Directors’ Report

Principal activities and background

Play Communications S.A. (the “Company”), a Luxembourg Société Anonyme, and its subsidiaries (the “Group” or “Play”) operates 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”.

The Company exercises its holding function among others through monitoring the Group’s operational and investment objectives and policies and review the Group’s performance in this regard, detailed financial analysis of the operations of the Group, supervision over the preparation and performance of the budget and long term business plan of the Group, supervision over strategic and investment projects of the Group, including in particular capital structure changes, as well as assessment of the effectiveness of internal control procedures, therein internal audit and risk management.

The Company’s shares are traded on the Warsaw stock exchange (“WSE”). The Company has its registered office at 4/6, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 183 803.

Group performance

Operating revenue increased by PLN 552.3 million, or 9.0%, from PLN 6,117.6 million for the year ended December 31, 2016, to PLN 6,669.9 million for the year ended December 31, 2017. This increase resulted primarily from growth in retail contract usage revenue, interconnection revenue and sales of goods and other revenue.

Operating expenses increased by PLN 824.5 million, or 17.3%, from PLN 4,753.5 million for the year ended December 31, 2016, to PLN 5,578.1 million for the year ended December 31, 2017. This increase resulted primarily from increases in general and administrative expenses, mainly triggered by the valuation of the retention programs upon the IPO, interconnection, roaming and other services costs as well as depreciation and amortization charges.

Group operating profit amounted to PLN 1,106.9 million, or a margin of 16.6% for the year ended December 31, 2017.

Net financial expenses amounted to PLN 477.6 million for the year ended December 31, 2017, including higher interest expenses comparing to the year ended December 31, 2016, mainly due to early redemption fees related to repayment of notes.

Profit before income tax amounted to PLN 629.3 million for the year ended December 31, 2017 including the effect of the increase in operating expenses and finance costs.

The Group tax charge amounted to PLN 242.0 million for the year ended December 31, 2017 leaving a net profit for the year of PLN 387.3 million compared to PLN 712.0 million for the year ended December 31, 2016.

Share capital

As at December 31, 2017, Play Communications S.A. had 253,708,444 bearer shares with a nominal value of EUR 0.00012 each.

Aa at December 31, 2017, no treasury shares were held by the Company.

Risks and uncertainty factors

The Group offers mobile voice, messaging, data, video services (including TV distribution) and data transmission, as well as value added services and sales of handsets and other devices, to individual and business customers exclusively in Poland, where substantially all of our reported subscribers are located. For this reason, macroeconomic conditions in Poland, as well as global economic, financial or geopolitical conditions may have a material impact on our business, financial condition and results of operations and prospects.

The mobile telecommunications industry is characterized by rapidly changing technology and related changes in subscriber demand for new offerings and services at competitive prices and the Group cannot assure you that the Group will be able to sufficiently and efficiently adapt the services the Group provides to keep up with rapid developments in the industry. In particular, the Group expects certain communications technologies that have recently been developed or are currently under development to become increasingly important in our market.

The Group faces strong competition for subscribers from established competitors, including, in particular, the other mobile operators operating under following brands: Plus, Orange and T-Mobile, which along with the Group, as of December 31, 2017, based on the CSO's most recent analysis regarding SIM cards in the Polish market, together held over 99% of reported subscriber market share in the Polish market.

Although in recent years we have made extensive capital investments and capital expenditures in order to build and further improve our network, our business remains capital intensive and the Group expects it will always require significant amounts of capital investment.

Further information on these and other key risks as well as our risk management framework are set out in Risk Factors – 12 section of the Annual Report.

Financial risk management objectives and policies

Play's financial risk management policies and objectives, together with a description of the various risks and hedging activities undertaken by the Group, are set out in the Risk Factors section of the Annual Report.

Internal controls and risk management on the preparation of the consolidated financial statements are set out in the Risk Factors section of the Annual Report as well as in the Organization and Corporate Governance section pages.

Research and development

The Group does not have any design department dealing with R&D, however such activities are scattered throughout the organization. The Group considers research and development activities an important tool for competing effectively and commits certain resources to such activities. In order to ensure the quality of our network and to offer the latest and mobile telephony technology as well as innovative services and products to subscribers, we test new equipment, systems and products regularly, install new equipment and systems that we consider useful or cost effective, undertake modifications to existing equipment and systems and test the network quality on a regular basis. We established dedicated team ("UX") that focuses on approaching products/services design from the perspective of customers' usability and efficiency. UX is responsible inter alia for research and enhancement of customers' satisfaction from the innovative products/services by improving the usability, accessibility.

Non-financial information

Non-financial information, such as environmental, social, human rights and the fight against corruption are set out in the Corporate Responsibility are set out in 13 section of the Annual Report.

Outlook for the Group

The Outlook for the Group for year 2018 which includes Play's Strategy for 2018 – 2020, developments in 2018 and guidance for 2018 and mid-term is described in section 10 of the Annual Report.

Results of the Company

The net loss of the Company for the year ended December 31, 2017 amounted to PLN 144.8 million (the net loss of PLN 3.1 million for the year ended December 31, 2016). The Board of Directors proposes to the Shareholders of the Company to bring forward the loss of the year.

Subsequent events

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 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 Company has not identified any other events after the reporting period that should be disclosed in the separate financial statements.

Luxembourg, February 27, 2018

Name: Ioannis Karagiannis

Title: Class B director

Name: Serdar Çetin

Title: Class C director

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

RESPONSIBILITY STATEMENT

February 27, 2018

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

- the separate financial statements of the Company prepared in accordance with IFRS as adopted by the European Union as at and for the year ended December 31, 2017 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the director's report on the activity of the Company in the year ended December 31, 2017 provides a fair review of the important events of the development and performance of the business and the position of the Company, as well as the description of the principal risks and uncertainties that the Company faces.

Approved by the Board and signed on its behalf by

Name: Ioannis Karagiannis
Title: Class B director

Name: Serdar Çetin
Title: Class C director

Ernst & Young
Société anonyme

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Independent auditor's report

To the Shareholders of
Play Communications S.A.
4/6, rue du Fort Bourbon
L-1249 Luxembourg

Opinion

We have audited the financial statements of Play Communications S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of Shares in and Loans to Affiliated Undertakings

Risk identified

Play Communications S.A. holds shares in and loans to P4 Sp. z.o.o. amounting to PLN 5,729 million and PLN 173 million respectively as at 31 December 2017 as further disclosed in Notes 3 and 4 to the financial statements. As stated in Note 2.3 to the financial statements, the Company performs an annual review of the carrying amount on an individual investment basis with resulting impairments reflected in the profit and loss account in the relevant period. Valuation of shares in and loans to affiliated undertakings is considered a significant risk due to the business industry in which P4 Sp. z.o.o. operates.

Our response

Our audit procedures over the valuation of the shares in affiliated undertakings included, among others:

- Obtaining the latest capital call to which the Company subscribed or the shareholders' agreements to confirm the acquisition cost of each investment and the movement of the year.
- Obtaining and reading the latest financial statements of the investment in order to identify whether any going concern issue or liquidity issue exist at the investment level and ultimately if the investment is recoverable.
- Assessing the valuation model prepared by Management and its impairment test for the determination of the recoverable amount of the investments.
- Recomputing the fair value of equity interests of the investments prepared by Management and comparing the carrying value of the investments to the fair market value of equity interests in order to determine whether an impairment exists.

Our audit procedures over the valuation of the loans granted to affiliated undertakings included, among others:

- Obtaining the loan agreements to confirm the nominal value of the loans and the movement of the year.
- Obtaining and reading the latest financial statements of the affiliated undertaking in order to identify whether any going concern issue or liquidity issue exist and ultimately if the loan is recoverable.
- Assessing the valuation model prepared by Management for the determination of the recoverable amount of the loans.
- Recomputing the recoverable amount of the loans prepared by Management and comparing the carrying value of the loans to their recoverable value in order to determine whether an impairment exists.

We also considered the adequacy of the Company's disclosures as reflected in relation to the above matters as set out in Notes 3 and 4.

2. Refinancing and capital restructuring

Risk identified

In March 2017, the Company refinanced its primary financing, leading to early termination of the former bonds, including intercompany financing, through the issuance of a new bank loan of PLN 6,443 million (out of which an amount of PLN 2,278 million was drawn down by the Company). In addition, in July 2017, the Company became listed on the Warsaw Stock Exchange, leading namely to the termination of the previous long term management incentive plan and the set-up of a new long term management incentive plan. These transactions were identified as key audit matter for our audit as they had a significant impact on the overall financial position of the Company.

Our response

Our audit procedures in relation to the refinancing and capital restructuring included, among others:

- We obtained and read the new bank loan agreement entered by the Company as well as assessed the respect of covenants and any other obligations.
- We assessed the accounting treatment from Management for de-recognition of the former debt, including unamortized cost, debt de-recognition and early redemption option accounting.
- We assessed the accounting treatment from Management of the new financing, including loan origination costs and related agreement.
- We tested the cash movements in relation to these transactions.
- We assessed the accounting impact of the listing of Company's shares on the Warsaw Stock Exchange, including the accounting for the termination of the old incentive plan and the accounting of the new long term incentive plan.

We also assessed the adequacy of the Company's disclosures in relation to the above matters as set out in Notes 7, 8 and 9.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We have been appointed as réviseur d'entreprises agréé by the General Meeting of the Shareholders on 21 June 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, which is included in the Group Annual Report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

Building a better working world

Other matter

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

The financial statements of Play Communications S.A. as of 31 December 2016 were not audited by an independent auditor.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 27 February 2018

PLAY COMMUNICATIONS S.A. SEPARATE 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 separate financial statements

Index to the separate financial statements

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

Statement of financial position

	Notes	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
ASSETS				
Non-current assets				
Property, plant and equipment		57	-	-
Right-of-use assets		1,164	99	-
Long-term investments	3	5,729,185	5,846,395	5,786,221
Long-term finance receivables	4	173,133	-	-
Other long-term receivables		136	13	-
Total non-current assets		**5,903,675**	**5,846,507**	**5,786,221**
Current assets				
Trade and other receivables	5	1,031	98	98
Prepaid expenses		14	136	135
Cash and cash equivalents	6	12,183	635	1,152
Total current assets		**13,228**	**869**	**1,385**
TOTAL ASSETS		**5,916,903**	**5,847,376**	**5,787,606**
EQUITY AND LIABILITIES				
Capital and reserves attributable to shareholders of the Company				
Share capital	7	128	52	52
Share premium	7	3,673,350	5,644,191	5,644,191
Other reserves	7, 9	28,110	-	-
Retained gains/(losses)		(95,980)	48,831	(14,655)
Total equity		**3,605,608**	**5,693,074**	**5,629,588**
Non-current liabilities				
Long-term finance liabilities	8	2,114,025	59	-
Long-term retention programs liabilities	9	-	135,729	150,090
Deferred tax liability	14	122	32	3
Total non-current liabilities		**2,114,147**	**135,820**	**150,093**
Current liabilities				
Short-term finance liabilities	8	143,810	6,690	4,058
Trade and other payables	10	53,247	879	422
Accruals		91	-	-
Short-term retention programs liabilities	9	-	10,913	3,445
Total current liabilities		**197,148**	**18,482**	**7,925**
TOTAL LIABILITIES AND EQUITY		**5,916,903**	**5,847,376**	**5,787,606**

Statement of comprehensive income

	Notes	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
			Unaudited	Unaudited
Operating expenses		**(91,336)**	**(4,614)**	**(2,982)**
General and administrative expenses	11	(91,220)	(4,590)	(2,982)
Depreciation and amortization		(116)	(24)	-
Other operating income	12	12,171	2,028	958
Operating loss		**(79,165)**	**(2,586)**	**(2,024)**
Finance income	13	114,895	51	1
Finance costs	13	(180,461)	(532)	(8,400)
Loss before income tax		**(144,731)**	**(3,067)**	**(10,424)**
Income tax charge	14	(92)	(29)	(17)
Net loss for the period		**(144,823)**	**(3,096)**	**(10,441)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive loss for the period		**(144,823)**	**(3,096)**	**(10,441)**
Loss per share (in PLN) (basic equals diluted)	15	(0.57)	(0.01)	(0.04)
Weighted average number of shares (in thousands) (basic equals diluted)	15	251,906	250,538	250,538

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

Statement of changes in equity

	Share capital	Share premium	Other reserves	Retained gains/(losses)	Total equity	Notes
As at January 1, 2017	**52**	**5,644,191**	**-**	**48,835**	**5,693,078**	
Net loss for the period	-	-	-	(144,818)	(144,818)	
Issue of shares	76	114,123	-	-	114,199	7
Issue of shares without consideration (VDP4 Original shares)	0	-	19,379	-	19,379	9
Effect of valuation of equity-settled retention programs	-	-	8,731	-	8,731	9
Increase of share premium	-	171,184	-	-	171,184	7
Redemption of share premium		(2,256,148)			(2,256,148)	7
As at December 31, 2017	**128**	**3,673,350**	**28,110**	**(95,983)**	**3,605,605**	

	Share capital	Share premium	Other reserves	Retained gains/(losses)	Total equity	Notes
As at January 1, 2016, unaudited	**52**	**5,644,191**	**-**	**(14,655)**	**5,629,588**	
Revaluation surplus transferred directly to retained earnings due to the asset derecognition (merger with Play Holdings 3 S.à r.l.)	-	-	-	66,586	66,586	
Net loss for the period	-	-	-	(3,096)	(3,096)	
As at December 31, 2016, unaudited	**52**	**5,644,191**	**-**	**48,835**	**5,693,078**	7

	Share capital	Share premium	Other reserves	Retained losses	Total equity	Notes
As at January 1, 2015, unaudited	**52**	**5,635,996**	**-**	**(4,214)**	**5,631,834**	
Correction of currency translation	-	8,195	-	-	8,195	
Net loss for the period	-	-	-	(10,441)	(10,441)	
As at December 31, 2015, unaudited	**52**	**5,644,191**	**-**	**(14,655)**	**5,629,588**	7

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

Statement of cash flows

	Notes	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
			Unaudited	Unaudited
Loss before income tax		**(144,731)**	**(3,067)**	**(10,424)**
Depreciation and amortization		116	24	-
Interest (income)/expense (net)		(13,847)	301	36
Dividends		-	(51)	-
Loss on finance instruments at fair value		16,374	-	-
Foreign exchange losses		63,041	182	8,329
Change in provisions and liabilities or equity related to retention programs		(1,321)	(100)	-
Changes in working capital and other	16	49,480	445	675
Cash used in operating activities		**(30,888)**	**(2,266)**	**(1,384)**
Income tax paid		-	-	(13)
Cash received further to the merger with Play Holdings 3 S.à r.l.		-	219	-
Net cash used in operating activities		**(30,888)**	**(2,047)**	**(1,397)**
Purchase of fixed assets and intangibles and prepayments for assets under construction		(178)	-	-
Cash paid in relation to disposal of a subsidiary		(56)	-	-
Net cash used in investing activities		**(234)**	**-**	**-**
Proceeds from equity increase	7	285,383	-	-
Proceeds from finance liabilities	8, 17	2,394,314	1,500	2,465
Repaid finance liabilities and paid costs relating to finance liabilities	8, 17	(118,839)	-	-
Purchase of notes issued by Impera Holdings S.A.	4	(2,227,933)	-	-
Purchase of notes issued by P4 Sp. z o.o.	4	(285,309)	-	-
Other payments relating to financing activities		(7,590)	-	-
Net cash provided by financing activities		**40,026**	**1,500**	**2,465**
Net change in cash and cash equivalents		**8,904**	**(547)**	**1,068**
Effect of exchange rate change on cash and cash equivalents		2,644	30	23
Cash and cash equivalents at the beginning of the period		**635**	**1,152**	**61**
Cash and cash equivalents at the end of the period		**12,183**	**635**	**1,152**

Notes

1. The Company

Play Communications S.A. (the "Company" or "PC SA") 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 (s*ociété 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 7.

The Company's financial year begins on January 1 and ends on December 31.

PC SA is a holding company of the Play Group. 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".

PC SA exercises its holding function among others through monitoring the Group's operational and investment objectives and policies and review the Group's performance in this regard, detailed financial analysis of the operations of the Group, supervision over the preparation and performance of the budget and long term business plan of the Group, supervision over strategic and investment projects of the Group, including in particular capital structure changes, as well as assessment of the effectiveness of internal control procedures, therein internal audit and risk management.

The Company prepares consolidated financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, issued and effective as at December 31, 2017.

These separate financial statements were approved for issuance by the Board of Directors of the Company on February 27, 2018.

These separate financial statements have been prepared under the historic cost convention, except for liabilities relating to cash-settled retention programs which are measured at fair value and equity-settled retention programs which are measured at fair value at the grant date.

The preparation of separate financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the separate financial statements are disclosed below and in Note 2.18.

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

2.1.1 New standards, interpretations and amendments to existing standards

These separate 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 separate financial statements the Company 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	Company'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; early adopted
IFRS 16: 'Leases'	January 13, 2016	January 1, 2019	Not endorsed yet	Permitted if IFRS 15 '*Revenue from contracts with customers*' is applied at the adoption date or earlier	Fully implemented; early adopted
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	December 18, 2014	January 1, 2016	September 22, 2016	Permitted	Fully implemented

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 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	Company'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
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	December 8, 2016	January 1, 2018 (Amendments to IFRS 1 and IAS 28) / January 1, 2017 (Amendments to IFRS 12)	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
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
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

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

2.1.2 Going concern

The separate financial statements disclose all matters of which the Company is aware and which are relevant to the Company's ability to continue as a going concern, including all significant events and the Company's plans. Although the Company presents negative operating cash flows, the Company expects to finance its operations as well as payouts of dividends to its shareholders from future dividends from its subsidiaries. Accordingly, the separate financial statements have been prepared on a basis which assumes that the Company 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

The Company plans to adopt IFRS 9 'Financial Instruments' on the required effective date. So far the Company has performed a high-level assessment of the impact of all three aspects of IFRS 9: classification and measurement, impairment, hedge accounting. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information which might be available to the Company in the future. Overall, the Company assessed that there is no significant impact on its statement of financial position or equity.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate 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 for which the Company is a holding entity, are conducted primarily in Poland.

2.2.2 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 income statement.

2.3 Long-term investments

Long term investments are entities controlled by the Company. The Company controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Long-term investments are valued at cost less impairment.

At each reporting date, the Company reviews the carrying amount of its long-term investments and determines whether there is any indication that the carrying amount of those assets may not be recoverable. If any such indication exists, the recoverable amount of the assets is reviewed in order to determine the amount of the impairment, if any.

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.

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 cost of assets to their residual values over their estimated useful lives, as follows:

Description	Term in years
Buildings	10-25
Computers	3-5
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) office space,
b) equipment.

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

Accounting by the lessee
The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected not to apply exemptions for short term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied the Company 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
Buildings	1-20
Office machinery and equipment	1-10

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company 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 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 Company's incremental borrowing rate or the rate implicit in the lease contract.
The lease term determined by the Company 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 Company 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.

2.6 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 Company 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".

Trade receivables are derecognized when:
- the rights to receive cash flows from the asset have expired,
- the Company 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.

2.7 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.

2.8 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.

2.9 Retention programs

The Company might operate cash-settled and equity-settled share-based retention programs. Membership in programs is granted to members of the Management Board of P4 Sp. z o.o. ("P4") and key employees of the Group.

Under the terms of cash-settled the programs, the members of the Management Board of P4 Sp. z o.o. were entitled to remuneration paid in cash which value was dependent on the fair value of the Group as at the disposal of the shares by the shareholder or shareholders (liquidity event). Liabilities relating to cash–settled share-based retention programs were measured at the fair value of the liability at each end of the reporting period. Changes in the fair value of the liability were 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 2.18.3. Cost is recognized in the statement of comprehensive income in line with vesting conditions, which are described in Note 9.

2.10 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 Company 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.

2.11 Trade liabilities

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

2.12 Other operating income

Other operating income mainly refers to income related to intercompany advisory services, along with some recharges of costs incurred.

Other operating income includes the fair value of the consideration already received or yet to be received for the advisory services provided, excluding value-added tax, returns, rebates and price deductions.

The Company recognizes such income when the amount can be reliably determined and when it is sufficiently certain that economic benefit will flow to the entity. The Company makes estimates using historical experience and taking into account customer-specific and contract-specific features.

2.13 Interest income

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

2.14 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 balance sheet date in a country where the Company operates and generates taxable income.
Income tax payable represents the amounts payable at the balance sheet date. If the amount paid on account of current income tax is greater than the amount finally determined, the excess is recognized in the balance sheet as an income tax receivables.

2.15 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.

2.16 Financial risk management

The Company’s overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Company. 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.

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

2.16.1 Currency risk

Company's borrowings are mostly denominated in PLN. The major part of the operating costs is incurred in EUR. 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 of the Company is regularly monitored by the Company. The following instruments may be used to minimize the currency risk relating to the Company'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.

None of the derivatives were used in the year ended December 31, 2017, in the year ended December 31, 2016 and in the year ended December 31, 2015.

All the trade and other receivables were denominated in EUR during the period ended December 31, 2016 and December 31, 2017.
The trade and other payables were mainly denominated in EUR during the year ended December 31, 2016 (60% in EUR and 40% in PLN) and the split has significantly changed during the year ended December 31, 2017 (13% in EUR and 87% in PLN).

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

	Change in EUR rate	**Effect on result before tax**
December 31, 2017	+5%	119
	-5%	(119)
December 31, 2016, unaudited	+5%	(7,546)
	-5%	7,546
December 31, 2015, unaudited	+5%	(8,817)
	-5%	8,817

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.

In the year ended December 31, 2017 the exposure on the currency risk decreased with comparison to the year ended December 31, 2016 and the year ended December 31, 2015 due to the settlement of retention programs denominated in EUR. For more details please see Note 9.

2.16.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company is not exposed to significant credit risk with any non-related party.

2.16.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In the year ended December 31, 2015 and in the year ended December 31, 2016 the Company was not exposed to this risk as it had no variable loan receivable and the loan payable granted by Play Finance 2 S.A. bore fixed rate interest.

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

In March 2017, the Company entered into a PLN 7,000,000 thousand Senior Facilities Agreement bearing floating interest rate. This has increased the interest rate risk of the Company going forward. Please see Note 8.1.

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, WIBOR 3M)	**Effect on result before tax**
Year ended December 31, 2017	+50	(7,427)
	-50	7,427

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 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.

Interest risk of the Company is regularly monitored by the Company. The following instruments may be used to minimize the interest rate risk relating to the Company:
- Forward rate agreements (FRAs);
- Interest rate swaps;
- Interest rate options.

None of the derivatives were used during the year ended December 31, 2017, the year ended December 31, 2016 and the year ended December 2015.

2.16.4 Liquidity risk

Liquidity risk management implies maintaining sufficient cash as well as availability of funding through an adequate amount of committed debt facilities. The liquidity depends on ability of the Company to upstream money to the entity.

The tables below present the maturity of financial liabilities in contractual values, 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	235,585	1,992,091	452,880	2,680,556
Loan received	6,867	-	-	6,867
Lease	228	909	111	1,248
	242,680	**1,993,000**	**452,991**	**2,688,671**

December 31, 2016, unaudited	**Liabilities (including projected interest) payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Loan received	6,690	-	-	6,690
Lease	43	59	-	102
	6,733	**59**	**-**	**6,792**

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

December 31, 2015, unaudited	**Liabilities (including projected interest) payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Loan received	4,058	-	-	4,058
	4,058	**-**	**-**	**4,058**

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

2.16.5 Capital management

The Company'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.

2.17 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 and equity relating to retention programs are described in Notes 2.18.2 and 2.18.3.

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

2.18 Critical accounting estimates and judgments

The Company 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.

2.18.1 Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. 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 Company comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. 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 Company's rating, observed in the period when the lease contract commences or is modified.

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

The main input used for the valuation of cash-settled retention programs liabilities in prior periods was the fair value of the Group. The fair value of the Group as at December 31, 2016 and December 31, 2015 was established using the multiply method on the basis of business projections for years 2017–2019 and 2016-2018 respectively. Other inputs used for the valuation as at December 31, 2016 and December 31, 2015 were the expected liquidity event date and the probability that the liquidity event would not occur until this date.

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 9.

2.18.3 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 of the Group have entered into new equity-settled retention programs. For the description of the programs please see Note 9.

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 notes with maturities closest to the date when the last Award Shares will be granted, adjusted for the credit risk borne by the notes 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.

2.18.4 Impairment of financial receivables

According to IAS 39 the Company shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Company shall determine the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

As at December 31, 2017 the Company presented a significant amount of investment in P4 Sp. z o.o. of long-term financial receivables comprised of notes issued by P4 Sp. z o.o. (see Note 4), which is a fully owned subsidiary of the Company with no indicators of financial difficulty. The Company assessed that there is no risk of P4 Sp. z o.o. being insolvent. As a result, no impairment related to the investment in P4 Sp. z o.o. and the notes was recognized as at December 31, 2017.

3. Long-term investments

P4 Sp. z o.o.

On January 23, 2014, following the contribution in kind of 100% shares of P4 Sp. z o.o. by Play Holdings 1 S.à r.l. (the "former sole shareholder"), the Company increased its long-term investments by PLN 7,052,087 thousand.

On September 30, 2015, Glenmore Investments Sp. z o.o. (owning 19.96% of shares of P4 Sp. z o.o.) merged with P4 Sp. z o.o. As a result of the reversed merger, 100% of shares of Glenmore Investments Sp. z o.o. were exchanged for 800 shares of P4 Sp. z o.o. valued PLN 0.5 thousand each subscribed by Play Holdings 3 S.à r.l. (a direct subsidiary of the Company).

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

Within the context of the merger, P4 Sp. z o.o. increased its share capital by the issuance of 800 shares with a nominal value of PLN 0.5 thousand each.

On January 11, 2016, P4 Sp. z o.o. redeemed the 19,347 own shares by decreasing its share capital. On the same date, P4 Sp. z o.o. increased its share capital by issuing 19,347 new shares subscribed proportionally by Play Holdings 2 S.à r.l (19,149 shares) and Play Holdings 3 S.à r.l (198 shares).

As a consequence of the above, the Company increased its ownership in P4 Sp. z o.o. from 79.38% to 98.98%.

On May 9, 2016, further to the merger with Play Holdings 3 S.à r.l., the 998 shares held by Play Holdings 3 S.à r.l. in P4 Sp. z o.o. were transferred to the Company at the book value recorded in its annual accounts as at December 31, 2015 and totally amounting to PLN 66,988 thousand.

No movement occurred during the year ended December 31, 2017.

As at December 31, 2017, the Company owns 97,713 shares in the capital of P4 Sp. z o.o., representing 100% of the issued capital of the company.

Valuation of the investment resulting from valuation of corresponding retention programs

The Company established retention programs for members of the Management Board of P4 Sp. z o.o. and key personnel of the Group (please see Note 9). Providing the goods or services to P4 Sp. z o.o. is considered as an addition to the cost of investment. As a result, valuation of the retention programs has an impact on the valuation of the Company's investment in P4.

The Board of Directors of the Company did not recognize any impairment on the shares held in P4 Sp. z o.o.

Tonhill Investments S.A.

On August 29, 2016, the Company acquired 100,000 class A shares of Tonhill Investments S.A., a Polish joint stock company, with a nominal value of PLN 1.00 each and representing 100% of the issued capital of the company for a total purchase price amounting to PLN 117 thousand.

On December 21, 2017 the Company sold its participation in Tonhill Investments S.A. for the aggregate sale price of PLN 30 thousand.

4. Finance receivables

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Long-term finance receivables			
PLN notes issued by P4 due in 2022	173,133	-	-
	173,133	**-**	**-**

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

On March 20, 2017, the Company 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 (see Note 8.1). 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 Company's discretion. On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium (see Note 7.2).

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

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 notes (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.

PLN Notes due in 2022 from P4 Sp. z o.o.

On July 27, 2017, the Company purchased 285,309 thousand A Series notes issued by P4 Sp. z o.o. Their maturity date is scheduled on June 30, 2022. Interest is calculated at the variable rate of PLN WIBOR 1Y + margin per annum. Each bond amounted to PLN 1 thousand so the total issue price was PLN 285,309 thousand.

On December 22, 2017, the A Series notes have been partially repurchased by P4 Sp. z o.o. for an aggregate amount of PLN 119,074 thousand composed of notes nominal value of PLN 116,315 thousand and interest accrued on the repurchased notes as at December 22, 2017 of PLN 2,759 thousand. Please see also Note 8.3.

As at December 31, 2017 carrying value amounted to PLN 168,881 thousand and accrued interest to PLN 4,252 thousand.

5. Trade and other receivables

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Trade receivables	837	98	98
	837	**98**	**98**
Other receivables	194	-	-
	194	**-**	**-**
	1,031	**98**	**98**

6. Cash and cash equivalents

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Balances deposited with banks	12,183	635	1,152
	12,183	**635**	**1,152**

7. Shareholders' equity

7.1 Share capital

The Company was incorporated on January 10, 2014. The initial share capital of PLN 52 thousand consisted of 12,500 shares with a par value of EUR 1 per share.

On January 23, 2014, the share capital was increased by 1 share with a par value of EUR 1. It was paid up in full by a way of a contribution in kind consisting of 100% shares in P4 Sp. z o.o. The value of the contribution in excess of the par value of the share was allocated to the share premium of the Company.

During the year ended December 31, 2014, the Company distributed share premium in the amount of PLN 1,407,896 thousand, using the proceeds from Senior Notes issued on January 31, 2014.

In the year ended December 31, 2015 the Company changed the exchange rate applied to currency translation of the EUR amount of the share premium distributed in 2014 from the exchange rate as at the date of distribution to the historical rate as at the date of the equity contribution, which resulted in a correction of PLN 8,195 thousand disclosed in the statement of changes in equity.

As at December 31, 2016, the Company'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 Company'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 first day of trading of the Company's existing ordinary shares on the WSE was July 27, 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.

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

7.2 Share premium

On July 26, 2017 the A Series Notes issued by Impera Holdings S.A. were redeemed against the Company's share premium (see Note 4) 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 to the members of the Management Board of P4.

8. Finance liabilities

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Long-term finance liabilities			
Long-term bank loans	2,113,094	-	-
Long-term lease liabilities	931	59	-
	2,114,025	**59**	**-**
Short-term finance liabilities			
Short-term bank loans	137,054	-	-
Short-term lease liabilities	225	43	-
Loan received	6,531	6,647	4,058
	143,810	**6,690**	**4,058**
	2,257,835	**6,749**	**4,058**

8.1 Bank loans

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Long-term bank loans			
SFA	2,113,094	-	
	2,113,094	**-**	**-**
Short-term bank loans			
SFA	137,054	-	
	137,054	**-**	**-**
	2,250,148	**-**	**-**

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 (PLN 4,165,000 thousand by P4 Sp. z o.o. and PLN 2,278,000 thousand by the Company) 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 4).

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. Nominal expenses incurred in relation to the loan are included in the calculation of the effective interest rate. The balance of unamortized expenses 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 the Group 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.

8.2 Loan received

On October 9, 2014, the Company (as Borrower) concluded a loan facility with Play Finance 2 S.A. (an indirectly held subsidiary) (as Lender) under which Play Finance 2 S.A. undertook to make available to the Company funding up to a total amount of EUR 1,000 thousand (the "Loan"). The parties also agreed that each payment shall be evidenced by a drawdown notice. Further on September 7, 2016 the loan facility agreement was amended to increase the funding limit to EUR 2,000 thousand with effect as at August 18, 2016.

Interest is calculated based on an annual rate of 5.845% (or any other interest rate agreed upon by the parties from time to time) applied to the outstanding loans.

The Company shall repay all outstanding loans on demand by Play Finance 2 S.A. at any time. Therefore, the carrying amount of the loan approximates its fair value. Notwithstanding the foregoing, the Company shall be entitled to make earlier payments, without bonus or penalty, to reduce or repay the Loan in whole or in part, at its discretion.

As at December 31, 2016, a total amount of EUR 1,266,000 served by 4 different drawdowns has been paid to the Company:

- 1st drawdown of EUR 324 thousand (PLN 1,366 thousand) as at November 20, 2014;
- 2nd drawdown of EUR 292 thousand (PLN 1,186 thousand) as at April 8, 2015;
- 3rd drawdown of EUR 300 thousand (PLN 1,280 thousand) as at November 11, 2015;
- 4th drawdown of EUR 350 thousand (PLN 1,500 thousand) as at August 18, 2016.

On May 9, 2016, further to the merger with Play Holdings 3 S.à r.l., the Company assumed the loan facility liability granted by Play Finance 2 S.A. to Play Holdings 3 S.à r.l. The loan facility was concluded to provide funding up to a total amount of EUR 1,000 thousand.

On June 21, 2017 a partial repayment amounting to EUR 17 thousand (PLN 74 thousand) has been done as an in kind contribution to the share capital of the Company performed by Play Holdings 1 S.à r.l. Also see Note 9.

At year-end, the carrying value of the loans amounted to PLN 5,737 thousand. The accrued interests amounted to PLN 794 thousand and the interest income recorded in the statement of comprehensive income amounted to PLN 344 thousand.

8.3 Notes issued to P4 Sp. z o.o.

The Company issued in the financial year ending on December 31, 2017 four kinds of interest bearing notes with maturity date scheduled on June 30, 2022, in particular:

- on June 28, 2017, the Company issued 18,315 series A unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 18,315 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 520 thousand;

- on July 28, 2017, the Company issued 30,000 series B unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 30,000 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 716 thousand;

- on September 27, 2017, the Company issued 40,000 series C unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 40,000 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 539 thousand;

- on December 15, 2017, the Company issued 28,000 series D unsecured registered notes to P4 Sp. z o.o., with a nominal value of PLN 1 thousand each and an aggregate value of PLN 28,000 thousand. The interest on the series A notes is calculated based on the PLN WIBOR 1Y + margin per annum, payable in annual interest periods. As at December 22, 2017 the accrued interest amounted to PLN 31 thousand.

On December 22, 2017, the Company and P4 Sp. z o.o. concluded a set-off and redemption agreement for the set-off between the notes issued by the Company to P4 Sp. z o.o. and part of the notes issued by P4 Sp. z o.o. and subscribed by the Company. Further to such set-off agreement, the series A, B, C and D notes issued by the Company have been fully repurchased for an aggregate amount of PLN 118,121 thousand, composed of notes nominal value of PLN 116,315 thousand and accrued interest amounting to PLN 1,806 thousand.

8.4 Assets pledged as security for finance liabilities

Until June 16, 2017 the Senior Facilities were secured by pledge over the Company's shares 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 the Company 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 the Company 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 the Company 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., the Company and Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. in favor of Bank Zachodni WBK S.A.

9. Retention programs

9.1 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:

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

EGA MB Plan

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by the Company. 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 the Company. 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 the Company. 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.

These awards have been granted only to management of the subsidiaries and therefore no related charge has been recorded by the Company.

9.2 Equity-settled retention programs

Upon the IPO, on July 27, 2017, the members of the Management Board of P4 and key employees of the Group 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:

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

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.

These awards have been granted only to management of the subsidiaries and therefore no related charge has been recorded by the Company.

9.3 Additional information

Change of value of the programs
The Company 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	**135,729**	**10,913**	**-**
Granted during the period	-	-	19,380
Exercised during the period	-	(372,644)	-
Changes in valuation during the period	226,002	-	8,730
Transferred during the period	(361,731)	361,731	-
As at December 31, 2017	**-**	**-**	**28,110**
Vested at December 31, 2017	-	-	-

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 and final settlement of the liabilities resulting from EGA MB Plan, PSA 1, PSA 2 and PSA 3 Plans upon the IPO.

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

	Long-term cash-settled retention programs liabilities	Short-term cash-settled retention programs liabilities
As at January 1, 2016, unaudited	**150,090**	**3,445**
Exercised during the period	-	(3,514)
Changes in valuation during the period	(3,379)	-
Transferred during the period	(10,982)	10,982
As at December 31, 2016, unaudited	**135,729**	**10,913**
Vested at December 31, 2016	-	-

	Long-term cash-settled retention programs liabilities	Short-term cash-settled retention programs liabilities
As at January 1, 2015, unaudited	**80,085**	**-**
Granted in prior periods (correction)	-	-
Exercised during the period	-	(3,543)
Changes in valuation during the period	76,993	-
Transferred during the period	(6,988)	6,988
As at December 31, 2015, unaudited	**150,090**	**3,445**
Vested at December 31, 2015	-	-

10. Trade and other payables

	December 31, 2017	**December 31, 2016 Unaudited**	**December 31, 2015 Unaudited**
Trade payables	38,425	852	393
Government payables	10,595	27	29
Employee payables	79	-	-
Other	4,148	-	-
	53,247	**879**	**422**

11. General and administrative expenses

	Year ended December 31, 2017	**Year ended December 31, 2016 Unaudited**	**Year ended December 31, 2015 Unaudited**
Employee benefits	**(3,171)**	**(1,822)**	**(746)**
Salaries	(3,067)	(1,817)	(746)
Social security	(104)	(5)	-
External services	**(76,170)**	**(2,419)**	**(2,002)**
Advertising and promotion expenses	(64)	-	-
Office and points of sale maintenance	(411)	(4)	-
IT expenses	(36)	-	-
People related costs	(344)	-	-
Finance and legal services	(39,919)	(2,241)	(1,695)
Management fees	(35,000)	-	-
Other external services	(396)	(174)	(307)
Taxes and fees	**(11,879)**	**(349)**	**(234)**
	(91,220)	**(4,590)**	**(2,982)**

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

The increase in costs of finance and legal services was mainly caused by expenses related to the IPO. The increase in management fees resulted from advisory services provided in connection with the IPO.

12. Other operating income

	Year ended December 31, 2017	**Year ended December 31, 2016 Unaudited**	**Year ended December 31, 2015 Unaudited**
Other operating income			
Exchange rate gains	743	51	53
Interest income on trade receivables and cash	2	-	-
Other miscellaneous operating income	11,426	1,977	902
	12,171	**2,028**	**955**

13. Finance income and finance costs

	Year ended December 31, 2017	**Year ended December 31, 2016 Unaudited**	**Year ended December 31, 2015 Unaudited**
Finance income			
Interest income	114,895	-	-
Gain on long-term investments	-	51	1
	114,895	**51**	**1**
Finance costs			
Interest expense, including:	(91,314)	(313)	(145)
- on lease liabilities	*(18)*	*(2)*	-
Net loss on finance instruments at fair value	(16,374)	-	-
- hedging instruments at fair value through profit or loss	*(16,374)*	-	-
Exchange rate losses	(63,040)	(219)	(8,255)
Other	(9,733)	-	-
	(180,461)	**(532)**	**(8,400)**

The interest income recognized in the year ended December 31, 2017 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 (see Note 4).

The increase in interest expense in the year ended December 31, 2017 resulted from the interest paid on SFA.

The loss on finance instruments at fair value in the year ended December 31, 2017 resulted from losses on derivatives used to hedge the currency risk related to purchase of the EUR-denominated Notes (please see Note 4).

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

14. Taxation

	Year ended December 31, 2017	Year ended December 31, 2016 Unaudited	Year ended December 31, 2015 Unaudited
Current tax charge	-	-	(14)
Deferred tax charge	(92)	(29)	(3)
Income tax charge	**(92)**	**(29)**	**(17)**

Reconciliation between tax base resulting from accounting profit and income tax charge:

	Year ended December 31, 2017	Year ended December 31, 2016 Unaudited	Year ended December 31, 2015 Unaudited
Loss before income tax	**(144,731)**	**(3,067)**	**(10,424)**
Tax calculated at tax rates applicable to profit	32,999	896	3,046
Expenses not subject to tax	(1,121)	(42)	(2,393)
Income not subject to tax	6,449	-	-
Adjustments relating to previous tax years	-	-	(19)
Change in unrecognized deferred tax asset arising from tax losses	(38,419)	(883)	(651)
Income tax charge	**(92)**	**(29)**	**(17)**

The corporate income tax rate applied to the Company and the subsidiaries registered in Luxembourg was 22.80% as at December 31, 2017 and December 31, 2016 and 29.22% as at December 31, 2015.

Deferred income tax

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Base for deferred income tax calculation:			
net deductible timing differences	(559)	(128)	(11)
carry-forwards of unused tax losses	177,716	9,607	6,441
	177,157	**9,479**	**6,430**
Potential deferred income tax net asset/(liability) arising from:			
net deductible timing differences	(122)	(32)	(3)
carry-forwards of unused tax losses	40,519	2,807	1,882
	40,397	**2,775**	**1,879**
Recognized deferred income tax assets	**-**	**-**	**-**
Recognized deferred income tax liability	**(122)**	**(32)**	**(3)**
Not recognized deferred income tax assets	**40,519**	**2,807**	**1,882**

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 Company did not recognize deferred income tax assets relating to tax losses due to insufficient likelihood of future taxable profits that would allow realization of these tax losses.

Deferred income tax assets and liabilities are offset.

The Company may only utilize its tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. 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).

15. 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 Award shares which will potentially be issued under the PIP and VDP4 retention programs – please see Note 9. 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 Unaudited**	**Year ended December 31, 2015 Unaudited**
Net loss for the period	(144,823)	(3,096)	(10,441)
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**
Loss per share (in PLN) (basic equals diluted)	(0.57)	(0.01)	(0.04)

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

16. 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
		Unaudited	**Unaudited**
(Increase)/decrease of receivables	(932)	-	790
(Increase)/decrease of prepaid expenses	122	1	470
Increase/(decrease) of payables excluding investment payables	50,323	457	(585)
Increase/(decrease) of accruals	91	-	-
(Increase)/decrease of long-term receivables	(124)	(13)	-
	49,480	**445**	**675**

17. Cash flows relating to finance liabilities

	Year ended December 31, 2017	Year ended December 31, 2016 Unaudited	Year ended December 31, 2015 Unaudited
Proceeds from finance liabilities			
loans	2,278,000	1,500	2,465
notes	116,314	-	-
	2,394,314	**1,500**	**2,465**
Repaid finance liabilities and paid costs relating to finance liabilities			
loans	(117,015)	-	-
- interests	*(82,550)*	-	-
- other	*(34,465)*	-	-
notes	(1,806)	-	-
- interests	*(1,806)*	-	-
leases	(18)	-	-
	(118,839)	**-**	**-**

18. Commitments and guarantees

On March 20, 2017, following the execution of a Master Release of Pledge Agreement with the pledgors and the Security Agent, the Company and its subsidiaries were released from the pledges granted in relation to the multi-currency revolving credit facility agreement. For details regarding SFA pledges please see Note 8.4.

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

19. Related party transactions

	December 31, 2017	December 31, 2016 Unaudited	December 31, 2015 Unaudited
Long-term receivables - debt securities[(a)]	173,133	-	-
Trade receivables	837	98	98
Loan received	6,531	6,647	4,058
Trade and other payables	4,396	160	21

	Year ended December 31, 2017	Year ended December 31, 2016 Unaudited	Year ended December 31, 2015 Unaudited
Dividends received	-	51	1
Management fees[(b)]	(35,000)	-	-
General and administrative expenses	(542)	(434)	(468)
Other operating income	11,432	1,977	902
Interest income[(a)]	114,895	-	-
Interest costs	(2,116)	(311)	(145)

(a) 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 income repayment, purchase or redemption of intercompany notes please see Note 4. For other transactions with Shareholders affecting the share capital or share premium please see Note 7. For details regarding long-term receivables – debt securities please refer to Note 4.

(b) Management fees costs incurred in the year ended December 31, 2017 resulted from the 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 Company. 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.

20. Remuneration of Board of Directors

Cost of remuneration of members of Boards of Directors of the Company incurred for the year ended December 31, 2017 amounted to PLN 1,700 thousand. For the year ended December 31, 2016 and for the year ended December 31, 2015 no remuneration costs of Management Board of the Company were incurred.

21. Auditor's fees

	Year ended December 31, 2017	Year ended December 31, 2016 Unaudited	Year ended December 31, 2015 Unaudited
Audit fees	118	-	-
	118	**-**	**-**

22. Events after the reporting period

The Company has not identified any events after the reporting period that should be disclosed in the separate financial statements.

Name: Ioannis Karagiannis
Title: Class B director

Name: Serdar Çetin
Title: Class C director