	(13,728)	(9,062)
Effect of changes in tax regulations	(61,927)	-	-
Other	(51)	31	(65)
Income tax charge	**(241,964)**	**(214,120)**	**(155,173)**

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%-27.08% as at December 31, 2017 and December 31, 2016 and 29.22% as at December 31, 2015.

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland. As at December 31, 2017 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

The line "Effect of changes in tax regulations" relates to implementation of recent changes of Polish income tax law which since January 1, 2018 does not allow to account for depreciation charges of trademarks as tax costs. In the year ended December 31, 2017 the Group recorded a write-off of the deferred income tax asset in the amount of PLN 61,927 thousand recognized in prior periods in relation to tax depreciation of trademarks expected at that time.

Deferred income tax

	December 31, 2017	December 31, 2016	December 31, 2015
Base for deferred income tax calculation:			
net deductible temporary differences	(685,416)	705,167	906,564
carry-forwards of unused tax losses	435,154	10,861	69,305
	(250,262)	**716,028**	**975,869**
Potential deferred income tax net asset/(liability) arising from:			
net deductible temporary differences	(130,294)	133,894	172,235
carry-forwards of unused tax losses	104,623	3,045	13,863
	(25,671)	**136,939**	**186,098**
Recognized deferred income tax assets	-	134,446	184,146
Recognized deferred income tax liability	(117,101)	(314)	(36)
Not recognized deferred income tax assets	91,430	2,807	1,988

The deferred income tax calculation is based upon an assessment of the probability that future taxable profit will be available against which temporary differences and the unused tax losses can be utilized. The estimation is based upon the budget for the year 2018 and long term financial projections. As at December 31, 2017 and December 31, 2016 and December 31, 2015 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

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

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

The deferred tax assets and liabilities consist of the following:

Deferred tax assets

	Carry-forward of unused tax losses	Provisions and deferred income	Contract liabilities	Fixed and intangible assets	Inventories	Liabilities	Other items	Total
As at January 1, 2015	**47,846**	**60,781**	**14,714**	**281,078**	**10,781**	**235,182**	**1,718**	**652,100**
credited / (charged) to the income statement	(35,971)	(26,888)	2,364	(6,718)	(2,257)	38,419	(1,538)	(32,589)
As at December 31, 2015	**11,875**	**33,893**	**17,078**	**274,360**	**8,524**	**273,601**	**180**	**619,511**
credited / (charged) to the income statement	(11,637)	(8,454)	1,870	(84,586)	(8,524)	47,260	(142)	(64,213)
As at December 31, 2016	**238**	**25,439**	**18,948**	**189,774**	-	**320,861**	**38**	**555,298**
credited / (charged) to the income statement	12,955	3,472	(2,426)	(88,995)	-	(69,444)	50	(144,388)
As at December 31, 2017	**13,193**	**28,911**	**16,522**	**100,779**	**-**	**251,417**	**88**	**410,910**

Deferred tax liabilities

	Fixed and intangible assets	Right-of-use assets	Contract costs	Prepaid expenses	Contract assets	Receivables	Inventories	Liabilities	Other items	Total
As at January 1, 2015	**(9,391)**	**(121,233)**	**(48,852)**	**(1,639)**	**(168,338)**	**(4,611)**	**(3,610)**	**(11,811)**	**(1,140)**	**(370,625)**
credited / (charged) to the income statement	(1,799)	(8,459)	(10,037)	293	(21,829)	(27,830)	(4,256)	9,812	(671)	(64,776)
As at December 31, 2015	**(11,190)**	**(129,692)**	**(58,889)**	**(1,346)**	**(190,167)**	**(32,441)**	**(7,866)**	**(1,999)**	**(1,811)**	**(435,401)**
credited / (charged) to the income statement	(422)	(883)	(7,740)	3	589	17,751	7,497	(102)	(2,458)	14,235
As at December 31, 2016	**(11,612)**	**(130,575)**	**(66,629)**	**(1,343)**	**(189,578)**	**(14,690)**	**(369)**	**(2,101)**	**(4,269)**	**(421,166)**
credited / (charged) to the income statement	2,760	(22,240)	(1,961)	(84)	(70,135)	(16,757)	(1,184)	(509)	3,265	(106,845)
As at December 31, 2017	**(8,852)**	**(152,815)**	**(68,590)**	**(1,427)**	**(259,713)**	**(31,447)**	**(1,553)**	**(2,610)**	**(1,004)**	**(528,011)**

31. Earnings per share

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

Diluted earnings per share are calculated by dividing the period's profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted by the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares are shares which will potentially be issued under the PIP and VDP4 retention programs as Award shares – please see Note 19. As at December 31, 2017 the number of potential PIP and VDP4 Award shares, estimated based on historical performance of the Company's shares in comparison to peer companies for the period from the IPO date to December 31, 2017, amounts to nil.

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Net profit	387,346	711,988	550,278
Weighted average number of shares (in thousands)			
Beginning of period	250,538	250,538	250,538
- issue of initial shares	*250,000*	*250,000*	*250,000*
- VDP4 shares issued without consideration	*538*	*538*	*538*
Issue of PIP shares	1,367	-	-
Weighted average number of shares (basic equals diluted)	**251,906**	**250,538**	**250,538**
Earnings per share (in PLN) (basic equals diluted)	1.54	2.84	2.20

32. Cash and cash equivalents presented in statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts. Restricted cash and interest accrued on cash is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

	December 31, 2017	December 31, 2016	December 31, 2015
Cash and cash equivalents in statement of financial position	628,725	340,994	1,556,801
Interest accrued on cash	(217)	-	-
Cash and cash equivalents in statement of cash flows	**628,508**	**340,994**	**1,556,801**

33. Changes in working capital and other presented in statement of cash flows

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
(Increase)/decrease of inventories	(9,593)	62,524	(17,274)
(Increase)/decrease of receivables	162,786	(389,430)	(160,693)
(Increase)/decrease of prepaid expenses	(2,291)	6,532	(7,130)
Increase/(decrease) of payables excluding investment payables	33,842	98,538	94,173
Increase/(decrease) of accruals	5,090	(14,110)	7,313
Increase/(decrease) of deferred income	13,807	360	44,005
(Increase)/decrease of long-term receivables	(1,671)	(1,030)	3,202
Increase/(decrease) of other non-current liabilities	(748)	(506)	(1,351)
	201,222	(237,122)	(37,755)

34. Commitments

34.1 2100 MHz and 900 MHz license requirements

As of the date of issuance of these consolidated financial statements, the Group believes to have met the coverage obligations imposed in the frequency reservation decisions relating to 2100 MHz and 900 MHz spectrums. The Group is not aware of any circumstances which may currently give rise to a potential claim in this respect.

34.2 1800 MHz license requirements

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

34.3 800 MHz license requirements

The 800 MHz frequency reservation decision granted to the Group on January 25, 2016 and replaced by decision granted to the Group on June 23, 2016 outlines a set of regulatory requirements towards the Group. These pertain mainly to realization of investment in telecommunications network covering 84% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunications network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, the Group had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation.

34.4 2600 MHz license requirements

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

35. Contingencies and legal proceedings

35.1 Tax contingent liabilities

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

Currently, there are two ongoing tax audits in the Group being conducted with respect to corporate income tax settlements of P4 for the financial year ended December 31, 2013 (initiated in 2016) and for the financial year ended December 31, 2012 (initiated in 2017). The Group has been informed that the 2013 audit should be completed by April 3, 2018, whereas the 2012 audit should finish by March 26, 2018, please note that these deadlines are likely to be further extended (this is a common practice of the Polish tax authorities). The tax authorities investigate in particular: (i) intra-group transitions and settlements, with special emphasis on the settlements between P4 and former subsidiary, subsequently merged with P4, Play Brand Management Limited and (ii) trademarks-related settlements. Moreover, the tax authorities have requested documents concerning different types of related party transactions (e.g., transfer pricing documentation, fee calculations, and other similar documentation). So far, no formal or informal findings have been communicated or notified to the Group. We cannot exclude the risk that the tax authorities will apply a different approach from the one adopted by the Group.

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

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

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

35.2 Universal service liability to Orange Polska S.A.

The Telecommunications Law states that the obligation to provide universal services shall rest with the operator selected pursuant to a decision of the President of Polish regulator Urząd Komunikacji Elektronicznej ("UKE") issued after a tender procedure. The President of UKE issued a decision assigning Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) as the operator required to provide universal services until May 8, 2011. Telecommunications providers whose revenues from telecom activities exceed PLN 4,000 thousand have to co-finance the fulfillment of this obligation. The share in the funding that a telecommunications provider will be required to provide shall also be established by a decision of the President of UKE; however, it may not exceed 1% of the telecommunications provider's revenues in the given calendar year, and must be proportionate to its market share vis a vis other entities obliged to co-fund the universal service. The amount of the share in the funding of the universal service shall constitute a deductible cost, as defined by the Act on Corporate Income Tax.

On May 9, 2011, the decision of the President of UKE imposing a universal service obligation on Orange Polska S.A. expired, and since then Orange Polska S.A. is not required to provide this service. The President of UKE for the moment has not initiated a procedure for the designation of the entrepreneur or entrepreneurs required to provide universal service.

Orange Polska S.A. applied to the President of UKE for a subsidy towards the incurred costs of the universal service provision. The application pertains to the subsidy towards the costs for the period from May 8, 2006 to December 31, 2006 and for the years 2007-2009, 2010, 2011 (from January 1, 2011 to May 8, 2011).

On May 24, 2011 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 66,994 thousand (the total amount requested by Orange Polska S.A. was PLN 803,653 thousand). On January 10, 2012 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of PLN 55,102 thousand (the amount requested by Orange Polska S.A. was PLN 269,436 thousand). On September 17, 2013 the President of UKE issued a decision that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period from January to May 2011 in the amount of PLN 14,903 thousand (the amount requested by Orange Polska S.A. was PLN 33,839 thousand).

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008 - on November 30, 2011, for the year 2009 - on December 9, 2011, for the year 2010 – on May 22, 2012, for the year 2011 – on October 14, 2013. In December 2016 and on January 18, 2017 and on February 2, 2017, the President of UKE issued Decisions setting the list of operators and the level of their contribution to the universal service for the years 2007, 2008, 2009 and 2010. On March 30, 2017, the President of UKE issued the decision determining the exact amount of Play Group's contribution for 2007, which was PLN 6 thousand. On April 14, 2017 the President of UKE issued Decision in the proceedings of a request for reconsideration of a case and setting the list of operators and the level of their contribution to the universal service for the year 2008. On May 25, 2017, the President of UKE commenced the proceedings to determine the exact amount of Play Group's contribution for the year 2008. On June 22, 2017 the President of UKE issued Decision setting the list of operators and the level of their contribution to the universal service for the year 2011. On June 27, 2017 the President of UKE issued Decision in the proceedings of a request for reconsideration of a case and setting the list of operators and the level of their contribution to the universal service for the year 2009. On June 29, 2017 the President of UKE issued Decision in the proceedings of a request for reconsideration of a case and setting the list of operators and the level of their contribution to the universal service for the year 2010. On September 14, 2017, the President of UKE commenced the proceedings to determine the exact amount of Play Group's contribution for the year 2009. On September 20, 2017, the President of UKE issued the decision determining the exact amount of Play Group's contribution for 2008, which was PLN 33 thousand. On October 23, 2017, the President of UKE commenced the proceedings to determine the exact amount of Play Group's contribution for the year 2010. On January 16, 2018, the President of UKE issued the decision determining the exact amount of Play Group's contribution for 2009, which was PLN 1,902 thousand. On February 6, 2018, the President of UKE issued the decision determining the exact amount of Play Group's contribution for 2010, which was PLN 2,450 thousand. Decision relating to Play Group's contribution to universal service for the year 2011 is expected in the second quarter of 2018. The Play Group has created a provision in the consolidated financial statements for P4's share in the universal service contributions based on the UKE decisions and on estimates prepared for the year 2011.

35.3 Legal and regulatory proceedings

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

In July 2013 Sferia S.A., Polkomtel Sp. z o.o. and Emitel S.A. applied for reconsideration of the three decisions on reservation of 1800 MHz frequencies for P4. Sferia, Polkomtel and Emitel demand, inter alia, the cancelation of the three decisions and suspension of this proceeding until the proceeding regarding the annulment of the 1800 tender is finalized. UKE President in its decisions of October 30, 2015 upheld the 3 decisions on reservation for P4 of the frequencies in the 1800 MHz spectrum. UKE President's decisions were appealed against at the lower administrative court by Polkomtel. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel's motion to withhold the enforceability of the decisions and requested the court to dismiss the motion. In three of the proceedings the court refused to withhold the enforceability of the three P4's decisions. In July 2016, we filed our answers to the Polkomtel's appeals against the reservation decisions and requested the court to dismiss the appeals in the whole. The Voivodship Administrative Court in judgments of August 25, 2016 and August 30, 2016 dismissed Polkomtel's complaints against three decisions. The judgements were appealed against at the Supreme Administrative Court by Polkomtel. The Group assesses the risk of the outcome that would be unfavorable for the Group as low.

President of the Office of Competition and Consumer Protection (UOKiK) in its decision of November 23, 2011 imposed a fine of PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info-TV-FM's wholesale offer and agreeing public questioning the said offer. District Court in Warsaw in its judgment of June 19, 2015 repealed UOKiK's decision. Therefore the provision for potential penalty resulting from the proceeding has been released in the year ended December 31, 2015. On March 15, 2017 the Appeal Court dismissed the appeal of UOKiK and confirmed that there wasn't any anti-competitive arrangement/collusion between Plus, Orange, T-Mobile and P4. President of UOKiK filed a cassation against the judgment, the Supreme Court hasn't decided on its admissibility yet. The Group assesses the risk of the unfavorable change of judgement of District Court in Warsaw as low.

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

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

against at the Supreme Administrative Court by Polkomtel and T-Mobile. It is difficult to assess the legal risk at this stage.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. The Group has recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are probable to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. For the total amount of provisions, including the provisions for pending legal cases, please see Note 18.

36. Related party transactions

	December 31, 2017	December 31, 2016	December 31, 2015
Loans given	-	18,634	-
Long-term receivables - debt securities	-	322,641	153,441
Trade receivables	8,743	59	286
Other long-term receivables	-	25	-
Trade and other payables	35,176	4,928	1,678

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Other revenue	372	-	-
Management fees	(48,606)	(35,898)	(27,677)
General and administrative expenses	(70)	(118)	-
Other operating income	3,368	390	239
Recharge of operating costs	8,398	45	100
Interest income	113,663	19,845	7,242

Costs of management fees for the years ended December 31, 2016 and December 31, 2015 comprised: costs in relation to regular advisory services agreements entered into by the Group with Novator Partners LLP and Olympia Development S.A. (entities related via former sole shareholder - Play Holdings 1 S. à r. l.), and for the year ended December 31, 2017: costs in relation to regular advisory services agreements entered into by the Group with Novator Partners LLP and Tollerton Investments Limited (owner of 27.65% shares in the Company as of December 31, 2017) as well as costs resulting from additional advisory services related to the initial public offering of the Company rendered by Novator Partners LLP and Tollerton Investments Limited. The additional IPO advisory services agreement with Novator Partners LLP and Tollerton Investments Limited is still in place but will not generate more costs for the Group except for potential foreign exchange differences on the outstanding trade and other payables balance. The outstanding trade and other payables balance as at December 31, 2017 results mainly from the fact that settlement of payables resulting from the IPO advisory services agreement was due in two instalments – the first was payable within 6 months from the IPO and the second is payable within 12 months from the IPO.

Interest income was earned on the notes issued by Impera Holdings S.A. (former indirect shareholder of the Company). In the year ended December 31, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium. For more information regarding interest, repayment, purchase or redemption of intercompany notes please see Note 8.

Other operating income and recharge of operating costs as well as trade receivable balance result primarily from certain commercial agreements with Folx S.A. (formerly Beta S.A.) and BeamUp Payments S.A. (formerly Pejer S.A.), portfolio companies which are beneficially owned by Olympia Development S.A. and Telco Holdings S. à r. l. (owner of 27.32% shares in the Company as of December 31, 2017). Folx S.A. focuses on the provision of telecommunication services while BeamUp Payments S.A. focuses on the rendering of financial payment services.

Certain former employees of Play are now employed by Folx S.A. and BeamUp Payments S.A. The Group has entered into transactions of certain asset sales as well as a recharge of operating costs previously incurred by the Group to Folx S.A. and BeamUp Payments S.A. The Group has also entered into a wholesale telecommunications services agreement with Folx S.A.

For other transactions with Shareholders affecting the share capital or share premium please see Note 16.

37. Remuneration of management and supervisory bodies

Cost of remuneration (including accrued bonuses and special bonuses) of members of Boards of Directors or Boards of Managers in Group entities incurred for the year ended December 31, 2017 amounted to PLN 34,951 thousand (PLN 8,690 thousand for the year ended December 31, 2016 and PLN 9,950 thousand for the year ended December 31, 2015).

Cost of remuneration of members of Supervisory Board of P4 incurred during the year ended December 31, 2017 amounted to PLN 1,663 thousand (for the year ended December 31, 2016 PLN 2,518 thousand and for the year ended December 31, 2015 PLN 2,349 thousand). The Supervisory Board ceased to exist in June 2017.

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 19). The valuation of the programs resulted in cost in the amount of PLN 233,606 thousand for the year ended December 31, 2017, income of PLN 3,380 thousand for the year ended December 31, 2016 and cost of PLN 74,939 thousand for the year ended December 31, 2015. Relating costs and income are included in general and administrative expenses in the consolidated statement of comprehensive income.

During the year ended December 31, 2017 the members of the P4's Management Board acquired Company's shares under the new PIP retention program. Please see Note 16 and Note 19.

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

38. Auditor's fees

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Audit fees	820	709	457
Other attesting fees	1,828	267	645
Tax related fees	186	251	343
Other fees	182	155	399
	3,016	1,382	1,844

39. Events after the reporting period

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. VMP is the largest Polish MVNO with 412.000 customers as of the end of 2016. These agreements give the Group, among others, a call option to acquire all shares in VMP during 2020 at the price calculated according to an agreed valuation methodology based on VMP's one time annual revenue adjusted by certain elements. The investors in VMP undertook to procure that all shares in VMP are sold to the Group in case the Group exercises the call option. In addition, the agreements define terms of future cooperation between the Group and VMP, continuing the successful relationship from the inception of VMP, with increased committed revenues by approximately PLN 25 million up to total of approximately PLN 84

million to the Group for the years 2018-2021. The Group believes these agreements will enhance the Group 's leadership in the Polish mobile market.

The Group has not identified any other events after the reporting period that should be disclosed in the consolidated financial statements.

Name: Ioannis Karagiannis
Title: Class B director

Name: Serdar Çetin
Title: Class C director