Play Communications S.A.

(a public limited liability company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office in Luxembourg, Grand Duchy of Luxembourg)

Public offering of up to 121,572,621 existing ordinary bearer shares with a nominal value of EUR 0.00012 per share and the seeking of the admission and introduction of 250,000,000 existing ordinary bearer shares to trading on the regulated (main) market of the Warsaw Stock Exchange

On the basis of this document (the "**Prospectus**") Play Holdings 1 S.à r.l. (the "**Selling Shareholder**"), being the sole shareholder of Play Communications S.A. (the "**Issuer**"), which is a public limited liability company (*société anonyme*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 4/6, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (R.C.S. Luxembourg) under number B183803, is offering up to 97,837,526 existing ordinary bearer shares with a nominal value of EUR 0.00012 each in the share capital of the Issuer (the "**Sale Shares**"). In addition, the Selling Shareholder is granting an option to the Global Coordinators (as defined below), exercisable by the Stabilizing Manager (as defined below) to purchase up to 11,052,056 existing ordinary bearer shares with a nominal value of EUR 0.00012 each in the share capital of the Issuer pursuant to the over-allotment option described below (the "**Over-Allotment Shares**", and together with the Sale Shares, the "**Offer Shares**"). The Selling Shareholder may, to the extent it and the Global Coordinators (as defined below) determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholder pursuant to the Offering by up to 12,696,404 Sale Shares. Under no circumstances, however, will the Offering (as defined below) consist of more than 121,572,621 Offer Shares, including all Sale Shares and any Over-Allotment Shares. The above calculations do not take into account the newly issued shares in the share capital of the Issuer to be subscribed for by each member of the Management Board of P4 Sp. z o.o., a wholly owned subsidiary of the Issuer (the "**Play**") and the shares to be issued to approximately 100 managers and key employees of Play that will be issued on or about the Listing Date (as defined below) and do not constitute a part of the Offering and will be carried out by way of a private placement outside the scope of this Prospectus. Please see "*Terms and Conditions of the Offering*" and "*Management – Remuneration and Benefits*."

The Selling Shareholder will, subject to the provisions of the Underwriting Agreement (as defined below), receive the net proceeds from the sale of the Sale Shares and the Over-Allotment Shares.

The Offering consists of: (i) a public offering to retail investors (the "**Retail Investors**"), the authorized employees (the "**Authorized Employees**") and institutional investors (the "**Polish Institutional Investors**") in Poland (the "**Polish Public Offering**") in each case in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"); (ii) an offering in the United States of America to qualified institutional buyers (the "**QIBs**") as defined in, and in reliance on, Rule 144A under the U.S. Securities Act; and (iii) an offering to certain institutional investors outside of the United States of America and Poland (together with QIBs, the "**International Institutional Investors**" and, together with the Polish Institutional Investors, the "**Institutional Investors**") in accordance with Regulation S under the U.S. Securities Act (the "**International Offering**").

The Offer Shares are being offered, as specified in this Prospectus, subject to cancelation, suspension or modification of the Offering and subject to certain other conditions. Please see "*Terms and Conditions of the Offering*."

The Selling Shareholder will grant an option to J.P. Morgan Securities plc, Merrill Lynch International and UBS Limited (together as the "**Global Coordinators**"), exercisable by J.P. Morgan Securities plc as stabilizing manager (the "**Stabilizing Manager**"), for up to 30 calendar days following the Listing Date (as defined below) to purchase up to an additional 11,052,056 Over-Allotment Shares, solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilization transactions. Such stabilization shall be conducted in accordance with the rules set out in the Regulation 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC and the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization of financial instruments.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 3 of European Union (EU) Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and has been prepared in accordance with the provisions of the European Commission Regulation (EC) 809/2004, as amended and Part II of the Luxembourg Law of July 10, 2005 on prospectuses for securities, as amended (*Loi modifiée du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Prospectus Law**") and the rules promulgated thereunder. This Prospectus has been filed with, and was approved on June 30, 2017, by the Commission de Surveillance du Secteur Financier (the "**CSSF**"), which is the competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in Luxembourg. This Prospectus will be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu). Based on Article 2(h) of the Luxembourg Prospectus Law, Luxembourg is the home member state of the Issuer and the CSSF is solely authorized to approve this Prospectus. This approval cannot be considered as a judgment on, or any comment on, the merits of the transaction, nor on the situation of the Issuer, or by approving this Prospectus the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer, in line with the provisions of Article 7(7) of the Luxembourg Prospectus Law. The Issuer will be authorized to carry out the Polish Public Offering in the Republic of Poland once the CSSF has notified the approval of the Prospectus to the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*; the "**PFSA**") and the Prospectus together with its summary translated in Polish has been published in Poland on the website of the Issuer (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl). In addition, in accordance with the requirements of the applicable regulations in Luxembourg and in Poland, a paper copy of the Prospectus will be delivered to the investors upon their request free of charge. The PFSA is the competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland as host member state of the Issuer.

Prior to the Offering, the shares of the Issuer have not been admitted to or traded on any regulated market. Application will be made based on this Prospectus to admit all the Issuer's shares (including the Sale Shares and the Over-Allotment Shares, if any) issued and existing in the share capital of the Issuer as at the date hereof (the "**Shares**") to listing and trading on the regulated market of the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) (the "**WSE**"). The Issuer expects that the date on which trading in the Shares on the WSE will commence is on or around July 27, 2017 (the "**Listing Date**").

The maximum price for the Retail Investors and for the Institutional Investors per Offer Share is PLN 44.0 (the "**Maximum Price**") and the maximum price for the Authorized Employees per Offer Share is equal to the Maximum Price less 15% (as rounded up to the closest Polish grosz), or PLN 37.4 (the "**Maximum Price for the Authorized Employees**"). The Retail Investors and the Authorized Employees will be placing orders at the Maximum Price and the Maximum Price for the Authorized Employees, respectively. The final offer price per Offer Share for the Retail Investors and the final offer price per Offer Share for the Institutional Investors (the "**Offer Price**"), the final offer price per Offer Share for the Authorized Employees (the "**Offer Price for the Authorized Employees**"), as well as the final number of the Offer Shares (including the final number of Sale Shares and Over-Allotment Shares) offered in the Offering and offered to various categories of investors mentioned above shall be determined by the Selling Shareholder in agreement with the Global Coordinators and after consultation with Bank Zachodni WBK S.A and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie (the "**Co-Offering Agents**"), and together with the Global Coordinators, the "**Joint Bookrunners**") on or about July 13, 2017 (the "**Pricing Date**") and will be announced in a manner compliant with applicable regulations, as well as market practice in Luxembourg and in the Republic of Poland. More specifically, the information referred to in the preceding statement will be published in the same manner as this Prospectus (i.e., in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)), and notified to the CSSF. When determining the Offer Price and the Offer Price for the Authorized Employees, the following criteria, among others, will be taken into account: (i) size and price sensitivity of demand from the Institutional Investors on the basis of the declarations received in the book-building process; (ii) the current and anticipated situation on the Polish and international capital markets; and (iii) the secondary market post-Offering for the Shares. The Offer Price will not be higher than the Maximum Price, whereas the Offer Price for the Authorized Employees will not be higher than the Maximum Price for the Authorized Employees. If the Offering is canceled on the terms provided in the Prospectus, all subscriptions for the Offer Shares will be disregarded and any subscription payments made will be returned without interest or other compensation. All dealings in the Offer Shares prior to the Listing Date are at the sole risk of the parties concerned. The Joint Bookrunners, the

Issuer and the Selling Shareholder do not accept any responsibility or liability with respect to any person as a result of a withdrawal/cancelation, modification or suspension of the Offering.

PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE DOCUMENT AND, IN PARTICULAR, PLEASE SEE THE CHAPTER HEADED "*RISK FACTORS*" FOR A DESCRIPTION OF FACTORS TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING WHETHER TO INVEST IN THE OFFER SHARES.

This Prospectus does not constitute an offer to sell the Offer Shares, or a solicitation of an offer to buy the Offer Shares from persons in any jurisdiction in which the making of such an offer or solicitation would be illegal. The Polish Public Offering is being conducted exclusively within the territory of the Republic of Poland.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR BY ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS IN EFFECT IN ANY STATE OR JURISDICTION OF THE UNITED STATES OF AMERICA. QUALIFIED INSTITUTIONAL BUYERS ARE HEREBY NOTIFIED THAT THE OFFER SHARES ARE BEING SOLD IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT. THE OFFER SHARES ARE SUBJECT TO CERTAIN RESTRICTIONS CONCERNING THE SALE, POSSIBILITY TO OFFER, PLACE PURCHASE ORDERS FOR AND DISPOSE OF THE SAME. FOR A DETAILED DESCRIPTION OF THESE TRANSFER RESTRICTIONS, PLEASE SEE "SELLING RESTRICTIONS." INVESTORS ACQUIRING OFFER SHARES MAY BE SUBJECT TO RESTRICTIONS UPON TRANSFER - SEE "TRANSFER RESTRICTIONS." NEITHER THE UNITED STATES SECURITIES EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OF AMERICA HAS APPROVED OR DISAPPROVED OF THE OFFERING OF THE OFFER SHARES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE MARKETING DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Global Coordinators and Joint Bookrunners

J.P. Morgan BofA Merrill Lynch UBS Investment Bank

Joint Bookrunners and Co-Offering Agents

Bank Zachodni WBK S.A Dom Maklerski PKO Banku Polskiego

The date of this Prospectus is June 30, 2017

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SUMMARY

*Summaries are made up of disclosure requirements known as elements (the "**Elements**"). These Elements are numbered in Sections A—E (A.1—E.7).*

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

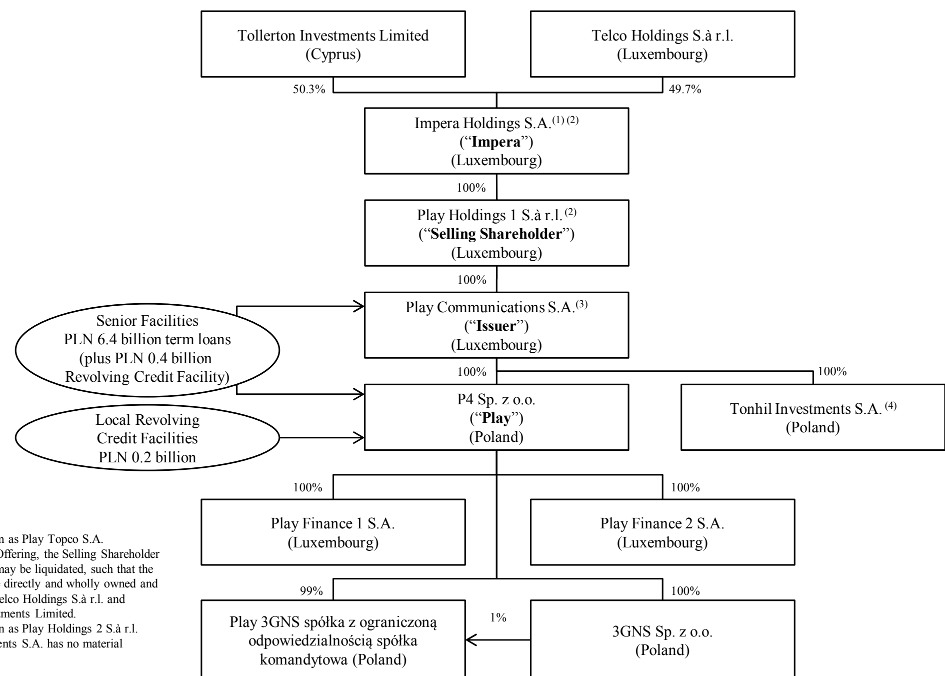
Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with "not applicable".

Section A – Introduction and warnings		
Element	**Description**	**Disclosure requirement**
A.1	Introduction and warnings	This summary should be read as introduction to the prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European economic area, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent by the Issuer to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries	Not applicable. The Issuer has not granted such consent and the shares will not be the subject of subsequent resale or final placement by financial intermediaries.
Section B – Issuer		
Element	**Description**	**Disclosure requirement**
B.1	The legal and commercial name	Play Communications S.A. (formerly Play Holdings 2 S.à r.l.) (the "**Issuer**").
B.2	Domicile, legal form, legislation and country of incorporation	Public limited liability company (*société anonyme*) incorporated, domiciled and existing under the laws of the Grand Duchy of Luxembourg.

B.3	Description of, and key factors relating to the nature of the issuer's current operations and its principal activities, stating the main categories of products sold or services performed and identification of the principal markets in which the issuer competes	We are the second largest mobile network operator ("**MNO**") in Poland based on reported number of subscribers, with over 14.3 million subscribers as of March 31, 2017. We provide mobile voice, messaging, data offerings and video streaming and services to consumers and businesses on a contract and prepaid basis. We have grown our market share of total reported subscribers in Poland from 4.6% at the end of 2008 to approximately 27.6% as of March 31, 2017 and are the market leader in subscriber net additions in Poland, with more than 48% of all contract subscriber net additions in the three months ended March 31, 2017 (taking over 50% on average over the five years ended December 31, 2016). According to research by Analysys Mason Limited, in 2016, we had the highest net promoter score (a ratio measuring the willingness of subscribers to recommend their current provider to others based on a holistic customer experience evaluation) ("**NPS**") of the four major Polish MNOs and across a wider range of global telecommunications operators with an NPS of 28. We have a strong business subscriber base and low churn (0.7% of contract churn in the three months ended March 31, 2017, measured on an average monthly basis). We have maintained growth in our contract subscriber base, which has steadily increased as a percentage of our total reported subscriber base, from 47.3% as of December 31, 2014 to 60.5% as of March 31, 2017, while retail contract revenues represented 77.1%, 77.3% and 78.1% of our usage revenues for the years ended December 31, 2014, 2015 and 2016 respectively and 80.5% of our usage revenues for the three months ended March 31, 2017. Contract subscribers provide us the benefit of revenue stability and security due to fixed contract durations. We are the fourth most valuable Polish brand according to Rzeczpospolita Daily. We are the number one brand in Poland, in terms of "top-of-mind advertising awareness," as well as brand image, among the four major Polish MNOs, based on SMARTSCOPE market research. As of March 31, 2017, we had over 850 dedicated "PLAY" branded stores. Our services are available to 99% of the Polish population through a combination of own network and long term national roaming agreements with the other three major Polish MNOs and we are pursuing a nationwide network roll-out in order to cover close to 100% of the population by 2020, in terms of data requirements. As of March 31, 2017, we provided 3G and 4G LTE coverage through our own network to approximately 92.4% and 92.3% of the Polish population, respectively, and approximately 95% of data traffic through our own network. During the three-month period ended March 31, 2017 and at an exchange rate of PLN 4.2198 per EUR 1.00, which was the NBP exchange rate per euro as of March 31, 2017, we generated total operating revenues of PLN 1,580.8 million (EUR 374.6 million equivalent), which represented an increase of 9.6% period on period in PLN terms. Our Adjusted EBITDA (calculated as EBITDA plus costs of advisory services provided by shareholders, plus cost/(income) resulting from valuation of retention programs and costs of special bonuses, plus certain one off items) for the three month period ended March 31, 2017 amounted to PLN 564.2 million (EUR 133.7 million equivalent), an increase of 20.8% period on period in PLN terms.
B.4a	Significant recent trends affecting the Issuer and the industries in which it operates.	***Polish mobile market overview*** Poland is one of the largest telecommunications services markets in Central and Eastern Europe in terms of annual revenues. According to the Polish Office of Electronic Communications (the "**UKE**") report on the telecommunications market, the telecommunications industry generated PLN 39.5 billion of revenues in 2015, which was an increase of approximately 0.7% from the previous year. The mobile market is the largest contributor of revenues in the telecommunications industry. Based on publically reported revenues of four major MNOs, which include mobile Internet access revenues, the Polish mobile market generated revenues of approximately PLN 26.3 billion in 2016. This is approximately 5 times more than revenues generated broadband market in 2015, according to UKE. Furthermore, the mobile market remains an attractive area of the telecommunications market,

<table>
<tr><td></td><td></td><td>with the UKE expecting future growth to be underpinned by the increasing use of mobile broadband services and mobile data consumption.

Polish mobile market
Overall, the Polish mobile market is a structurally attractive telecommunications market. It is balanced among four players and presents favorable competitive dynamics.
Customer Base
The contract subscribers market is significantly larger than the prepaid market, both in terms of subscribers and value. According to the UKE, the four MNOs derive approximately 80% of their revenues from contract subscribers. The typical length of the subscribers contract is 24 months for newly acquired subscribers and up to 36 months for retained subscribers. The number of contract subscribers has been constantly growing in years 2014 to 2016 (from approximately 28 million to 33 million).
Market value
The Polish mobile market is expected to exhibit an attractive growth path over the coming years.
According to PMR Research, as of December 31, 2016, the Polish mobile market reached PLN 26.3 billion, and is expected to grow at a CAGR of 1.4% in years 2017-2020 and reach PLN 28.2 billion in 2020.</td></tr>
<tr><td>B.5</td><td>The Group and the issuer’s position within the Group</td><td>The Issuer is the holding company for all of its subsidiaries (the Issuer together with all of its subsidiaries, the “Group”).
The chart below presents the structure of the Group, plus its direct parent Play Holdings 1 S.à r.l. (the “Selling Shareholder”) whose direct parent is Impera Holdings S.A. (“Impera”), and its direct shareholders, as of the date of this Prospectus.



(1) Formerly known as Play Topco S.A.
(2) Following the Offering, the Selling Shareholder and/or Impera may be liquidated, such that the Issuer would be directly and wholly owned and controlled by Telco Holdings S.à r.l. and Tollerton Investments Limited.
(3) Formerly known as Play Holdings 2 S.à r.l.
(4) Tonhil Investments S.A. has no material operations.

Source: Issuer</td></tr>
<tr><td>B.6</td><td>Major shareholders of the Issuer</td><td>As of the date of this Prospectus, the Issuer was directly controlled by the Selling Shareholder. The Selling Shareholder is directly and wholly owned and controlled by Impera, which is a parent company of the Issuer.</td></tr>
</table>

B.7 | Selected historical key financial information including a description of significant changes to the issuer's financial condition and operating results

Selected Consolidated Statement of Comprehensive Income Data

	Year ended December 31,			Three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
				unaudited	
			(PLN in millions)		
Operating revenue	**4,589.7**	**5,436.5**	**6,117.6**	**1,442.6**	**1,580.8**
Operating expenses	**(3,794.1)**	**(4,373.1)**	**(4,753.5)**	**(1,100.0)**	**(1,282.5)**
Other operating income	**64.2**	**78.5**	**70.7**	**18.8**	**27.8**
Other operating costs	**(86.3)**	**(76.1)**	**(144.4)**	**(36.0)**	**(12.7)**
Operating profit	**773.5**	**1,065.9**	**1,290.3**	**325.4**	**313.3**
Finance income	74.7	7.6	135.0	3.6	101.3
Finance costs	(432.6)	(368.0)	(499.1)	(108.1)	(353.3)
Profit before income tax	**415.6**	**705.5**	**926.1**	**220.9**	**61.3**
Income tax benefit/(charge)	83.3	(155.2)	(214.1)	(84.0)	(42.8)
Net profit for the period	498.9	550.3	712.0	136.9	18.5
Other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	**498.9**	**550.3**	**712.0**	**136.9**	**18.5**

Source: The Issuer

Selected Consolidated Statement of Financial Position

	As of December 31,			As of March 31,
	2014	**2015**	**2016**	**2017**
				unaudited
		(PLN in millions)		
Assets				
Total non-current assets	3,737.3	3,873.9	5,976.7	7,524.0
Total current assets	2,330.2	3,688.6	2,769.9	2,629.8
Total Assets	**6,067.5**	**7,562.4**	**8,746.6**	**10,153.8**
Equity and Liabilities				
Total equity	72.2	630.6	1,342.6	1,361.1
Total non-current liabilities	4,545.1	5,217.5	5,385.2	7,004.3
Total current liabilities	1,450.2	1,714.2	2,018.8	1,788.4
Total Liabilities and Equity	**6,067.5**	**7,562.4**	**8,746.6**	**10,153.8**

Source: The Issuer

Selected Consolidated Statement of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
				unaudited	
			(PLN in millions)		
Net cash provided by operating activities	1,182.7	1,525.1	1,587.5	198.7	243.4
Net cash used provided by/(used in) investing activities	(464.3)	(572.9)	(2,349.3)	(1,895.8)	127.1
Net cash provided by/(used in) financing activities	(393.2)	106.8	(454.2)	13.9	(595.0)
Net change in cash and cash equivalents	325.1	1,059.1	(1,215.9)	(1,683.2)	(224.5)
Cash and cash equivalents at the beginning of the period	172.6	497.8	1,556.8	1,556.8	341.0
Cash and cash equivalents at the end of the period	**497.8**	**1,556.8**	**341.0**	**(126.4)**	**116.3**

Source: The Issuer

Comprehensive Income

Total comprehensive income increased from PLN 498.9 million to PLN 550.3 million and to PLN 712.0 million for the years ended December 31, 2014, 2015 and 2016, respectively. The main growth driver for this increase in total comprehensive income for the period was the increase in operating revenue resulting from growth in most of our revenue categories, primarily in retail contract usage revenue, interconnection revenue and sales of goods and other revenue.

Total comprehensive income decreased from PLN 136.9 million to PLN 18.5 million for the three months ended March 31, 2016 and 2017, respectively. The reason for this decrease in total comprehensive income for the period was the increase in finance costs resulting from

		redemption costs related to the repayment of our outstanding existing high yield notes in March 2017. *Cash Flows* Net cash provided by operating activities increased from PLN 1,182.7 million to PLN 1,525.1 million and to PLN 1,587.5 million for the years ended December 31, 2014, 2015 and 2016, respectively, primarily due to increase in the profit before income tax for the periods. Our cumulative capital expenditures excluding frequency reservation acquisitions and for the period from January 1, 2014, to March 31, 2017, were PLN 1,705.8 million. In January 2016, the Group acquired reservations in the 800 MHz and 2600 MHz spectrums for the total price of PLN 1,718.4 million, of which PLN 14.0 million was paid in the year ended December 31, 2014, as a deposit securing the frequency auction and was finally accounted for in the price of the frequency reservation. Over the periods described in this Prospectus, all of our capital expenditures were made within Poland. These capital expenditures were financed using our own funds derived from operating activities, and from external sources, such as interest-bearing bank loans.
B.8	Selected key *pro forma* financial information	Not applicable. The Prospectus does not contain *pro forma* financial information.
B.9	Forecast or estimate of the profit	Not applicable. The Issuer does not publish profit forecasts or estimates.
B.10	Qualification of the auditor	Not applicable. The auditor's report regarding historical financial information was unqualified.
B.11	Working capital	The Issuer is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing as of the date of this Prospectus.
Section C – Securities		
Element	**Description**	**Disclosure requirement**
C.1	Type of security and security codes	Based on this Prospectus, the Selling Shareholder is offering (the "**Offering**") up to 97,837,526 existing ordinary shares with a nominal value of EUR 0.00012 per share and is granting an option to J.P. Morgan Securities plc, Merrill Lynch International and UBS Limited (the "**Global Coordinators**"), exercisable by J.P. Morgan Securities plc (the "**Stabilizing Manager**"), to purchase up to 11,052,056 shares pursuant to the over-allotment option (the "**Over-Allotment Shares**"), corresponding together up to 43.6% of the issued and outstanding share capital of the Issuer as at the date hereof and 43.6% of the total number of votes at the shareholders' meeting of the Issuer (the "**General Meeting**") as at the date hereof. The Selling Shareholder may also, to the extent it and the Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholder pursuant to the Offering by up to 12,696,404 Sale Shares. Under no circumstances, however, will the Offering consist of more than 121,572,621 Offer Shares, including all Sale Shares and any Over-Allotment Shares. Based on this Prospectus, the Issuer intends to seek the admission and introduction to trading on the regulated (main) market operated by the Warsaw Stock Exchange (the "**WSE**") of: all shares issued and existing as at the date hereof with a nominal value of EUR 0.00012 each, i.e., 250,000,000 shares (the "**Shares**"), including the Offer Shares (as defined below). The Shares have been assigned the ISIN code: LU1642887738 and ultimately under this code the Shares will be traded on the regulated market of the WSE. In connection with the registration of the Sale Shares offered to the investors who are natural persons (individual),

		corporate entities (legal persons) and non-corporate entities other than individuals authorized to subscribe for the Offer Shares pursuant to the Prospectus ("**Retail Investors**") by the National Depository of Securities (the "**NDS**"), a temporary ISIN code of LU1642887142 has been assigned for the Retail Investors subject to the Preferential Allocation and a temporary ISIN code of LU1642887498 has been assigned for the Retail Investors that will not be subject to the Preferential Allocation. In connection with the registration of the Sale Shares offered to the authorized employees ("**Authorized Employees**") by the NDS, a temporary ISIN code of LU1642887654 has been assigned.
C.2	Currency of the securities issue	The Shares are denominated in Euro and the offering price shall be expressed in Polish zloty.
C.3	Number of shares issued par value per share	The Issuer's share capital currently amounts to EUR 30,000 and is comprised of two hundred fifty million (250,000,000) bearer shares with a nominal value of EUR 0.00012 each. The Offering comprises only the sale of the existing Offer Shares by the Selling Shareholder.
C.4	Rights attached to the shares	Each Share entitles the shareholder to one vote at the General Meeting of the Issuer. There are no restrictions on voting rights. All of the Shares carry full dividend rights.
C.5	Restrictions on the free transferability of the shares	Not applicable. The transferability of the Shares is not restricted, other than by the lock-up agreements described below.
C.6	Admission to trading	The shares in the Issuer have not been and are not currently admitted to trading on any regulated market. Based on this Prospectus, the Issuer intends to seek the admission and introduction to trading on the regulated (main) market operated by the WSE of 250,000,000 Shares, including the Offer Shares.
C.7	Dividend policy	The Issuer intends to distribute as a dividend a total of approximately PLN 650 million (as a cash dividend for the financial year to end December 31, 2017) to its shareholders in the second quarter of 2018, subject to approval by the General Meeting, which the existing shareholders have stated that they are committed to support. Thereafter, commencing with the financial year 2018, for which dividend would be payable in 2019, the Issuer is targeting a dividend payout ratio of 65-75% of the preceding year's annual consolidated Group free cash flow to equity (post lease payments) (calculated as Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions), adjusted by total changes in net working capital and other and change in contract assets and change in contract liabilities and change in contract costs, less cash interest, less cash taxes, less lease payments), *provided that* there are sufficient retained profits available, and subject to the legal and contractual restrictions described below. The Issuer intends to re-examine its dividend policy once it has reached its long-term objective of net reported debt to LTM Adjusted EBITDA ratio of 2.5x calculated on a consolidated basis. The Issuer's board of directors (the "**Board**") retains the authority to change the dividend policy and dividend payout ratio at any time, especially if unexpected events occur that would change its view as to the prudent level of cash and capital conservation as well as the Issuer's financial goals and strategy. All Shares, including the Offer Shares, will entitle the holders to participate in the Issuer's profit from January 1, 2017. Dividends declared by the Issuer will be declared in PLN. The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the amount of the Issuer's unconsolidated distributable reserves, our earnings, level of profitability and financial condition, capital requirements, applicable restrictions on the payment of dividends under Luxembourg law and

		such other factors as the Issuer's Board may deem relevant. Accordingly, the Issuer's ability to pay dividends in the future may be limited or its dividend policy may change. No dividend is payable other than in accordance with the applicable provisions of Luxembourg law as more fully described below. In order to ensure that the Issuer has sufficient funds to enable it to distribute dividends on a yearly basis, P4 Sp. z o.o. ("**Play**") will pay a dividend to the Issuer in advance of the expected dividend payment date set out by the Issuer. This will require the decision of Play's general meeting (noting that the Issuer is the sole shareholder of Play). In order to facilitate the payment of dividends in the future, Play's articles of association also provide for the possibility of distributing an interim dividend, subject to applicable restrictions on the payment of interim dividends under Polish law. In order to ensure that the Issuer has sufficient dividend capacity to enable it to distribute dividends in line with the dividend policies described above and that Play had sufficient ability to distribute net profits to the Issuer, the Issuer and Play will undergo a restructuring, certain steps of which have already been undertaken, prior to the consummation of the Offering. The restructuring will not impact the Issuer's cash flows. The effect of such restructuring, on a Group consolidated basis, is a negative shareholders' equity, which is different from the distributable reserves of the Issuer on a standalone basis. Having negative shareholders' equity on a consolidated basis does not in and of itself affect the ability of the Issuer to make shareholder distributions or continue operations. The amount of distributable reserves, on a standalone basis, available to the Issuer as adjusted for the restructuring would be at least PLN 3,396.7 million as of December 31, 2016. Such distributable reserves could potentially also be available for shareholders' distribution in addition to distributable profit created from income from dividends received by the Issuer from Play.
Section D – Risks		
Element	**Description**	**Disclosure requirement**
D.1	Key risks relating to the Group's business and industry	**Risks related to the macroeconomic conditions and the industry in which the Group operates** The macroeconomic conditions of Poland and the European Union as well as a continuation or worsening of the global financial downturn could have a material adverse effect on our business, financial condition, results of operations and prospects. The Polish mobile industry is highly competitive, and changes in the business model of other operators and/or increased use of alternative technology could have a material negative impact on our business. The success of our mobile operations depends on our ability to attract market share away from our competitors and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or we otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs, reduced revenues and/or lower cash flows. We rely on national roaming to offer mobile telecommunications services to a certain part of our subscribers. We depend on third party telecommunications providers over which we have no direct control for the provision of our international roaming services. The mobile telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies, offerings and services. The operations of mobile network operators are capital intensive and we cannot assure you that we will have sufficient liquidity to fund our capital expenditure programs or ongoing

		operations in the future. We could experience cyber-attacks, subscriber database piracy, other attacks of terrorism or vandalism or database security breaches, which may materially adversely affect our reputation, lead to subscriber lawsuits, loss of subscribers or hinder our ability to gain new subscribers and thereby materially adversely affect our business. Our network infrastructure, including our information and telecommunications technology systems, may be vulnerable to circumstances beyond our control that may disrupt our services and could affect our operations. Our operations depend on the effectiveness of our distribution network. We depend on third-party providers to provide services to our subscribers. The mobile telecommunications industry is characterized by a limited radio frequency spectrum available for allocation, with certain prior allocation processes subject to dispute. We are continually involved in disputes and legal proceedings that, if determined unfavorably to us, could have a material adverse effect on our business, financial condition, results of operations and prospects. Failure to maintain the reputation of our brand or impairment of our key intellectual property rights would have a material adverse effect on our business, financial condition and results of operations. Currency exchange rate fluctuations could have a material adverse effect on our financial condition and the results of our operations. We rely on the experience and talent of our managers and skilled employees, and the loss of any of these individuals could harm our business. Labor disruptions or increased labor costs could have a material adverse effect on our business, financial condition and results of operations. Alleged health risks of wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations. We need to maintain our efficient and effective operational policies to avoid increases in our operating costs. We collect and process subscriber data as part of our routine business operations and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and have a material adverse effect on our business, financial condition or results of operations. We may make acquisitions or enter into transactions that could result in operating difficulties, dilution and other adverse consequences. Our accounting policies may differ from other telecommunications operators, which may affect the comparability of our results. Frequent changes in Polish tax regulations may have an adverse effect on our results of operations and financial condition. The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the General Anti-Avoidance Rule. Polish tax rulings may be subject to review. The interpretation of Polish tax laws related to the taxation of investors may be inconsistent, and subject to change, and it is possible that a non-Polish investor may be subject to Polish tax as a result of investment in the Offer Shares under the current Polish tax laws Tax authorities may increase the frequency with which they perform tax audits. We cannot exclude the risk that the Polish tax authorities will adopt different view of the revenues from TV services rendered by Play and their VAT treatment. The substantial leverage and debt service obligations of the Group could adversely affect our

		business.
D.3	Key information on the key risks that are specific to the securities	**Risks associated with our structure, the Offering and the Offer Shares** Drawings under the Senior Facilities bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow There are risks related to the 2014 Refinancing and Recapitalization Tax authorities may take a different view of the tax treatment ofbusiness reorganization of trademarks within the Group. An increased focus by the Polish tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions. The interests of the Issuer's controlling shareholders may conflict with your interests. The Offering may be suspended, modified or canceled or the results of the Offering may deviate significantly from the envisaged Offering size and value. The Shares may not be eligible to be admitted to trading or listing on the regulated market (main market) of the WSE. In the event of a breach or suspected breach of law in relation to the Offering, or the application for the admission and introduction of the Shares to trading on a regulated market, the CSSF and the PFSA may, inter alia, prohibit or suspend the Offering and issue an order to stay the application or prohibit the application for the admission or introduction of the Shares to trading on the regulated market. Trading in the Shares on the WSE may be suspended. The Issuer's failure to meet the requirements set forth in the WSE rules, the Luxembourg Transparency Law or the Polish Act on Public Offering may cause the Shares to be delisted. The Issuer is not in full compliance with the Corporate Governance Rules of the Warsaw Stock Exchange and does not expect to be in full compliance in the near future. If the Issuer does not comply with the requirements with which it must comply as a listed company, the value of its Shares may be adversely affected The market price of the Shares may decrease and/or be highly volatile. The Shares may have limited liquidity. The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below the Offer Price. There is no prior market for the Shares and, therefore, no assurance regarding the future development of such market can be given. The free float of the Shares is expected to remain limited for at least a period of 180 days after the Listing Date due to applicable lock-up arrangements, which may have a negative impact on the liquidity of and market price for the Shares. Future offerings by the Issuer of debt or equity securities may adversely affect the market price of the Shares and dilute the interests of its shareholders. Future sales or the possibility of future sales of a substantial number of the Shares by the Selling Shareholder by management or by other shareholders may adversely affect the market price of the Shares. The interpretation of Polish laws and regulations governing investing in shares, including tax laws and regulations applicable to investors, may be unclear, and Polish tax laws and regulations may change. The value of the Shares for foreign investors may decrease due to exchange rate fluctuations. The exercise of certain shareholder rights and the tax treatment of non-Luxembourg investors in a Luxembourg company may be more complex and costly.

		The rights of shareholders in a Luxembourg company may differ from the rights of shareholders in companies organized under the laws of other jurisdictions. Certain foreign judgments issued against the Issuer, its directors or the Selling Shareholder by its shareholders may not be enforceable. Holders of the Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emptive rights with respect to future offerings.
Section E – Offering		
Element	**Description**	**Disclosure requirement**
E.1	Net proceeds and estimated expenses	The Issuer will not receive any of the proceeds from the sale of the Offer Shares by the Selling Shareholder. The Selling Shareholder will receive the net proceeds from the sale of the Offer Shares. Assuming all Offer Shares are sold and there was no increase in the number of Sale Shares offered and the Offer Price for all Offer Shares equal to the Maximum Price and Maximum Price for the Authorized Employees, respectively, the Selling Shareholder would expect to receive net proceeds of the sale of the Offer Shares in an amount of approximately PLN 5,209.4 million (EUR 1,231.0 million). The total expenses of the Offering and listing to be borne by the Issuer are expected to amount PLN 23.3 million (EUR 5.5 million) (including estimated advisor and other ancillary fees and expenses of the Joint Bookrunners), which excludes any underwriting commissions.
E.2a	Reasons for the Offering, use of proceeds	The Selling Shareholder intends to apply the net proceeds from the Offering (i) for the purpose of redeeming the EUR 500,000,000 5⅜% / 6⅛% senior PIK toggle notes due 2022 issued on March 22, 2017 ("**Existing 2022 PIK Notes**") of its direct parent, Impera, in full at par (EUR 500,000,000), plus any applicable premium and accrued and unpaid interest to the redemption date (which, assuming a redemption date on the proposed Listing Date, would total approximately PLN 145.0 million (EUR 34.4 million)); (ii) to pay the underwriting commissions of the Joint Bookrunners; and (iii) to fund the cash settlement portion of, or payments related to, former incentive plans that will be terminated in connection with the Offering and not reinvested in Reinvestment Shares by the relevant managers amounting to a maximum cash settlement totalling PLN 227.2 million (EUR 53.7 million), which will be financed by the Selling Shareholder out of the net proceeds of the Offering. The Selling Shareholder will use the remaining portion of the proceeds received from the sale of the Sale Shares to fund a distribution to its shareholders. The Issuer will not retain any of the proceeds of the sale of the Sale Shares and the Over-Allotment Shares by the Selling Shareholder or any of the transactions resulting from new performance incentive plans. Information on the actual gross and net proceeds from the sale of the Sale Shares will be made public by the Issuer in a manner consistent with Luxembourg and Polish laws. In order to consummate the redemption of the Existing 2022 PIK Notes, Impera will issue a conditional notice of redemption, conditional on the closing of the Offering, on or about the execution date of the of the Underwriting Agreement (as defined below).
E.3	Terms and conditions of the Offering	**The Offering** On the basis of this Prospectus, the Selling Shareholder is offering up to 97,837,526 existing ordinary shares in the share capital of the Issuer with a nominal value of EUR 0.00012 each (the "**Sale Shares**"). The Sale Shares will constitute up to 39.1% of the shares issued and existing as at the date hereof in the share capital of the Issuer and up to 39.1% of the total voting rights at the General Meeting (not including the Reinvestment Shares and the Original VDP 4 Shares (each as defined below) that will be issued on or about the Listing Date). The Selling Shareholder may also, to the extent it and the Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholder pursuant to the Offering by up to 12,696,404 Sale Shares. Under no circumstances, however, will the Offering consist of more than 121,572,621 Offer Shares, including all Sale Shares and any Over-Allotment Shares. In addition, the Selling Shareholder is granting an option to the Global

		Coordinators, exercisable by the Stabilizing Manager, to purchase up to 11,052,056 Over-Allotment Shares (the Sale Shares and the Over-Allotment Shares shall be referred to as the "**Offer Shares**") pursuant to the Over-Allotment Option (as defined below). In the event the Over-Allotment Option is exercised in full and the number of Sale Shares were increased to the fullest extent indicated herein, after the Offering the shareholding in the share capital of the Issuer allocated to new shareholders will not exceed 48.6% of the shares issued and existing as at the date hereof and up to 48.6% of the total voting rights (the above calculations do not take into account the Reinvestment Shares and the shares to be issued to approximately 100 managers and key employees of Play (the "**Original VDP 4 Shares**") that will be issued on or about the Listing Date). In total, up to 121,572,621 Offer Shares are being offered in the Offering. The Offering consists of: (i) the public offering in the territory of Poland (the "**Polish Public Offering**"), including: (a) the public offering of the Offer Shares to the Retail Investors in the Republic of Poland pursuant to the Prospectus ("**Retail Offering**"), (b) the public offering of the Offer Shares to the Authorized Employees in the Republic of Poland (the "**Authorized Employees Offering**"), and (c) the offering to the Institutional Investors in the territory of Poland (the "**Polish Institutional Offering**"); (ii) the offering in the United States of America to certain qualified institutional buyers ("**QIBs**") as defined in and in reliance on Rule 144A under the U.S. Securities Act; and (iii) an offering to certain other institutional investors outside of the United States of America and Poland (such investors together with the QIBs, the "**International Institutional Investors**" and, together with the Polish institutional investors, the "**Institutional Investors**") in accordance with Regulation S under the U.S. Securities Act (the "**International Offering**"). There will be no public offering relating to the Offer Shares outside of the Republic of Poland, in particular, there will be no public offering in Luxembourg. The following investors are authorized to take part in the Offering: • the Retail Investors; • the Authorized Employees; and • the Institutional Investors. Please note that the subscription for and the issue of the Reinvestment Shares to the members of the management board of Play (the "**Management Board**") and the Original VDP 4 Shares to certain managers and key employees under the new performance incentive schemes on or about the Listing Date does not constitute a part of the Offering and will be carried out by way of a private placement outside the scope of this Prospectus. After the Listing Date, the Issuer intends to seek the admission and introduction of the Reinvestment Shares and the Original VDP 4 Shares to trading on the regulated market of the WSE, however, not on the basis of this Prospectus, but pursuant to the applicable exemption from the preparation of a prospectus and its publication with respect to such admission. The members of the Management Board may participate in the Offering on the terms provided in the Prospectus, including among the Authorized Employees and the Retail Investors. On the consummation of the Offering, incentive plans (other than the VDP 3 plan, which expires on December 31, 2017) will be terminated and new performance incentive schemes will be introduced. The settlement of the former incentive plans included the entry into the new performance incentive schemes and an investment in the Shares at the Offer Price by each member of the Management Board in an amount of approximately 50% of the net settlement amount (such Shares subscribed for, the "**Reinvestment Shares**") with the remaining net portion of the net settlement amount being settled in cash, which will be financed by the Selling Shareholder out of the net proceeds of the Offering. In total, up to 3,442,128 Reinvestment Shares may be issued in connection with the Offering. The Offering does not provide for any preferential treatment of any specific types of investors or any specific related groups (including programs for families and friends) while allotting the Offer Shares, except for: (i) the allotment of the Offer Shares to the Authorized

		Employees; and (ii) the allotment of the Offer Shares to the Retail Investors that placed their purchase orders for the Offer Shares within the First Subscription Period; in both cases on the principles set out in this Prospectus. Non-residents of Poland who intend to subscribe for the Offer Shares should review the relevant laws of the country of their origin as well as the information regarding the restrictions applicable to the Offering provided in the Prospectus. If the number of the Offer Shares covered by purchase orders placed by the Retail Investors (and which remain valid until the WSE settlement session for Retail Investors) is greater than the number of the Offer Shares that are finally offered in the Retail Offering, the Offer Shares will be allocated to the Retail Investors in such a manner that the average share allotment ratio for purchase orders placed in the First Subscription Period will in principle be twice as high as the average share allotment ratio for purchase orders submitted in the Second Subscription Period (the "**Preferential Allocation**"). The Selling Shareholder will not give preferential treatment or discriminate between the Authorized Employees in the allotment of the Offer Shares. Each individual Authorized Employee that has validly placed a purchase order and paid for the Offer Shares will be given the guaranteed allotment (the "**Guaranteed Allocation**") with respect to his/her purchase order covering the Offer Shares subject to his/her subscription; however, such Guaranteed Allotment will not exceed 668 Offer Shares per each Authorized Employee. No Authorized Employee that places a purchase order as an Authorized Employee will be allotted more Offer Shares than the Guaranteed Allocation. In order for a purchase order placed by an Authorized Employee to be valid, the Authorized Employee is required to simultaneously undertake to the Issuer to maintain in its securities account, for a continuous period starting on the date on the registration of the Offer Shares on its securities account and ending one year from the Listing Date, a number of the Offer Shares acquired by that Authorized Employee (acting as an Authorized Employee) under the Offering, and to simultaneously place an irrevocable instruction for DM PKO BP (which maintains the securities account in respect of which the subscription is made) to block a number of the Offer Shares recorded in that securities account that corresponds to the number of the Offer Shares acquired by the Authorized Employee as an Authorized Employee under the Offering during the above-mentioned period. **Expected Timetable of the Offering** The timetable below lists expected key dates relating to the Offering. All times and dates referred to in this timetable are based on local Warsaw time and may be adjusted by the Selling Shareholder in agreement with the Global Coordinators and after consultation Bank Zachodni WBK Spółka Akcyjna, and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie (the "**Co-Offering Agents**" and together with the Global Coordinators, the "**Joint Bookrunners**"). Should the dates set out in the timetable be adjusted materially, the Issuer will notify the Luxembourg financial supervisory authority as home authority (*Commission de Surveillance du Secteur Financier*) (the "**CSSF**") and the Polish financial supervision authority (*Komisja Nadzoru Finansowego*) (the "**PFSA**") and publish information regarding such fact in a manner compliant with applicable regulations, as well as with the relevant market practices in Luxembourg and in the Republic of Poland. June 30, 2017 — Approval of the Prospectus by the CSSF June 30, 2017 — Passporting of the Prospectus to the PFSA July 3, 2017 — Publication of the Prospectus Opening of the Offering – commencement of the book-building process among the Institutional Investors

		July 4-7, 2017	First subscription period for the Retail Investors (the "**First Subscription Period**") – acceptance of purchase orders from the Retail Investors (on July 7, 2017, until 23:59 Warsaw time) that will be given the Preferential Allocation
		July 8-12, 2017	Second subscription period for the Retail Investors (the "**Second Subscription Period**") – acceptance of purchase orders from the Retail Investors (on July 12, 2017, until 23:59 Warsaw time) that will not be subject to the Preferential Allocation
		July 4-12, 2017	Acceptance of purchase orders from the Authorized Employees (on July 12, 2017, within the working hours of the selected client service points that will accept purchase orders for the Offer Shares from the Authorized Employees)
		July 13, 2017	End of the book-building process among the Institutional Investors
			Determination of the Offer Price, the Offer Price for the Authorized Employees, the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors ("**Pricing Date**")
			Publication of the Offer Price, the Offer Price for the Authorized Employees, the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)
			Execution of the Underwriting Agreement determining, among others, the Offer Price and the Offer Price for the Authorized Employees and the final number of the Offer Shares to be offered in the Offering and to various categories of investors
		July 14-18, 2017	Acceptance of the purchase orders from the Institutional Investors
		Not later than July 18, 2017	Payment for the Offer Shares subscribed for by the Institutional Investors
		July 19, 2017	WSE session – Submission of purchase orders for the sale of the Offer Shares to the Retail Investors through the WSE system
		until July 20, 2017	Submission of purchase orders, if any, by the substitute Institutional Investors who respond to additional invitations of the Joint Bookrunners to purchase the Offer Shares, or by the Joint Bookrunners or their subsidiaries in performance of their obligations under the Underwriting Agreement
		until July 20, 2017	Allotment of the Offer Shares (the "**Allotment Date**")
		on or about July 21, 2017	Registration of the Offer Shares in the securities accounts of Retail Investors and Authorized Employees

		July 26, 2017 — Expected date of the registration of the Offer Shares in the securities accounts of the Institutional Investors (on the condition that the data provided by the investors for the registration of the Offer Shares in their securities accounts is complete and correct) – closing of the Offering July 27, 2017 — Expected first day of trading of the Shares on the WSE (“**Listing Date**”) **Maximum Price, Maximum Price for the Authorized Employees; Determination of the Offer Prices** The Offer Prices will be determined in PLN. The final offer price per Offer Share for the Retail Investors and the final offer price per Offer Share for the Institutional Investors (the “**Offer Price**”) will not be set higher than PLN 44.0 per Offer Share (the “**Maximum Price**”). The Authorized Employees will be offered the Offer Shares at the Offer Price less 15% (as rounded up to the closest Polish grosz) (the “**Offer Price for the Authorized Employees**”). Consequently, the maximum price for the Authorized Employees is PLN 37.4 (the “**Maximum Price for the Authorized Employees**”). For the purpose of the book-building among the Institutional Investors, an indicative price range will be set which will not necessarily be communicated to all investors and might be subject to change. Institutional Investors will purchase the Offer Shares at the Offer Price (the Offer Price and the Offer Price for the Authorized Employees, the “**Offer Prices**”). During the book-building process among the Institutional Investors invited, in any form, by the Joint Bookrunners, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they are willing to acquire and the price that they are willing to pay (such price cannot be higher than the Maximum Price). The book-building process will be carried out in PLN. The Retail Investors and the Authorized Employees will not participate in the book-building process. The book-building process will be conducted prior to the start of accepting purchase orders from the Institutional Investors, and upon completion of the book-building process and the determination of the Offer Prices, the purchase orders from the Institutional Investors will be accepted on the terms described in the Prospectus. The Offer Prices will be determined by the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents. The Offer Prices will in particular be determined based on the following criteria and rules, among others: (i) the size and price sensitivity of demand from the Institutional Investors on the basis of the declarations received in the book-building process; (ii) the current and anticipated situation on the Polish and international capital markets; and (iii) the secondary market post-Offering for the Shares. The Offer Price will not be higher than the Maximum Price and the Offer Price for the Authorized Employees will not be higher than the Maximum Price for the Authorized Employees. The Issuer will announce the Offer Prices in a manner compliant with applicable regulations, as well as market practice in Luxembourg and in the Republic of Poland. More specifically, the Offer Prices will be published in the same manner as this Prospectus (i.e., in searchable electronic form on the Issuer’s website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)) and notified to the CSSF. **Final Number of the Offer Shares** No later than on the date of the determination of the Offer Prices, the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-

		Offering Agents, will make a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Sale Shares and the final number of the Over-Allotment Shares. Additionally, the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, will determine the final number of the Offer Shares to be offered to each specific investor category. The Offer Shares may be acquired by the Retail Investors, the Authorized Employees and the Institutional Investors and there is no fixed split of the Offer Shares that will be allocated to each category of investors. The Selling Shareholder intends to allocate around 5% of the final number of the Offer Shares in aggregate to the Retail Investors and the Authorized Employees. The Authorized Employees will be given the Guaranteed Allocation; therefore, the total number of the Offer Shares to be allocated to the Authorized Employees will depend on the number of the Authorized Employees that have placed purchase orders in the Authorized Employees Offering and the number of the Offer Shares covered by purchase orders placed by the Authorized Employees (in each case, subject to the maximum Guaranteed Allocation). The remainder of the Offer Shares will be allocated to Institutional Investors. However, except for the Guaranteed Allocation to the Authorized Employees, the above proportions may be altered by the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents. The information on the final number of the Offer Shares offered in the Offering and the alteration mentioned in the preceding paragraph, if any, will be announced together with and in the same manner as the Offer Prices (i.e., in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)) and notified to the CSSF. The Selling Shareholder, after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, may decide to decrease the number of the Offer Shares offered in the Offering. **Underwriting Agreement** On or about July 13, 2017, the Issuer, the Selling Shareholder and the Joint Bookrunners expect to enter into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Joint Bookrunners will severally agree, subject to certain conditions, to purchase, and the Selling Shareholder will agree to sell to the Joint Bookrunners, the aggregate number of Sale Shares sold in the Offering (excluding Sale Shares sold to Retail Investors or Authorized Employees), taking account of the underwriting commitments of each Underwriter as set forth in Underwriting Agreement, at an Offer Price per share to be set forth in the Underwriting Agreement and announced by the Issuer on or about July 13, 2017. The underwriting commitments pursuant to the Underwriting Agreement do not include any Sale Shares sold to Retail Investors or Authorized Employees. The number of underwritten Sale Shares will depend on the final number of the Offer Shares to be offered pursuant to the Offering to specific investor categories, which will be determined no later than on the date of determination of the Offer Prices. The final number of the Offer Shares to be offered to the Institutional Investors under the Offering, and, therefore, the specific underwriting commitments, will not be known until the final number of the Offer Shares to be offered under the Offering to specific investor categories is determined. The Joint Bookrunners' several obligations to purchase the Sale Shares referred to in the immediately preceding paragraph are subject to the fulfillment of certain conditions, including among other things, delivery of legal opinions by legal counsel to the Issuer and the Selling Shareholder. The Selling Shareholder will pay the underwriting commission of the Joint Bookrunners in accordance with the terms of the Underwriting Agreement. The Issuer will also reimburse the Joint Bookrunners for certain of their expenses in connection with the Offering set forth

		in and in accordance with the terms of the Underwriting Agreement. The Underwriting Agreement provides that the Offering may be terminated at any time prior to 9:00a.m. CET on July 26, 2017 (or, another date and time, as indicated in any supplement or update report to this Prospectus, if amended), upon the occurrence of certain customary termination events such as force majeure or a material adverse change in the business of the Issuer. In the Underwriting Agreement, the Issuer and the Selling Shareholder make certain customary representations and warranties, including with respect to the Issuer's business, the Offer Shares, the contents of this Prospectus, the use of proceeds from the Offering and, in the case of the Selling Shareholder, in relation to its title to the Offer Shares it is selling in the Offering. The Issuer and the Selling Shareholder also agree in the Underwriting Agreement to indemnify the Joint Bookrunners against certain losses and liabilities arising out of or in connection with the Offering. **Over-Allotment Option** The Selling Shareholder is granting an option to the Global Coordinators, exercisable by the Stabilizing Manager, for up to 30 days following the Listing Date, to purchase up to 11,052,056 Over-Allotment Shares, provided however that the maximum number of will be equal to not more than 10% of the total number of the Sale Shares being offered and sold in the Offering solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilization transactions (the "**Over-Allotment Option**"). **Stabilization** In connection with the Offering, the Stabilizing Manager or its affiliates or agents may engage in transactions on the WSE with the aim of supporting the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 calendar days following of the Listing Date. Such stabilization, if commenced, shall be conducted in accordance with the rules set out in the Regulation 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse and repealing Directive 2003/6/EC ("**MAR**") and the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization of financial instruments (the "**Stabilizing Regulation**"). No assurance can be given that stabilization transactions will actually be effected as there is no obligation on the Stabilizing Manager or its affiliates or agents to undertake stabilization transactions. If such stabilization is commenced, it may be discontinued at any time without prior notice and must be brought to an end 30 days after the Listing Date. The stabilization transactions, if any, may result in a market price of the Shares that is higher than the price that would otherwise prevail. If the Stabilizing Manager borrows any Shares pursuant to the Underwriting Agreement it will be required to return equivalent securities to the Selling Shareholder following the Over-Allotment Option exercise period described above. Should a short position arise as a result of any over-allocation, the Stabilizing Manager may close such short position by exercising the Over-Allotment Option (in whole or in part) or by open-market purchases, or a combination of both. The stabilization transactions will be reported to the public in accordance with MAR and the Stabilizing Regulation. In particular, details of any stabilization transactions effected by the Stabilizing Manager will be disclosed to the public by the Issuer no later than the end of the seventh daily market session following the date of execution of such transactions. Within one week from the end of the stabilization period, the following information will be disclosed to the public: (i) whether or not stabilization was undertaken, (ii) the date on which stabilization started, (iii) the date on which stabilization last occurred and (iv) the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

E.4	Interest material to the Offering (including conflicting interests)	The Joint Bookrunners and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking or other financial services and other commercial dealings with the Selling Shareholder, any entities with respect to which the Selling Shareholder is a controlling party, and with the Issuer and its affiliates, including the provision of loans and/or other debt instruments to the Issuer and/or its affiliates. The Joint Bookrunners and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services. The Joint Bookrunners or their related parties may acquire financial instruments issued by the Selling Shareholder, the Issuer, their related parties, or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Joint Bookrunners or their affiliates may also, acting as an investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. Each of the Joint Bookrunners will deliver information about the purchase of the Offer Shares or performance of the transactions described above exclusively if there is an obligation to disclose such information based on mandatory law or regulation. The Joint Bookrunners act for the Issuer and the Selling Shareholder on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the success of the Offering.
E.5	Selling Shareholder and lock-up arrangements	The Selling Shareholder is offering the Offer Shares in the Offering. **Lock-up Agreements** ***The Issuer*** In the Underwriting Agreement, the Issuer undertakes to the Joint Bookrunners that from the date of the Underwriting Agreement until the lapse of 180 days following the first listing date of the Shares on the WSE, the Issuer will not, without the written consent (not to be unreasonably withheld or delayed) of the Global Coordinators (acting in their sole discretion), (i) issue, pledge, offer, sell, transfer or otherwise dispose of (or publicly announce the issuance, offering, sale or disposal of) or take actions aimed at or which may result in the issuance of, any Shares (or any other securities convertible into, exercisable for or exchangeable for the Shares, including participations granting, directly or indirectly, the right to acquire or subscribe for the Shares or any other securities or financial instruments which are valued by a direct or indirect reference to the price of the above-mentioned securities serving as the base instrument, including swaps for shares, futures and options) or take actions to cause such effects; or (ii) enter into any swap or other transaction (such as the grant of purchase options, rights or warrants on shares) that transfers, in whole or in part, the economic consequences of the ownership of the Shares or options; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities of the Issuer similar to those offered in the Offering; or (iv) acquire or publicly announce the intention to acquire the Shares or to decrease or publicly announce the intention to decrease its share capital, with the exemption of the implementation by the Issuer of incentive schemes for the Group’s senior management. ***The Selling Shareholder*** In the Underwriting Agreement, the Selling Shareholder undertakes to the Joint Bookrunners that from the date of the Underwriting Agreement until the lapse of 180 days following the first listing date of the Shares on the WSE, neither the Selling Shareholder, nor any subsidiary or affiliate of the Selling Shareholder over which the Selling Shareholder exercises management or voting control, nor any person acting on its behalf will, without the written consent (not to be unreasonably withheld or delayed) of the Global Coordinators (acting in their sole discretion), (i) pledge, offer, sell, transfer or otherwise dispose of or publicly announce the issuance, offering, sale or disposal of any Shares (or any other securities convertible into, exercisable or exchangeable for the Shares, including participations granting,

		directly or indirectly, the right to acquire or subscribe for the Shares or any other securities or financial instruments which are valued by a direct or indirect reference to the price of the above-mentioned securities serving as the base instrument, including swaps for shares, futures and options) or take actions to cause such effects; (ii) enter into any swap or other transaction (such as the grant of purchase options, rights or warrants on shares) that transfers, in whole or in part, the economic consequences of the ownership of the Shares or options; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities of the Issuer similar to those offered in the Offering, such lock-up restrictions subject to certain customary exceptions as well as exceptions permitting: (a) any disposal of Shares for the purposes of pledging or charging any Share to or for the benefit of a margin loan lender affiliated with one or more of the Global Coordinators in connection with a margin loan given to the Selling Shareholder; or (b) any disposal for the purposes of transferring any Shares pursuant to any enforcement of the security over Shares granted by the Selling Shareholder to or for the benefit of such margin loan lender; provided that in the case of (a) and (b), the Global Coordinators receive a signed lock-up deed on the same terms as those agreed by the Selling Shareholder for the balance of the lock-up period from each margin loan lender, transferee or purchaser, as the case may be, which lock-up may only be waived with the consent of the Global Coordinators. ***Participants in Performance Incentive Plans*** Pursuant to the terms under which such Shares are subscribed for or awarded, Shares issued to participants in Issuer performance incentive plans will be subject to the following contractual lock-up clauses: *Shares issued to the existing Management Board of Play* ("**Original Shares**"): Prior to the first anniversary of the Listing Date, no Original Shares may be sold. Twenty percent of any Original Shares will be released from the lock-up after the first anniversary of the Listing Date, and a further 40% will be released from the lock-up after each of the second and third anniversaries of the Listing Date, respectively. *Shares issued to the existing Management Board of Play or employees after the Offering* ("**Award Shares**"): Fifty percent of Award Shares granted to a manager will be subject to a 365 day lock-up pursuant to the terms of the relevant scheme, with the remaining 50% being subject to a 730 day lock-up following the date they are granted.
E.6	Dilution	If the Offering is completed, the Selling Shareholder will suffer (assuming that all Offer Shares were offered and subscribed for by investors, the number of Sale Shares were increased to the fullest extent indicated herein, the Over-Allotment Option was exercised in full and the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued) an immediate dilution of 49.36% of its shareholding in the Issuer and the overall number of votes the Selling Shareholder may exercise at the General Meeting as a result of the Offering, going from 250,000,000 Shares as at the date of this Prospectus to 128,427.379 Shares immediately following the Offering, and a total percentage of votes at the General Meeting of 100% as at the date of this Prospectus to 50.64% immediately following the Offering, a dilution of 125,171,595 Shares or 49.36%. New shareholders (not including the holders of the Reinvestment Shares and the Original VDP 4 Shares) will hold 121,572,621 Shares immediately following the Offering, representing a total of 47.94% of votes at the General Meeting. New shareholders (including the holders of the Reinvestment Shares and the Original VDP 4 Shares assuming that the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued) will hold 125,171,595 Shares immediately following the Offering, representing a total of 49.36% of votes at the General Meeting.
E.7	Estimated expenses charged to the investor	Investors may be charged by the Joint Bookrunners to account for crossing and funding costs in relation to the Offering.

	by the Issuer or the Joint Bookrunners	

RISK FACTORS

Before investing in the Offer Shares, potential investors should carefully consider the risk factors presented below and other information contained in this Prospectus. If one or more of the risks described below actually materializes, it could have, individually or in combination with other circumstances, a significant, unfavorable impact on the Group's operations, in particular on its cash flows, financial position, results of operations and outlook or the market price of the Shares. Before you purchase the Shares, you should know that making such an investment involves significant risks, including the risks described below and elsewhere in this Prospectus, such as those set forth under the caption "Forward-Looking Statements." You should consider carefully the factors described below in addition to the remainder of this Prospectus before purchasing the Shares. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also have a material adverse effect on our business, financial condition, results of operations and prospects. If any of the events described in the risk factors below occurs, it could have a material adverse effect on our business, financial condition, results of operations and prospects. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Prospectus.

It cannot be excluded that over time the list of the rules specified below will no longer be complete or comprehensive. Consequently, these risks cannot be considered as the only risks to which the Group is exposed as at the date of the Prospectus. The order of the risk factors described below is not an indication of the probability of their occurrence, intensity or importance. The Group may be exposed to additional risks and adverse factors of which the Group is unaware as the date of the Prospectus. The occurrence of events described as risks may result in a decline in the market price of the Shares and, consequently, investors who purchase the Shares could lose a part or all of their investment.

Risks Related to Our Business

The macroeconomic conditions of Poland and the European Union as well as a continuation or worsening of the global financial downturn could have a material adverse effect on our business, financial condition, results of operations and prospects.

We offer mobile voice, messaging, data, video services and data transmission, as well as VAS 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 Polish economy may be adversely affected in a number of ways by weakening economic conditions and turmoil in the global financial markets and more locally, in Poland or in the European Union, including the effects of regulatory change. Such adverse economic developments have affected and may in the future adversely affect the financial condition of our subscribers, which, in turn, could cause our subscribers to reduce their spending on our offerings and services. In particular, subscribers may decide that they can no longer afford mobile services or data services that are instrumental in maintaining or increasing our ARPU, and, in turn, maintaining or increasing our revenues. In 2013, 2014, 2015 and 2016 Poland's real GDP increased by approximately 1.4%, 3.3%, 3.8% and 2.7% respectively. However, global markets and the European economy continue to be volatile and forecasted growth may fail to materialize. While we operate in the telecommunications sector, for which underlying consumer demand has proven to be less cyclical than

other aspects of consumer spending, the general macroeconomic environment correlates well with consumer spending. Consumers spend less on an incremental basis, such as by placing fewer calls, sending fewer SMS, using less data or opting for lower tariff plans. In poor economic conditions, consumers are more likely to delay the replacement of their existing handsets, change to less expensive tariff plans or be more likely to disconnect, limit or cancel their services. Uncertainty in the macroeconomic environment may therefore have an impact on consumer spending on telecommunications offerings and services.

During the recent global financial downturn, companies were impacted adversely by reduced liquidity, increased volatility, general widening of credit spreads and, in some cases, lack of transparency in the credit markets. The current macroeconomic environment is volatile, and continuing instability in global markets, including the ongoing turmoil in Europe related to sovereign debt issues and the stability of the euro, as well as volatility surrounding the United Kingdom decision to leave the European Union (and the consequences of that decision) may contribute to a global economic downturn. In addition, recent differences in opinion between the European Union and the Polish government may lead to further instability, particularly if relations between the European Union and the Polish government deteriorate or potentially threaten Poland's membership in the European Union. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the EC to address debt burdens of certain countries in Europe and the overall stability of the Eurozone. As a result, we cannot predict how long these challenging conditions will exist or the extent to which the markets in Poland may be affected. If the sovereign debt crisis mentioned above leads to the euro being abandoned by one or more countries in the European Union, this may further exacerbate these issues. If conditions such as those experienced during the recent economic downturn continue or worsen, we may not be able to raise sufficient funding in the debt capital markets and/or access secured lending markets on financial terms acceptable to us or at all and may have a material impact on our business, financial condition and results of operations.

The Polish mobile industry is highly competitive, and changes in the business model of other operators and/or increased use of alternative technology could have a material negative impact on our business.

We face strong competition for subscribers from established competitors, including, in particular, the other mobile operators, Plus, Orange and T-Mobile, which along with the Group, as of March 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. Based on the CSO's announcements regarding the number of subscribers as of March 31, 2017, we had a market share of approximately 27.6%. Based on Orange's results, their market share was approximately 29.4% as of March 31, 2017, T-Mobile's was approximately 19.7% and Plus' (which includes Cyfrowy Polsat's internet subscribers) was approximately 22.3% (market share estimated based on conference call disclosing their performance for the three months ended March 31, 2017). Market shares of other MNOs may differ slightly from their reported market share due to changes in their subscriber base as at the three months ended March 31, 2017. Our competitors may improve their ability to attract new subscribers, or provide their offerings or services at lower prices to increase their respective market shares, which would make it more difficult for us to retain our current subscribers or expand our subscriber base without us lowering our prices. In order to compete, we may have to lower prices, which may cause our revenues to decline and/or increase our marketing and promotional expenses, each of which may cause our margins and/or operating profit to decline significantly.

Moreover, a change in the business model of mobile network operators in Poland or consolidation or mergers of media operators resulting in joint ventures, new corporate groups or strategic alliances between competing telecommunications providers or the introduction of new types of services, offerings and technologies as a result of such cooperation or strategic alliances could have a material adverse effect on us. For instance, Plus was taken over on May 7, 2014 by Cyfrowy Polsat (which is ultimately controlled and majority owned by the

same individual as the Plus brand), to create an integrated multimedia group offering television, broadband Internet and mobile telephone services in Poland. Orange has also built out a fiber network in Poland with a goal of reaching 3.5 million households by 2018 and has offered "quadruple play" offerings of television, fiber internet, fixed-line and mobile telephone and internet services. Cyfrowy Polsat and Orange, as well as a few cable TV companies, are able to offer combined services (television, broadband Internet and mobile telephone and internet services in the case of Cyfrowy Polsat, and the quadruple play offerings mentioned above in the case of Orange) in bundled packages which may prove attractive to subscribers, and we are not able to provide these bundled services, as we focus on the Polish mobile market. In 2011, Orange and T-Mobile also established a joint venture company, called "NetWorkS!", that is responsible for building, managing and maintaining the shared radio access networks to achieve the levels of profitability and efficiency of network investments of both companies that neither operator may be able to achieve independently. This joint venture may lead to more efficient and cost-effective networks for Orange and T-Mobile, allowing them to spend more on other parts of their operations.

In addition, competition may increase as a result of the provision of mobile Internet services by entities other than mobile network operators. For example, certain mobile virtual network operators offer mobile broadband services based on LTE/HSPA+ technologies as part of their offerings and certain Polish cable companies such as Multimedia Polska S.A. ("**Multimedia Polska**"), Vectra S.A. ("**Vectra**") and Inea S.A. ("**Inea**") or fixed line operators such as Netia S.A. ("**Netia**"), have launched their own Mobile Virtual Network Operators ("**MVNOs**") and offer mobile broadband services which compete with us. These cable operators are also able to offer bundled packages which as mentioned above, may prove attractive to consumers and which we do not currently offer. Additionally, Virgin Mobile Polska Sp. z o.o. ("**Virgin**") has started offering mobile phone contracts.

If we were to lose subscribers due to consumers taking up the bundled offers of MVNO's with whom we are not partners mentioned above, our revenues would decline and consequently our churn would increase.

Further, if non-traditional voice services utilizing Voice over Internet Protocol, or alternative technologies to mobile voice and messaging (SMS/MMS) become increasingly popular, this may have a material adverse effect on our business. These services, such as Skype, Facebook, WhatsApp and iPhone/iPad Messenger (also known as over-the-top ("**OTT**") applications) are capable of providing data users with voice and messaging services, typically at a substantially lower cost than traditional voice and messaging services and without a mobile phone contract. These OTT applications are often offered free of charge, are accessible via smartphones and tablets, and allow their users to have access to potentially unlimited messaging and voice services over the internet, thus bypassing more expensive traditional voice and messaging provided by MNOs, who are only able to charge for the internet data required to use such services. Such services benefit from a number of advantages, such as the ability to leverage existing infrastructures to avoid the need for the capital-intensive business models associated with traditional MNOs. With the growing share of smartphones and tablets in the mobile subscriber base in Poland, an increasing number of subscribers are using OTT services. OTT service providers have over the past few years become more sophisticated players and technological developments have led to a significant improvement in the quality of service, in particular speech quality. In addition, companies with strong brand capability and financial strengths, such as Apple, Google and Microsoft, have turned their attention to the provision of OTT services. Should such services continue to increase in popularity, they could cause a decrease in our ARPU and a reduction of our subscriber base across all of our services and/or prevent us from realizing expected benefits associated with our voice and mobile broadband growth strategy described elsewhere in this Prospectus, among other material adverse effects. In addition, we expect to face competition in the future from providers of services supported by communications technologies that are currently under development or that will be developed in the future.

Our existing competitors or new market entrants may introduce these and/or other new or technologically superior telecommunications services before we do or at more competitive prices.

Finally, our ability to compete effectively in our existing or new markets could be adversely affected if Polish regulators increase our regulatory obligations or enact further legislation aimed at promoting access to network or other forms of support to other operators on the market, as well as to local authorities and communities. The entry of new mobile operators may have a material adverse effect on our results of operations and prospects, if they were to be granted asymmetrical MTRs, as the Group was when it first entered the market.

If any of the conditions described above were to materialize, we could suffer a decrease in revenues, increased churn, reduced ARPU, reduced margins and/or loss of market share, all of which could negatively impact our business, financial condition and results of operations.

The success of our mobile operations depends on our ability to attract market share away from our competitors and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or we otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs, reduced revenues and/or lower cash flows.

In Poland, there were approximately 52.0 million reported SIM cards, which resulted in a total penetration rate of 135.3% as at March 31, 2017 (compared to 142.4% as of December 31, 2016 and 146.3% as of December 31, 2015), according to the CSO. The high rate of mobile voice penetration in the Polish mobile market may result in pricing pressure and/or hinder our ability to compete effectively to retain our market share and capture market share from our competitors.

We believe that further growth of our business in this maturing market will be primarily driven by our ability to increase existing subscriber usage, continue to convince subscribers to switch from competing operators to our services and to limit rates of subscriber churn. Although we have recently experienced growth at a lower rate than in previous years, one of the components of our strategy going forward is to maintain or decrease our current level of subscriber churn. This can be achieved by retaining existing subscribers; however, this may depend upon the introduction of new or enhanced offerings and services, flexible pricing models, high quality customer service, and improved network capabilities in response to evolving subscriber expectations, or the offerings of our competitors. If we are unable to successfully manage our churn, we may need to rapidly reduce our costs in order to preserve our profit margins or take alternative measures that would increase our subscriber acquisition costs and subscriber retention costs which could, in turn, result in a decrease in our cash flows. We cannot assure you that the various measures we are undertaking to increase subscriber loyalty will reduce the rate of churn or allow us to maintain our current churn rate.

During the last four quarters, the number of reported subscribers were strongly influenced by the ATO Act, which partly contributed to a reduction in the number of reported subscribers by 4.6 million in the Polish market when calculated on a year on year basis from March 31, 2016, to March 31, 2017. The ATO Act came into force in Poland in July 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards. Our prepaid subscribers that were subject to the legislation and (i) who had not before July 25, 2016 registered and provided the required data, or (ii) whose data was not subsequently verified, were serviced by us until February 1, 2017. Following this date the subscribers' SIM-cards were blocked and those customers are required to be registered in order to be serviced going forward.

In addition, the mobile telecommunications industry is characterized by frequent developments in offerings, as well as advances in network and handset technology. Further, smartphones have increased in popularity and

decreased in price. At the same time, we are observing more customers switching to high-end handsets. If we fail to maintain and upgrade our network and provide our subscribers with an attractive portfolio of offerings and services that adequately address their needs and expectations, we may not be able to retain subscribers or the subscribers' retention and acquisition costs may increase, which could decrease our profitability and decrease future cash flows. We may also face increased churn if the competitive landscape is affected by the increased availability of bundled offers from our competitors which we are not able to provide as discussed above.

Likewise, if we fail to effectively communicate the quality, reliability or other benefits of our network through marketing and advertising efforts, or to successfully market our brand as having a reputation for network quality and reliability, we may not be able to attract new subscribers or reduce churn, and our marketing and advertising efforts may cost more than the incremental revenue attributable to such efforts, which in turn, may decrease our profit margins. This would have an adverse effect on our operations, particularly as tariffs are already relatively low in comparison with the rest of Europe. If we were forced to lower our prices or the cost of retaining and acquiring new subscribers were to increase, this could have a material adverse effect on our business, financial condition and results of operations.

We rely on national roaming to offer mobile telecommunications services to a certain part of our subscribers.

We have entered into national roaming agreements with Plus, Orange and T-Mobile.

Under these agreements we are provided with network services, allowing us to offer mobile telecommunications services to our subscribers in areas where we do not have our own radio network coverage, which is of great importance from a costs and infrastructure perspective given the geographical spread of Poland. See "*Business—Material Contracts*" for details of these contracts.

All of these agreements are for indefinite periods and may be terminated on the terms and conditions set out in such agreements. It is also possible that the relevant operators may become insolvent or go into liquidation. In addition, there can be no assurance that we will be able to continue to renew one or more of our national roaming agreements on terms favorable to us, or at all. In this case, we may not be able to benefit from the terms of the applicable agreement or we may incur higher national roaming costs made in order to renew or replace such agreements. In addition, an increase in the number and volume of calls by our subscribers served on the networks of the other MNOs could require future negotiations for lower national roaming prices in order to maintain or decrease the cost of national roaming, which may not be achievable. If any of the events described above were to occur, our national roaming or interconnection costs could increase. In the event that this disrupts our network access or coverage in a manner which we cannot resolve through our other agreements, we may have to substantially increase our capital expenditures in order to extend our radio network or enter into agreements with other network access providers on terms that may not be as favorable as the terms of the terminated agreement. In addition, we may have disagreements with our national roaming contract counterparties either over the terms or the quality of the services provided, which may affect the use of network services, or affect our decisions with respect to how we direct our network traffic. For example, with respect to our national roaming contract with T-Mobile, we have been discussing with T-Mobile the amount of our traffic which the T-Mobile network is capable of handling. The outcome of these discussions, if not resolved in a satisfactory way, or depending on the other actions of T-Mobile, may lead to the degradation of the quality of services related to approximately 4% of our total data traffic and a higher proportion of our customers being affected during any period where T-Mobile reduces our allowable traffic on its network. If any of these events were to occur, or if we face an increase in costs incurred under one of our national roaming agreements, it would have an adverse impact on our financial condition and results of operations, or,

if we are not able to fund capital expenditure to extend our radio network, such failure would affect the level of services which we can offer which could mean that we would lose subscribers or fail to attract new subscribers, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

In addition, while we have these national roaming agreements in place, we do not have direct control over the quality of the networks of other operators and the national roaming services they provide. Any difficulties, delays or the failure of any operator to provide reliable services to us on a consistent basis could result in a reduction of subscribers or a decrease in traffic, which would reduce our revenues and could have a material adverse effect on our business, financial condition and results of operations.

We depend on third-party telecommunications providers over which we have no direct control for the provision of our international roaming services.

Our ability to provide high-quality telecommunications services depends on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, particularly those of our competitors. Any price increase on services provided to us could negatively impact our financial position. We also rely on third-party operators for the provision of international roaming services for our mobile subscriptions. While we have interconnection and roaming agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnections and roaming services they provide. Additionally, our competitors may decide to charge additional fees for our use of their networks, such as termination fees for SMS or data services. Even if we attempt to offset such fees by implementing similar fees ourselves, we may not be able to offset all of the additional costs. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to us on a consistent basis, could result in our loss of customers or a decrease in traffic, which would reduce our revenues and adversely affect our business, financial condition and results of operations.

The mobile telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies, offerings and services.

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 we cannot assure you that we will be able to sufficiently and efficiently adapt the services we provide to keep up with rapid developments in the industry.

In particular, we expect certain communications technologies that have recently been developed or are currently under development to become increasingly important in our market. This includes 4G LTE (for which we commenced a roll-out in 13 major Polish cities in November 2013 and which has grown substantially to now cover 92.3% of the population as of March 31, 2017) and 4G LTE Ultra (which we launched in March 2016 and covers 79.4% of the population as of March 31, 2017).

In October 2015, we won an auction for additional LTE spectrum for one block in the 800 MHz frequency band and four blocks in the 2600 MHz frequency bands. See "*Business—Network and Infrastructure—Spectrum*."

If we fail to receive an allocation of mobile spectrum in any other subsequently announced auctions and our competitors receive such mobile spectrum, we could lose subscribers or fail to attract new subscribers, which would impact subscriber churn, or incur costs and investments in order to maintain our subscriber base or

service the growing traffic, all of which could have a material adverse effect on our business, financial condition and results of operations.

Further, technological changes and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our existing services less profitable, less viable or obsolete. Technological developments may also shorten product life cycles and facilitate the convergence of various areas of the telecommunications industry. In addition, we cannot currently predict how emerging and future technological changes will affect our operations, nor can we predict that new technologies required to support our planned services will be available when expected, if at all. We may be required to deploy new technologies rapidly if, for example, subscribers begin demanding features of a new technology such as increased bandwidth, or if one of our competitors decides to emphasize a newer technology in its marketing campaigns. Due to the rapid evolution of technology, we cannot guarantee that we will correctly predict and therefore devote appropriate amounts of capital and resources to develop the necessary technologies that satisfy existing subscribers and attract new subscribers. As a result, new or enhanced technologies, services or offerings we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. In addition, we may not recover the investments we have made or may make to deploy these technologies, offerings and services and we may not assure you that we will be able to do so in a cost efficient manner, which would also reduce our profitability. Further, we may not be able to obtain funding on reasonable terms or at all in order to finance the necessary capital expenditures to keep pace with technological developments. We also may not be able to obtain access to capital or other resources necessary to develop new or enhanced technologies, offerings and services when needed or at all.

Connected to the above, even if we have sufficient resources to provide new technologies which emerge, we may not receive sufficient frequency reservations necessary to provide services based on these new technologies in the markets in which we operate or we may be negatively impacted by unfavorable regulation regarding the usage of these technologies.

The operations of mobile network operators are capital intensive and we cannot assure you that we will have sufficient liquidity to fund our capital expenditure programs or ongoing operations in the future.

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 we expect will always require significant amounts of capital investment.

Due to winning the LTE auction in October 2015, in January 2016 we were granted 2600 MHz and the 800 MHz frequency reservations (in June 2016, the blocks were reallocated). As a result of these awards, we are required to comply with certain frequency reservation obligations such as, *inter alia*, making investments in so-called "white spot" areas (meaning areas where there is currently no or very limited mobile network coverage, or where it is not otherwise economically practicable to deploy, such as areas of low population density) and the telecommunications networks of certain designated communities in Poland. We expect that compliance with the frequency reservation requirements will materially increase our capital expenditures. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Certain other contractual commitments*."

In addition, we are currently in the expansion phase of our 4G LTE Ultra network in relation to which we still have material investment needs that are required in order for us to realize our growth strategy. If our network expansion is not completed quickly enough or subscribers use more data in the future than we currently anticipate or if network usage were to develop faster than we currently anticipate, we may require greater

capital investments in shorter time frames than we anticipate and we may not have the resources to make such investments.

While we believe we have met the coverage obligations imposed in the frequency reservation decisions relating to the 2100 MHz and 900 MHz spectrum and while we are not aware of any potential claims for further coverage with respect to these reservations, any potential claims by the regulator or our competitors, if they were to materialize, could be costly. Under our 800 MHz frequency we have certain obligations to build base stations prior to the end of the three months period ended June 30, 2018. However, certain factors beyond our control, such as zoning restrictions and planning laws (and similar building restrictions) or any protests against the proposed sites for our base station by any parties concerned about alleged health risks relating thereto, may mean we are not able to fulfill our obligations. Although we will seek to address any such failure in advance with the regulator, there can be no assurances that we will reach a compromise with them and we may face a claim from the regulator in relation to this. Further, while our management believes we have already met all the coverage obligations under the terms of our 1800 MHz frequency reservation, including utilization of the 1800 MHz frequency on 3,200 base stations by June 17, 2015, of which 50% must be in communes of less than 100,000 inhabitants, there can be no assurances that there will not be any claim from the regulator in this respect. Any claims from the regulator with respect to the above may result in fines, which could be substantial, and/or revocation of our reservation. Any such claims relating to the above may have a material adverse effect on our business, financial condition, results of operations and prospects.

The amount and timing of our future capital requirements to purchase additional frequencies or to meet such regulatory requirements as detailed above and to keep up with subscriber demand may differ materially from our current estimates due to various factors, many of which are beyond our control. If we were to be awarded an additional frequency reservation in the future, we would expect to finance the costs associated with such frequency reservation and investment requirements from operating cash flows or through debt and equity financing, which could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. It cannot be assured that we will generate sufficient cash flows in the future to meet our capital expenditure needs, sustain our operations or meet our other capital requirements, which may have a material adverse effect on our business, financial condition and results of operations.

In addition to investing in our network, we must also continuously maintain and upgrade our existing networks and IT systems in order to allow our ongoing operations to function properly and to expand such subscriber function as our subscriber base grows. We cannot assure you that the implementation and migration of data to the appropriate systems or any expansions in our IT systems will be made as planned or as budgeted or will meet all our business, functional and regulatory requirements. In addition, the needs of our business as well as regulatory obligations, among other things, could require us to upgrade the functionality of our networks, increase our customer service efforts, update our network management and administrative system and upgrade older systems and networks to adapt them to new technologies. Many of these tasks are not entirely under our control and may be affected by, among other things, applicable regulations. If we fail to successfully maintain, expand or upgrade our networks and IT systems, our offerings and services may become less attractive to new subscribers and we may lose existing subscribers to our competitors, or we may become subject to additional financial strain due to unbudgeted investments. In addition, our future and ongoing network and IT systems upgrades may fail to generate a positive return on investment, which may have an adverse effect on our business, financial condition and results of operations. Finally, if our capital expenditure exceeds our projections or our operating cash flow is lower than expected, we may be required to

seek additional financing for future maintenance and upgrades, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We could experience cyber-attacks, subscriber database piracy, other attacks of terrorism or vandalism or database security breaches, which may materially adversely affect our reputation, lead to subscriber lawsuits, loss of subscribers or hinder our ability to gain new subscribers and thereby materially adversely affect our business.

We may be exposed to database piracy, unauthorized access or other database security breaches which could result in the leakage and unauthorized dissemination of information about our subscribers, including their names, addresses, home phone numbers, passport details and individual tax numbers. In addition, the breach of security of our database and illegal sale or other unauthorized release of its subscribers' personal information could materially adversely impact our reputation, prompt lawsuits against us by individual and corporate subscribers, lead to violations of data protection laws and adverse actions by the telecommunications regulators and other authorities, lead to a loss in subscribers and hinder our ability to attract new subscribers. If severe customer data security breaches are detected and the regulatory authority impose penalties for violating certain terms of our frequency reservations. In addition, our network and IT infrastructure may be exposed to cyber-attacks, computer virus attacks or acts of terrorism or vandalism. These risks above are particularly applicable to our base stations because they are spread across a wide variety of locations. This leads to risk of theft or vandalism at these sites, including by protestors who are concerned about alleged health risks relating to base stations. Any such attack could result in equipment failures or disruptions in our operations. Any inability to operate our network as a result of such events may result in significant expense or loss of market shares. These factors, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

Our network infrastructure, including our information and telecommunications technology systems, may be vulnerable to circumstances beyond our control that may disrupt our services and could affect our operations.

The mobile telecommunications business depends on providing our subscribers with reliable service, network capacity and security. The services we provide may encounter disruptions from many sources, including power outages, acts of terrorism, vandalism and human error, as well as fire, flood, or other natural disasters. In addition, we could experience interruptions of our services due to, among other things, hardware failure, software bugs, computer virus attacks, unauthorized access or corruption of data. Any interruptions in our ability to provide our services could seriously harm our reputation and reduce subscriber confidence, which could materially impair our ability to acquire and retain subscribers. In addition, such interruptions could result in an obligation to pay contractual penalties or cause our subscribers to terminate their agreements with us, the imposition of regulatory penalties due to violations of the terms of certain of our frequency reservations or a need to incur significant capital expenditures to restore the functionality of our networks and provide our subscribers with reliable service, network capacity and security.

In particular, our base station sites, where our radio equipment is located, are particularly important to our business. The risks above are particularly applicable to our base stations because they are spread across a wide variety of locations. This leads to risks of theft or vandalism at these sites, including by protestors who are concerned about alleged health risks relating to base stations. With respect to base stations installed on certain structures, we also require building permits when we construct and install our base stations, which typically take approximately 18 months to obtain. If we were not able to obtain these, our building or construction of base stations in locations we deem desirable could be delayed or halted. In addition, our permits may be revoked, even after commissioning of our base stations. In addition, in certain areas, local authorities or courts

may decide to limit the amount of base stations which can be located in an area, which would exacerbate these issues. Further, there is also a potential risk of slowdown of the Group's network development in the near future as a result of judgments of administrative courts, including the Supreme Administrative Court ("**NSA**") and construction supervisors. These judgments include statements unfavorable for telecommunications operators, suggesting that obtaining building permits is necessary in the case of building the base stations also on structures where currently no building permit is required. These verdicts could be used by the lower administrative courts and administration offices in similar cases relating to our network development. While these verdicts do not set judicial precedent, they could be used as a guideline in lower-level administrative courts and architectural or construction administrative bodies. If such decisions were used as a guideline, it cannot be excluded that such courts and offices will not apply such decisions with retrospective effect.

Further, part of our network infrastructure is located on the premises of third parties. This would mean that if this infrastructure were to encounter any disruptions, it may take longer to resolve the problem, which would impair our ability to obtain and retain subscribers. In addition, disputes between these third parties and us or legal proceedings involving third parties or our property may cause part of our network infrastructure to be inaccessible, which could have a material adverse effect on our ability to efficiently operate, maintain and upgrade our network. Finally, we are dependent on securing leases in locations we seek to deploy base stations and are at risk of not being able to renew leases when they expire.

Any of these effects could have a material adverse effect on our business, financial condition and results of operations.

Our operations depend on the effectiveness of our distribution network.

We rely to an extent on independent third parties such as our dealers to offer, sell and distribute our offerings and services. As of March 31, 2017, we had over 850 dedicated "PLAY" branded stores, approximately 76% of which were operated by independent third-party dealers.

Although we have a diverse dealer distribution network for which we aim to secure distribution agreements that include provisions relating to exclusivity, non-competition, rights of first refusal, and the pre-emptive right to buy a dealer's shares if the dealer decides to sell its enterprise or the organized part of its enterprise (if dealer operates as a limited liability or joint stock company), our business may be adversely affected if we were to lose a number of major dealers due to resulting financial difficulties or if they decide not to continue their co-operation with us. This would increase our costs of operations, and if we cannot secure a similar agreement with a different dealer in the same location to replace expected future revenues, our revenues may decrease.

Further, due to increased competition with other mobile providers, we may be forced to increase the commissions we pay to our dealers, to expand our distribution network and to alter the distribution channels that we currently rely on to distribute our services. Any increase in the commissions that we pay to dealers in our distribution network would increase our operating costs and likely decrease our profitability. Any failure to maintain our distribution network could significantly hinder our ability to retain and attract subscribers for our services, which would have a material adverse effect on our business, financial condition and results of operations. In addition, if we determine that we need to significantly reorganize or rebuild our existing distribution network, we may be forced to make significant incremental investments in our distribution network, resulting in increased operational costs.

We lease a significant number of our retail outlets. Such leases typically have a limited duration. We cannot guarantee that these lease agreements will be extended or renegotiated on reasonable terms upon expiration of their respective terms, or that they will be extended at all. An inability to cost-effectively renew such leases

after they expire, or to cost effectively obtain sufficient alternative facilities, would have an adverse effect on our business, financial condition and results of operations.

We depend on third-party providers to provide services to our subscribers.

Our success and ability to grow our subscriber base depends on our ability to provide high-quality, reliable services, for which we rely, in part, on third-party providers of network, licenses, services, equipment and content over whom we have no direct operational or financial control. If any of these third party providers fail to maintain their products, solutions, services or offerings properly or fail to respond and adapt quickly to our requirements, our subscribers may experience service interruptions, which could adversely affect the perceived reliability of our services and, therefore, adversely impact our brand, reputation and growth.

In particular, we rely on continued maintenance and supply services rendered by manufacturers of telecommunications equipment including, in particular, Huawei, which has provided a significant portion of our telecommunications network equipment. Continued cooperation with Huawei or other equipment suppliers, is important for us to maintain our operations without disruption. As Huawei have provided a significant portion of equipment for our network, we may suffer additional disruption if we cannot obtain spare parts from Huawei to maintain our network assets, and any failure to obtain telecommunications network equipment from Huawei may affect our network and have the effects described above.

We also rely on agreements with suppliers of handsets and devices (including Samsung, Apple, LG, Huawei, ZTE, and Nokia or Microsoft) as well as with local distributors of electronic goods (including ALSO, KOMSA, Tech-Data, and Ingram Micro) and providers of IT services (including AMDOCs, Microsoft, SAP Polska, and SAS Institute). We do not have any direct operational or financial control over our key suppliers and have limited influence with respect to the manner in which these key suppliers conduct their businesses. Our reliance on these suppliers exposes us to risks related to delays in the delivery of their products and services. If any of the third parties that we rely on become unable to or refuse to provide to us the licenses, services, facilities and equipment that we depend on in a timely and commercially reasonable manner or at all, we may experience temporary service interruptions or service quality problems. We cannot guarantee that these or other risks to the reputation of, and value associated with, our brands will not materialize. Any such damage or erosion in the reputation of, or value associated with, our brands could have a material adverse effect on our business, financial condition, results of operations and prospects. We cannot assure you that our suppliers will continue to provide us with products, licenses and services at attractive prices or that we will be able to obtain such products, licenses and services in the future from these or other providers on the scale and within the time frames we require, if at all. If our key suppliers are unable to provide us with adequate supplies of products, licenses and services, or provide them in a timely manner, our ability to attract subscribers or provide attractive offerings could be negatively affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The mobile telecommunications industry is characterized by a limited radio frequency spectrum available for allocation, with certain prior allocation processes subject to dispute.

Our future success partially depends upon our ability to secure new radio frequency spectrum, which might be necessary for the launch of new or enhanced technologies or, as our business grows, to carry the traffic of our own subscribers. The amount of radio frequency spectrum available in Poland for allocation is limited and the process for obtaining it is highly competitive. Play is continuously reviewing various market opportunities for further spectrum acquisitions. Our inability to obtain a frequency spectrum necessary to launch any new or enhanced technologies or the success of any of our competitors in obtaining such spectrum, could materially affect our growth strategy and, accordingly, may have a material adverse effect on our business, financial

condition, results of operations and prospects. We also cannot assure you that we will be able to obtain any necessary or desirable frequency spectrum at acceptable costs, which could have a material adverse effect on our revenue, margins and cash flows. Finally, we cannot guarantee that we will have sufficient funds available or be able to secure sufficient financing in order to acquire such frequency reservations.

In addition, the tender process and the auction by which we were granted our 1800 MHz frequency and our recently awarded 800 MHz and 2600 MHz frequency reservations have been challenged in administrative proceedings. If these challenges were successful, it could result in the loss of this frequency reservations, and there may not be radio frequency spectrum available for sale to enable us to fulfill our operating requirements which would have a material adverse effect on our business, financial condition and results of operations. See "*—Risks Related to Regulatory Matters—Our frequency reservations to provide mobile services have definitive terms and may be revoked or may not be renewed upon expiration on acceptable terms, if at all*" and "*Business—Legal Proceedings—Proceedings before the UKE President related to the tender for the 1800 MHz frequency*," and "*Business—Legal Proceedings—Proceedings before the UKE President related to the auction for the 800 MHz and 2600 MHz frequencies*."

We are continually involved in disputes and legal proceedings that, if determined unfavorably to us, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are continually involved in disputes and legal proceedings, including disputes and legal proceedings initiated by regulatory and tax authorities as well as proceedings with competitors and other parties. For a description of the proceedings that we believe are material for our business, including proceedings before the UKE President, and the respective courts, with respect to the annulment of the tender process and the reservation decision with respect to the 1800 MHz frequency and the annulment of the auction and the reservation decisions with respect to 800 MHz and 2600 MHz frequencies, see "*Business—Legal Proceedings."* Certain of these disputes may relate to key operational matters, such as our frequency reservations, and if determined adversely, may have a material adverse effect on our business, financial condition and results of operations," see "*—Risks Related to Regulatory Matters—Our frequency reservations to provide mobile services have definitive terms and may be revoked or may not be renewed upon expiration on acceptable terms, if at all*."

Any such disputes or legal proceedings, whether with or without merit, could be expensive and time consuming, could divert the attention of our management and, if resolved adversely to us, could harm our reputation and increase our costs, all of which could result in a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to maintain the reputation of our brand or impairment of our key intellectual property rights would have a material adverse effect on our business, financial condition and results of operations.

Our intellectual property rights, including our key trademarks and domain names, which are well known in the telecommunications markets in which we operate, are important to our business. The brand name "PLAY" and currently used figurative trademarks for "PLAY" are highly important assets.

If we are unable to maintain the reputation of and value associated with our "PLAY" brand name, we may not be able to successfully retain and attract subscribers. Our reputation may be harmed if any of the risks set forth in this "*Risk Factors*" section materializes. Any damage to our reputation or to the value associated with our "PLAY" brand name could have a material adverse effect on our business, financial condition, results of operations and prospects.

Further, a significant part of our revenue is derived from offerings and services marketed under our "PLAY" brand name. We rely upon a combination of trademark and copyright laws, database protections and contractual arrangements, where appropriate, to establish and protect our intellectual property rights. We may be required to bring claims against third parties in order to protect our intellectual property rights, and we may not succeed in protecting such rights. As a result, we may not be able to use intellectual property that is material to the operation of our business.

In addition, as the number of offerings and overlapping offering functions increase, the possibility of intellectual property infringement claims against us may correspondingly increase. We cannot guarantee that we have not unwittingly breached or that we will not in the future unintentionally breach the intellectual property rights of third parties. Any alleged breach could expose us to liability claims from third parties. In addition, we might be required to obtain a frequency reservation or acquire new solutions that allow us to conduct our business in a manner that does not breach such third party rights and we may be forced to expend significant time, resources and money in order to defend ourselves against such allegations. The diversion of our management's time and resources, along with potentially significant expenses that could be involved, could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, any lawsuits concerning intellectual property, regardless of their outcome, could have a material adverse effect on our business, financial condition and results of operations.

Currency exchange rate fluctuations could have a material adverse effect on our financial condition and the results of our operations.

Our business is exposed to fluctuations in currency exchange rates. Nearly all of our revenues are denominated in zloty, while certain of our significant expenditures, such as the purchase of handsets, purchases of network equipment, IT system costs, international roaming costs and payments in relation to certain leases of office space and sites are denominated in foreign currencies, particularly the euro, and to a lesser extent, XDR, U.S. dollars and pounds sterling. A depreciation of the zloty against the euro, XDR, the U.S. dollar or the pound sterling, which have been subject to fluctuations in the past, would increase these costs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Information on Market Risks*."

We rely on the experience and talent of our managers and skilled employees, and the loss of any of these individuals could harm our business.

The successful operation of our businesses as well as the successful implementation of our strategy is dependent on the experience of our managers and key personnel. Our future success depends in part on our ability to retain managers who have had a significant impact on our development, as well as on our ability to attract and retain skilled employees able to effectively operate our business. There is intense competition for skilled personnel in the Polish and the global telecommunications industry. We cannot guarantee that we will be able to attract and retain such managers or skilled employees in the future. The loss of some or all of our key managers, or the inability to attract and appropriately train, motivate and retain qualified professionals, or any delay in doing so, could have a material adverse effect on our business, financial results, results of operations and prospects.

Labor disruptions or increased labor costs could have a material adverse effect on our business, financial condition and results of operations.

If we experience a material labor disruption, strike or material dispute with our employees, or significantly increased labor costs in our business operations due to work stoppages or other such events that may affect our ability to conduct business, we may not be able to timely or cost effectively meet subscriber demands and

provide our standard level of customer care, which could reduce our profitability. We have been in the past and we are currently a party to labor disputes with some of our employees on an individual basis. We cannot assure you that these claims or future claims by employees will not have an adverse effect on our business, financial conditions or results of operations. Additionally, labor issues that affect third parties that we rely on for services and technology could also have a material adverse effect on us if those issues interfere with our ability to obtain necessary services and technology on a timely basis.

Alleged health risks of wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations.

We are aware of various reports alleging that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from handsets and other mobile telecommunications devices. We cannot assure you that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile telecommunications devices, press reports about risks or consumer litigation relating to such risks could adversely affect the size or growth rate of our subscriber base and result in decreased mobile usage, reduction in the number of subscribers, increased difficulty in obtaining sites for transmitters and exposure to potential litigation or other liabilities or increased costs resulting from potential new regulations in this respect. If any of the above risks were to materialize, it may have a material adverse effect on our business, financial condition, results of operations or prospects. In addition, these health concerns may cause the European Union and Polish authorities to impose stricter regulations on the construction of the components of our network, such as Base Transceiver Stations or other telecommunications network infrastructure, which may hinder the completion or increase the cost of network deployment and the commercial availability of new services.

We need to maintain our efficient and effective operational policies to avoid increases in our operating costs.

Our success will depend on, among other things, our ability to realize our strategy to maximize our operational and cost efficiencies.

As part of our focus on operational efficiency, we plan to improve our earnings and cash flows by maintaining and potentially lowering operating costs from current levels through a number of measures, such as ensuring the continuation of our national roaming agreements on the same terms or on terms more favorable to us. Even if we are successful in these and other initiatives, such as subsidy and sales commission control, maintaining tight controls over stocking levels, and improving payment terms with our suppliers, we may face other risks associated with our plans, including declines in employee morale, the level of customer service we provide, the efficiency of our operations and the effectiveness of our internal controls. Failure to continue to successfully implement such policies, unforeseen additional expenses or the inability to fully realize their anticipated benefits could impair the successful execution of our growth strategy or otherwise have a material adverse effect on our business, financial condition and results of operations.

We collect and process subscriber data as part of our routine business operations and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and have a material adverse effect on our business, financial condition or results of operations.

We collect, store and use data in the ordinary course of our operations that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the privacy requirements provided for under applicable laws, we may fail to do so and certain subscriber data may be leaked as a result of human error, willful misconduct or technological failure or otherwise be used inappropriately. We work

with independent and third-party suppliers, partners, dealers, service providers and call centers, and we cannot eliminate the risk that such third parties could also experience system failures involving the storing or the transmission of proprietary information. Violation of data protection laws or regulations by us or one of our partners or suppliers may result in fines, reputational harm and subscriber churn and could have a material adverse effect on our business, results of operations or financial condition.

We may make acquisitions or enter into transactions that could result in operating difficulties, dilution and other adverse consequences.

We have evaluated, and may continue to evaluate, potential strategic or other acquisitions and transactions which may enhance our business operations. Any of these transactions could be material to our financial condition or results of operations. The process of integrating an acquired company, network, business or technology or IT system could create unforeseen operating difficulties and expenditures, and we may not realize any or all of the benefits we anticipated at the time of the acquisition. Further, our management could be required to invest significant time into such acquisitions and the resulting integration activities, and our management may change as a result of future corporate transactions. Future acquisitions or divestitures could result in potentially dilutive issuances of equity securities, debt incurrence, contingent liabilities or amortization expenses, write-offs of goodwill or integration expenses, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our accounting policies may differ from other telecommunications operators, which may affect the comparability of our results.

Our accounting policies may differ from the accounting policies of other operators in the mobile telecommunications industry with respect to, *e.g.*, valuation methods, presentation, critical assumptions, estimates and judgments. In addition, we have early adopted IFRS 15 "Revenue from Contracts with Customers" which will be obligatory for all entities reporting under IFRS for annual periods beginning on or after January 1, 2018, and IFRS 16 "Leases" which will be obligatory for all entities reporting under IFRS for annual periods beginning on or after January 1, 2019.

With respect to EBITDA, the adoption of IFRS 15 results in upfront recognition of revenue attributable to handset sales, which is partially offset by lower service revenue from contracts adjusted historically, whereas overhead costs increase due to the greater impairment recognition required against the significant contract assets recognized on the balance sheet when the handset revenue is recognized upfront. The adoption of IFRS 15 also results in creation of contract cost assets (which comprise capitalized costs of commissions incurred in relation to acquiring or retaining a contract). These costs are amortized on a straight-line basis over the life-time of the contract in the operating expenses in the "contract costs, net" line.

The adjustment for IFRS 16 has a positive impact on EBITDA as the costs of operating leases that were previously expensed above EBITDA are now moved below EBITDA to depreciation of the "right-of-use" asset and unwind of the discounted lease liability is presented as interest within finance costs. Nevertheless, the uplift to EBITDA is largely offset at the profit before tax level, although phasing differences between previous recognition of operating leases and the rate of depreciation of the asset and the unwind of the lease liability discount do result in a degree of difference. The IFRS 16 adjustment also results in a significant increase in net debt, as the discounted future costs of all leases whether previously classified as finance or operating leases, are recognized as liabilities on the balance sheet.

For further information, please see Note 2.2 to the Audited Financial Statements included elsewhere in this Prospectus and "*Presentation of Financial Information—Changes in Accounting Policies*." Our results may therefore not be directly comparable to those of other companies in our industry.

Frequent changes in Polish tax regulations may have an adverse effect on our results of operations and financial condition.

The Polish tax system is characterized by instability and tax regulations are frequently amended.

Recently, a number of new tax regulations have come into force which were prepared in a relatively short time and implemented with short grace periods, such as the Standard Audit File for Tax reporting obligation, reverse charge on computers and smartphones, tax on financial institutions, FATCA reporting and the current proposal for split billing, which will allow, based on the first draft bill published, the purchaser to pay VAT indicated on the invoice to separate, dedicated bank account and the seller will be entitled to use these means only for VAT settlements with the tax authorities. Other tax reporting or compliance obligations or new tax regulations may be introduced, which could also affect Play's operations. Please note that some of these regulations have had, such as the reverse-charge in VAT settlements, and may have, such as split-billing whereby VAT may be paid to separate, dedicated bank accounts, an impact on Play's business and financial condition, including cash flows. Moreover, in July 2016 the General Anti-Avoidance Rule ("**GAAR**") entered into force, which, to a certain extent, may be applied retroactively (as described below). Therefore, from July 2016 any reference to the Polish tax regulations, including for the purpose of this Prospectus, includes the GAAR. We cannot exclude the possibility that further legal amendments will be introduced in Poland, *e.g.*, with respect to real estate tax, or that new tax burdens will be imposed on telecommunication activities. Tax laws in Poland may also need to be amended in order to implement new EU legislation.

The instability of the Polish tax system stems not only from changes in the law, but also from the reliance by tax regulators on court interpretations, which are also subject to potential changes and reversals. The lack of well-established regulations results in unclear and inconsistent interpretations, which lead to uncertainties and conflicts in application.

As a result, the Group faces the risk that its activity in selected areas could be unsuited to the changing regulations and the changing practice in their application. There is also a risk that the tax interpretations already obtained and applied by the Group in Poland will be changed or deprived of their protective power, which could lead to tax exposure for the Group.

Due to the foregoing, potential disputes with the Polish tax authorities cannot be ruled out, and, consequently, the tax authorities could challenge the tax settlements of companies in the Group regarding non-time-barred tax liabilities (including the due performance of the tax remitter's obligations by companies in the Group) and the determination of tax arrears for these entities, which may have a material adverse effect on the business, financial standing, growth prospects or results of the Group.

Please note that tax settlements, together with other areas of legal compliance (e.g., customs or foreign exchange law) may be subject to review and investigation at any time by the tax authorities and additional tax assessments with penalty interest and penalties may be imposed within five years from the end of the year in which a tax is due.

In view of these frequent changes, which may have a retroactive effect, and the existing uncertainty, the lack of a uniform interpretation of tax law and the relatively long statute of limitations for tax liabilities, the risk of challenging the application of tax regulations in Poland may be higher than in the legal systems of more developed markets. Additionally, these changes in tax regulations have had and may in the future have negative effects on our business, financial condition, results of operations and prospects. Further, the lack of stability in the Polish tax regulations may hinder the Group's ability to effectively plan for the future and to implement our business plan.

Moreover, in relation to the cross-border nature of the Group's business, the international agreements, including double tax treaties, to which Poland is a party also have an effect on the Group's business. Different interpretations of the double tax treaties by the tax authorities, as well as any changes to these treaties, may have a material adverse effect on the Group's business, financial standing or results.

The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the GAAR.

The GAAR regulations apply to tax benefits exceeding PLN 100,000 gained following the date the GAAR entered into force as a general anti-tax abuse law, in addition to existing anti-abuse regulations related to mergers, spinoffs, qualified exchanges of shares and exempt dividend distributions. Under certain conditions the tax authorities may also review past transactions under the GAAR. The GAAR allows the tax authorities to disregard a legally valid transaction (relationship) for tax purposes if the primary aim of the transaction was tax avoidance, where "tax avoidance" is interpreted as "an act (or series of acts) applied primarily in order to receive a tax benefit, which in certain circumstances defeats the object and purpose of the tax act, provided the manner of conduct in a particular case was artificial."

Conduct will be considered artificial if, under the existing circumstances, it would not be applied by a reasonable entity and it is connected with lawful purposes other than tax benefits contradictory to the object and purpose of a taxable act. In order to assess if a particular act was artificial, attention should be paid especially to: (i) unjustified division of an operation, (ii) the involvement of intermediary entities without business substance, (iii) elements directed to achieve a result identical or similar to the initial state of facts, (iv) elements that cancel or exclude each other, and (v) economic risk exceeding the planned benefits other than tax benefits to the degree that it must be decided that a rational entity would not have chosen to act that way.

A transaction will be considered to have been carried out primarily to obtain a tax benefit if the other economic or commercial objectives of the transaction as stated by the taxpayer should be considered negligible.

A tax benefit refers to a situation in which: (i) a tax liability has not arisen, the date when a tax liability arises has been deferred or the tax liability has been reduced, or a tax loss has been incurred or overstated; or (ii) a tax overpayment or a right to claim a tax refund has arisen, or the amount of a tax overpayment or tax to be refunded has been increased.

At this stage, while it is not expected that the rule will apply to genuine commercial transactions, the application and approach of the Polish tax authorities regarding these rules is untested.

The Group faces the risk that its activity and/or transactions in selected areas could be reviewed under the GAAR, including regarding transactions performed before the GAAR regulations entered into force. Any possible decisions regarding GAAR unfavorable to the Group may have a material adverse effect on the Group's business, financial condition and operational results.

Polish tax rulings may be subject to review.

Poland applies a tax ruling system that generally protects taxpayers or tax remitters against negative tax consequences of their actions if: (i) a tax ruling is obtained prior to the tax effect of an action or prior to an action which is subject to a tax ruling, (ii) the taxpayer or tax remitter complies with the tax treatment of the action confirmed in a tax ruling, and (iii) the matter subject to a tax ruling is not subject to tax proceedings

initiated, conducted or ended by the tax authorities. Tax rulings can protect a taxpayer or tax remitter against negative tax consequences only if facts presented for the purpose of a tax ruling truly and accurately describe a real action subject to such tax ruling and its circumstances.

The tax authorities may review the facts presented by the taxpayer or tax remitter and compare them with what subsequently occurs. If they find that the facts are different or not adequate, then a tax ruling will not protect the taxpayer or tax remitter against negative tax consequences. Even if Play believes that the facts are properly presented for the purpose of the tax rulings it obtained, the tax authorities could still attempt to challenge what subsequently occurs (or has occurred) as not being in compliance with the facts described by Play for the purpose of its tax rulings and, therefore, challenge the tax protection which might result from such rulings. Tax rulings which relate to any matters subject to or challenged under the GAAR are not binding and will not protect a taxpayer or tax remitter against negative tax consequences.

The interpretation of Polish tax laws related to the taxation of investors may be inconsistent, and subject to change, and it is possible that a non-Polish investor may be subject to Polish tax as a result of investment in the Offer Shares under the current Polish tax laws.

The Polish legal system, and specifically Polish tax law, is characterized by frequent changes, ambiguity and inconsistent tax law practice on the part of the tax authorities; thus, judicial decisions relating to the application of Polish tax law regulations are frequently inconsistent. This applies in particular to issues relating to the taxation of income generated by investors in relation to their acquisition, holding and disposal of shares in a non-Polish company admitted to organized trading on the Warsaw Stock Exchange, such as the Offer Shares. In particular, new Polish regulations on the source of income may treat income from the Offer Shares as earned in Poland and subject to Polish income tax. Furthermore, no assurance may be given that amendments to tax laws that are unfavorable to investors will not be introduced or that the tax authorities will not establish a different interpretation of tax provisions that is unfavorable to investors, which could have an adverse effect on effective tax burdens and the actual profit of investors from their investment in the Shares.

Tax authorities may increase the frequency with which they perform tax audits.

Based on publicly available information, an unprecedented number of tax audits have been initiated by the Polish tax authorities recently, in particular with respect to corporate income tax and transfer pricing settlements. During these audits, special emphasis is placed on any group restructuring actions, trademark-related transactions and schemes, intra-group settlements, new innovative offerings and their terms and conditions, as well as debt financing.

In the last few years, the Group has actively worked on tailoring its structure and offerings to respond to competitive market challenges and consumer needs, and performed similar transactions which currently are or potentially might be subject to the above mentioned intensified tax audits.

Please note that the Group performed in-depth, detailed legal and tax analysis before carrying out the above mentioned restructurings and transactions, and making innovative offerings. Moreover, whenever possible, Play has obtained individual tax rulings confirming the correctness of the tax treatment to be adopted or actually adopted. Therefore, in the Issuer’s view, all transactions have been correctly categorized for tax purposes, in particular in line with binding legal and tax provisions.

Nevertheless, in the current tax environment, the Group cannot exclude the risk that the tax authorities (e.g., during a tax audit) may take a different approach from the one adopted by Play.

Certain tax audits are ongoing with respect to Play.

Currently, there are two ongoing tax audits in Play being conducted with respect to corporate income tax settlements for the financial year ended December 31, 2013 (initiated in 2016) and for the financial year ended December 31, 2012 (initiated in 2017). Play has been informed that the 2013 audit should be completed by July 24, 2017, whereas the 2012 audit should finish by July 31, 2017; however, please note that these deadlines are likely to be further extended (this is a common practice of the Polish tax authorities).

Tax authorities investigate in particular: (i) intra-group transitions and settlements, with special emphasis on the settlements between Play and Play Brand Management Limited and (ii) trademarks-related settlements. Moreover, the tax authorities have requested documents concerning different types of related party transactions (e.g., transfer pricing documentation, fee calculations, and other similar documentation).

So far, no formal or informal findings have been communicated or notified to Play.

We cannot exclude the risk that the tax authorities (e.g., during these tax audits) will apply a different approach from the one adopted by Play, which may adversely affect our business.

VAT risk related to TV services rendered by Play.

In 2016, Play launched online TV offers, in addition to its ongoing provision of its core telecommunications services. In line with a positive tax ruling it obtained, Play applied a lower VAT rate for TV services. One cannot exclude the risk that the Polish tax authorities will adopt a different view of the revenues from these services and their VAT treatment (including payment already made), and thus VAT exposure might arise and affect our business, financial condition and results of operations.

An increased focus by the tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions

When concluding and performing related-party transactions, the Group takes special care to ensure that such transactions comply with the applicable transfer pricing regulations. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the applied prices, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific companies in the Group will not be subject to inspections or other investigative activities undertaken by the tax authorities. The tax authorities may have a different view of the Group's compliance with transfer pricing and may attempt to challenge the arm's-length nature of some of our related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in, e.g., the assessment of additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Moreover, an increased focus by the Polish tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions.

The recent reforms to Open Pension Funds may have an impact on the capital markets in Poland and the price, trading volume, and liquidity of the Shares, as well as the success of the Offering.

Historically, Open Pension Funds ("**OFEs**") were the largest private investors on the WSE and important participants in public offerings of shares on the WSE. On February 1, 2014, the Act of December 6, 2013,

amending Certain Legal Acts in Connection with the Determination of Rules of Payment of Pensions from Funds accumulated in Open-end Pension Funds (the "**OFE Act**") entered into force, reforming the pension system in Poland by changing the rules of operation for OFEs.

The OFE Act introduced a number of changes concerning the operations of OFEs, including the transfer to the Social Insurance Office (*Zakład Ubezpieczeń Społecznych*, "**ZUS**") certain assets managed by OFEs in a total amount representing 51.5 percent of the assets of OFEs (which were later redeemed), a mechanism of remittance of pension insurance premiums to ZUS (unless an individual member of an OFE makes a declaration that part of his or her pension insurance premium should be remitted to OFEs), a mechanism of gradually transferring funds accumulated in an OFE member's account to ZUS ten years before such OFE member reaches retirement age, and a requirement for OFEs to adapt their articles of association to the new requirements, including restrictions on investing funds.

It is not possible to guarantee that in the future another reform will not be carried out to fully eliminate OFEs, in particular, given that the Constitutional Tribunal, in its judgment of November 4, 2015, ruled that the reform was constitutional. In February 2017, the Polish government confirmed its intention to transfer 75 percent of the assets currently held by OFEs to individual pension accounts which will be maintained for each citizen and to transfer the remaining 25 percent of the assets to the Demographic Reserve Fund (*Fundusz Rezerwy Demograficznej*) which will be managed by the Polish Development Fund (*Polski Fundusz Rozwoju*). On December 30, 2016, the proposed amendments were presented to the Parliament by the Polish Government. Currently these amendments are subject to further analysis by the Polish Social Insurance Institution and the Ministry of Labor and Social Policy. According to the Polish Government's plans, the OFEs would be transformed into open-ended investment funds managing individual pension accounts. Open pension funds are important investors in debt securities issued in the Polish market. Any changes to the operations of the pension funds which may limit the number of pension funds, the value of assets managed by the pension funds or their investment policies may affect the investors' demand for covered bonds issued by the Bank and therefore may adversely affect the Bank's financial standing and ability to meet its obligations under the Covered Bonds. According to the information provided by the Polish Minister of Finance these actions should be implemented in 2018, at the latest.

The changes to OFEs, may result in limiting the number of OFEs, the value of the assets managed, or have an impact on the investment policies of OFEs (including an increase in investments in foreign instruments instead of in capitalization on the WSE) and may impact the demand for shares and the price of shares on the WSE. In addition, the reform and changes in the operations of OFEs may also have an adverse effect on the perception of the capital markets in Poland and the stability of its institutional framework and, consequently, discourage investors from investing in shares of companies listed on the WSE. There is a risk that the OFE reform may adversely affect the prices of the Shares, or the trading volume of the Shares, their liquidity and the Issuer's shareholding structure, as well as the success of the Offering.

The substantial leverage and debt service obligations of the Group could adversely affect our business.

We are, and upon the completion of the Offering, will continue to be, highly leveraged. As of March 31, 2017, we had total financial liabilities (principal increased by accrued interest) of PLN 7,326.4 million (including PLN 863.4 million of leases).

The degree to which we will be leveraged following the repayment of indebtedness, could have important consequences, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to our indebtedness;

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and

- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations. In addition, the terms of the Senior Facilities Agreement and the agreements governing the Local Overdraft Facilities permit, and any other credit facility agreement or similar agreement that we may enter into in the future may permit, the Group members to incur substantial additional indebtedness, which would further increase our leverage, and exacerbate the risks mentioned above.

We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities.

The Issuer and certain of its subsidiaries will be subject to the affirmative and negative covenants contained in the Senior Facilities Agreement and that may be contained in any other future finance documents. A breach of any of those covenants or restrictions could result in an event of default under the Senior Facilities Agreement. Upon the occurrence of any event of default under the Senior Facilities Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the Revolving Credit Facility and elect to declare all amounts outstanding under the Senior Facilities Agreement, together with accrued interest, immediately due and payable. The same risks may apply to future finance documents we enter into. If our creditors, including the creditors under the Senior Facilities or other credit facilities, accelerate the payment of those amounts, we cannot assure you that the assets of our subsidiaries would be sufficient to repay in full those amounts or to satisfy all other liabilities of our subsidiaries which would be due and payable. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts. If any of the above were to occur, it could have a material negative impact on the results of our operations and our financial performance.

We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control.

Our ability to make principal or interest payments when due on our indebtedness, including our obligations under the Senior Facilities Agreement, to the extent required to be paid in cash, and to fund our ongoing operations or planned capital expenditures, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors," many of which are beyond our control. The Revolving Credit Facility matures in March 2023, Term Loan Facility A matures in March 2022, Term Loan Facility B matures in September 2022, and Term Loan Facility C matures in March

2023. Term Loan A also has an amortization feature, which requires principal repayments over time. See "*Business—Material contracts—Financing agreements—The Senior Facilities Agreement*." In addition, our ability to make interest payments on our indebtedness and to otherwise fund our ongoing operations will also depend on any significant capital expenditures we may make, including in respect of potential spectrum frequency reservation acquisitions, which may require additional financing, and which may further increase the amount of interest payments we make on our indebtedness. If at the maturity of our credit facilities (or at the time of any amortization payments) or any other debt which we may incur, we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness. Furthermore, we may need to refinance all or a portion of our indebtedness on or prior to their stated maturity. If we are unable to refinance or restructure all or a portion of our indebtedness or obtain such refinancing or restructuring on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt. In addition, the terms of the Senior Facilities Agreement may limit our ability to pursue any of these measures.

Risks Related to Regulatory Matters

The mobile telecommunications industry is subject to significant governmental regulation and supervision and current regulations as well as any future changes in regulations may have an adverse impact on our revenues, require us to make additional expenditures and otherwise have a material adverse effect on our business, financial condition and results of operations.

We are subject to Polish and EU laws and regulations that restrict the manner in which we operate. As an MNO in Poland we are subject to extensive legal and administrative requirements regulating, among other things, the setting of maximum rates for certain telecommunications services. We cannot assure you that we will be able to satisfy the extensive requirements imposed on us by Polish and EU laws and regulations, in particular those regulating our telecommunications business, the reservations we use and those related to ensuring effective competition, non-discrimination, transparency, price control, reporting, data protection and national security. We also cannot predict the impact of any proposed or future changes in the regulatory environment in which we operate. Any future changes in regulation may have adverse impact on our revenues, require us to make additional expenditures and otherwise have a material adverse effect on our business, financial condition and results of operations.

Market regulators such as the UKE President play an active role in ensuring that we comply with the applicable telecommunications laws. The UKE President has broad regulatory and supervisory powers concerning the regulation of the provision of all electronic communications services, radio frequency spectrum management, orbital resources and the allocation and designation of telephone numbers as well as the terms and conditions of our frequency reservations. The UKE President generally attempts to support market competition. If the UKE President determines that a relevant market is not sufficiently competitive, it may designate one or more telecommunications providers as a provider with significant market power ("**SMP**") in such market and impose on such provider(s) certain regulatory obligations.

In 2012, the UKE President determined that Play has SMP in call termination on a public mobile network market. As an operator that is deemed to have SMP, Play must comply with certain obligations as imposed by

the UKE President, which include non-discrimination, meeting reasonable requests for telecommunications access, make available to public specified information relating to the provision of telecommunications access, as well as with respect to technical specifications for telecommunications networks and equipment, network characteristics, terms and conditions for the provision of services and use of networks, as well as fees and charges, determination of prices on an effective operator model basis (voice calls). See "*Regulatory Overview—The UKE President Market Analysis*."

In addition, on December 14, 2012, the UKE President imposed a new set of regulatory obligations which applied to the four main MNOs, including us, including new MTRs which announced an end to the MTR asymmetry from which we had benefitted since starting commercial operations in 2007 until December 31, 2012. The MTR reduction has directly impacted our interconnection revenue, one of the major services provided by us to other telecommunications operators, though this was largely offset by the reduction in MTR charges payable to other operators. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations and Significant Market Trends—General regulatory environment*."

As part of our continued provision of telecommunications services in Poland, we are regularly reviewed by the UKE President to ensure that we have complied with the terms of the frequency reservations granted to us by the UKE. If the UKE President were to determine that we breached a provision of The Polish Act on the telecommunications law of July 16, 2004 (unified text Dz. U. of 2016, item 1489, as amended) (the "**Telecommunications Law**"), we could be forced to pay a fine of up to 3% of the revenue we generated in the year prior to the imposition of the fine and we could be prohibited from providing further telecommunications services in Poland.

The Minister of Digital Affairs, responsible for telecommunications, also exercises broad regulatory authority over us. The powers of the Minister of Digital Affairs (or other designated competent minister) under the Telecommunications Law include the power to specify by means of an ordinance general rules of tenders, auctions and contests for the reservation of frequencies, specific requirements for the provision of telecommunications access, the scope of a framework for and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the related complaint process.

Our operations are also supervised by the President of the Competition and Consumer Protection Office (the "**UOKiK**"), General Inspector for the Protection of Personal Data and other agencies reviewing our compliance with a variety of laws and regulations relating to various aspects of our business. In May 2016 a new Regulation on the Protection of Personal Data (Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data, and on the free movement of such data, and repealing Directive 95/46/EC, General Data Protection Regulation) (the "**GDPR**") came into force and instigated a two-year preparatory period during which we will need to adopt new data processing requirements. Amongst other provisions, in the event of non-compliance, the GDPR will enable the Inspector General for the Protection of Personal Data to impose financial penalties of up to 4% of our global revenue for the previous year. As a result we need to adapt: (i) filing systems of personal data within the Group; (ii) business processes, in which personal data are processed; (iii) IT systems used in the Group for processing of personal data; (iv) contracts with business partners of the Group entrusted with processing personal data; (v) documentation and internal regulations; (vi) new consents to the processing of personal data, (vii) new information obligations to customers.

We cannot assure you that we will be able to satisfy all relevant regulatory requirements or that we will not incur substantial costs, fines, sanctions or claims as a result of violation of, or liabilities under, such laws and regulations, or that regulatory decisions may affect our ability to generate revenues, which, if it were to

materialize, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We cannot guarantee that in the future the UOKiK President will not deem the operations we conduct to limit competition or violate the Polish competition and consumer protection laws.

The UOKiK President is empowered under the Polish Act on the Protection of Competition and Consumers of February 16, 2007 (unified text: Dz. U. of 2017, Item 229, as amended) (the "**Competition Act**") to conduct proceedings regarding anticompetitive practices, the declaration of a given clause utilized in a standard contract template to be abusive, an infringement of collective interests of consumers, intended concentrations of entrepreneurs (*e.g.*, intended mergers, takeovers, creation of a joint entrepreneur or acquisition of another entrepreneur's assets or a part thereof), including proceedings regarding failure to notify an intention to concentrate, as well as proceedings concerning fines for infringement of the Competition Act. As the telecommunications industry is characterized by agreements both between operators and between operators and subscribers, mobile network operators may be subject to proceedings concerning, the restriction of competition, the declaration of a given clause utilized in the standard contract template to be abusive and the infringement of the collective interests of consumers. As an example of the above, on April 11, 2014, the UOKiK President initiated a general and preliminary fact-finding process (*i.e.*, explanatory proceedings) to investigate whether the activities of telecommunications operators involved in sharing and combining telecommunications networks, telecommunications infrastructure or frequency resources may constitute a violation of the Competition Act, and thereby justifying the initiation by the UOKiK President of antimonopoly proceedings. The explanatory proceedings were finally abandoned, and as of the date hereof, no antimonopoly proceedings have been initiated as a result, but we do not exclude the possibility that cooperation between operators in that respect will not be examined in the future.

Similarly, the telecommunications industry is characterized by agreements between operators and device suppliers or value added services providers. Such agreements may be negotiated with little bargaining power and on standard model templates of such suppliers or providers, and may therefore contain some onerous clauses. Such clauses may be viewed as anti-competitive, should regulatory authorities consider a number of conditions to be met (such as the market share of Play and the relevant supplier/provider). Given the susceptibility of such agreements to changing market circumstances, we cannot exclude the possibility that anticompetitive risk may arise in the future.

The activity of the UOKiK President, with respect to the business activity of entities operating in the telecommunications, has significantly increased within the last years. The UOKiK President has questioned the market practices of operators which have not been questioned in the past, including, *e.g.* the possibility for an operator to change subscriber agreements without cause (in which case the subscriber may leave without paying a contractual penalty) and annulment of amounts from top-ups within prepaid offers after the lapse of the validity period of a subscriber's account.

See "*Business—Legal Proceedings*" for an overview of certain material regulatory proceedings to which we are currently a party. Adverse decisions in these cases, or bad publicity generated therefrom, may have a material adverse effect on our business, financial condition, results of operations and prospects.

The expansion of consumer protection legislation including, passing an act that allows for "collective claims," which is a type of a class action where a group of people may sue in a single proceeding, has increased the existing or potential liability to which we are exposed, and which could have a material adverse effect on our business, financial condition and results of operations. For example, there has been an extension of the range of situations in which subscribers are entitled to terminate their agreements without obligation to pay any

contractual penalty. This may happen in the event, for example, of changes in the terms and conditions of agreements even if such amendment is in our subscribers' favor. Such early terminations of agreements with our subscribers may result in a significant increase in our subscriber retention costs and churn, and our subscriber acquisition costs in the event we try to attract new subscribers with attractive offers, and may consequently have a material adverse effect on our business, financial condition, results of operations and prospects.

Our frequency reservations to provide mobile services have definitive terms and may be revoked or may not be renewed upon expiration on acceptable terms, if at all.

We depend on our telecommunications frequency reservations issued by the UKE President and all our frequency reservations have fixed terms. Our 800 MHz frequency reservation is scheduled to expire on June 23, 2031, our 900 MHz frequency reservation is scheduled to expire on December 31, 2023, our 1800 MHz frequency reservation is scheduled to expire on December 31, 2027, our 2100 MHz frequency reservation is scheduled to expire on December 31, 2022 and our 2600 MHz frequency reservation is scheduled to expire on January 25, 2031. We cannot guarantee that any of our frequency reservations will be renewed prior to or upon their expiration. In particular, according to the Telecommunications Law, the UKE President has the discretion not to renew or to revoke our frequency reservations if he concludes, among other things, that we have violated the applicable terms of use of our allocated frequencies, for example, if we are determined to have failed to meet the minimum investment requirements. If we are unable to renew any of our frequency reservations, it could have a material adverse effect on our business, results of operations and financial condition could be materially adversely affected.

In order to maintain our telecommunications frequency reservations, we must comply with the terms of the reservation decision as well as relevant laws and other regulations established by the UKE President and the minister responsible for telecommunications. See "*Regulatory Overview—Frequency Reservation Process—Frequency reservations*." Failure to comply with the terms of such reservation decision and other regulations could result in the revocation of reservations as well as the imposition of fines. In relation to any new reservations which we acquire, in order to maintain the frequency reservations, we are required to pay the frequency reservation fees at the appointed time. If we fail to reserve sufficient cash or raise new financings to pay such fees, a frequency reservation may also be revoked. As a result of the complexity of and frequent changes to the regulations governing the telecommunications industry, we may fail to comply with all applicable regulations or frequency reservation. Moreover, we may not be successful in obtaining new frequency reservations for the provision of mobile services using new technologies that we may seek to deploy in the future and will likely face competition for any such frequency reservations.

There are no penalties specified under the reservations for non-compliance. However, the Telecommunications Law states that the UKE President may issue a decision on the withdrawal of a frequency reservation, if: (i) it is found that the use of radio equipment in accordance with that frequency reservation is a source of harmful interference or harmful electromagnetic disturbance; (ii) the allocation of frequencies covered by that frequency reservation in the national strategy has changed; (iii) there are circumstances that pose a threat to national defense and security, as well as public safety and order; (iv) the use of the frequencies covered by the reservation is not started within the period referred in the frequency reservation, for reasons attributable to the entity that obtained the frequency reservation; (v) the frequencies are not used during a period of at least six months for reasons attributable to the entity that obtained the frequency reservation; (vi) there is a persistent breach of the conditions set out in the frequency reservations, or of the obligation to pay charges for the frequencies reservation; (vii) the entity that obtained the frequency reservation does not perform the obligations referred to in the frequency reservation for reasons attributable to that entity; or (viii) the use of frequencies covered by the reservation is inefficient.

We may also face certain challenges from third parties in relation to our frequency reservations. Plus, Polska Izba Radiodyfuzji Cyfrowej and Sferia S.A. ("**Sferia**") have applied to the UKE President to annul the tender process for 1800 MHz frequencies under which we obtained our new 1800 MHz frequency reservation on which we operate our 4G LTE technology. These entities have alleged certain violations in the tender process which led to a rejection of their tenders. In 2015, in its first decision, the UKE President dismissed this application for the annulment of the tender process and as a result of a request of an administrative retrial by a decision dated August 3, 2016, the UKE President upheld and remained unchanged in its decision from 2015. The decision was then appealed to the Lower Administrative Court and the proceedings are still pending. In separate proceedings, Plus, Sferia and Emitel S.A. ("**Emitel**") have applied to the UKE President in relation to our successful tender for the 1800 MHz frequencies and have applied for suspension and cancelation of our 1800 MHz frequency reservation until the proceedings mentioned above are finalized. The proceedings are currently pending before the Supreme Administrative Court.

In November 2015, Polkomtel, T-Mobile and Net Net Sp. z o.o. applied to the UKE President for the annulment of the auction for the 800 MHz and 2600 MHz frequency reservations in its entirety, claiming procedural violations. The motions to annul the auction have initiated administrative proceedings before the UKE President. The UKE President has not reviewed the case yet. On June 23, 2016, the UKE President issued a decision regarding frequency reservations in the 800 MHz band. As a result of the decision, a technical swap of the blocks between Play and T-Mobile has occurred. Plus appealed all new decisions on the reservations of 800/2600 MHz frequencies in the lower administrative court and T-Mobile appealed the new decisions on reservations of the 800 MHz frequency with regard to Blocks C and E against in the lower administrative court. The Voivodship Administrative Court in its judgment on January 30, 2017, dismissed Polkomtel's and T-Mobile's complaints against the allocations of frequency to the Group. In April 2017, the judgments of the Voivodship Administrative Court were appealed against in the Supreme Administrative Court. The proceedings are still pending.

The results of proceedings regarding the 800 MHz, 1800 MHz and 2600 MHz bands are not certain and such proceedings generally last for a number of years and the timing for a final decision, including the exhaustion of all possible appeals procedures, with respect to either of the proceedings is difficult to anticipate. If these challenges are successful, we may have to re-tender for our respective 800 MHz, 1800 MHz or 2600 MHz frequency reservation which will cause us to expend time and costs, and we cannot assure you we will be successful in securing the tender a second time. See "*Business—Legal Proceedings*" and for additional information regarding the procedures for annulment of tenders and for frequency reservations and the reconsideration of decisions awarding frequency reservations, see "*Regulatory Overview—Frequency Reservation Process*."

In the event that we are unable to renew any frequency reservation, any frequency reservation is revoked, suspended or canceled, or we are unable obtain a new frequency reservation for a technology that is important for the provision of our services, we could be forced temporarily or permanently to discontinue some or all of our services or we may be unable to use such technology or an important new technology. If we are unable to make use of the frequency reservations described above, it could have a material adverse effect on our business, financial condition and results of operations.

Polish and EU regulation of the levels of MTRs and roaming charges may in the future have a material adverse effect on our business, financial condition and results of operations.

The UKE President is responsible for determining MTRs applied to telecommunications operators. In determining these rates, the UKE President can attempt to support emerging businesses by allowing them to charge higher fees for calls terminating on their own networks. The entry of new operators in the market could

have a material adverse effect on our competitive advantage, our business, financial condition, results of operations and prospects, if they were to be granted asymmetrical MTRs, as the Group was when it first entered the market.

EU regulators have also imposed price restrictions applicable to all operators in the European Union (both at the retail and wholesale level). In particular, on June 15, 2017, "roam-like-at-home" regulation came into force, lowering retail pricing to the home country level. At the same time wholesale rates are regulated on a level which in some cases may cause service margin losses. Finally, there are two security measures which may eliminate such losses—the Fair Use Policy, which limits regulated roaming services consumption (on the home price level prices) and Sustainability, which allows service providers to request their local national regulatory authority to allow them to implement additional surcharges if margins on international roaming services reach 3% of losses of Play's mobile service margin (understood as EBITDA from the sale of mobile services, other than retail roaming services provided within the EU, thereby excluding costs and revenues from retail roaming services).

Furthermore, in 2007, the European Regulation (EC) No 717/2007 of the European Parliament and the Council of June 27, 2007 on roaming on public mobile telephone networks within the European Community (the "**EC**") amending Directive 2002/21/EC came into effect, as well as, in 2009, Regulation (EC) No 544/2009 of the European Parliament and of the Council of June 18, 2009 was introduced amending Regulation (EC) No 717/2007 on roaming on public mobile telephone networks within the EC, both provided for a steady reduction in mobile retail and wholesale prices for voice calls, SMS and data. On June 13, 2012, however, the aforementioned Regulation (EC) No 544/2009 was repealed by Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the European Union. Pursuant to the latter regulation, the maximum retail prices and average wholesale prices for roaming mobile services (calls, data transmission, SMS) decreased on July 1, 2013, and decreased further on July 1, 2014. Additionally, a "decoupling regime" has been introduced to increase competition in the international roaming market, and the expected result is a reduction in international roaming retail prices to below the regulatory caps. This "decoupling regime" came into effect on July 1, 2014 and foresees Local Break-Out (LBO) services, *i.e.,* the ability for foreign MNOs to target our outbound roaming customers to directly offer them data-only services on their networks. Such services would be paid directly by such roaming customer to the visited roaming network. On June 15, 2016, the EC issued a proposal for a regulation amending Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets. The Regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017, amended Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets, which was a necessary condition for the introduction and existence of "roam-like-at-home" legislation—tripartite negotiations between the EC, Parliament and Council have resulted in regulated wholesale roaming data charges at EUR 7.7 per 1000 megabytes from June 15, 2017, decreasing to EUR 6 as of January 1, 2018. The fees will slide to EUR 4.50 per gigabyte in 2019, EUR 3.50 in 2020, EUR 3 in 2021 and then to EUR 2.50 in 2022. Voice (originated) calls wholesale rates are agreed at EUR 0.032 per minute and SMS (originated) at EUR 0.01 per message. The regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017, amending Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets was published on June 9, 2017, in the Official Journal of the European Union. Pursuant to the regulation, new wholesale charges entered into force on June 15, 2017. However, this regulation may be challenged on the grounds of its detrimental effects on telecommunications operators.

A reduction in the prices we can charge for mobile roaming services, as well as operation of the LBO (if any) may have a material adverse effect on our business, financial condition and results of operations.

We face potential increased fraud risks following the implementation of the "roam-like-at-home" regulation.

On June 15, 2017, EU Regulation 2015/2120 ("roam-like-at-home") came in to effect and adjusted all retail roaming charges within the European Union to home-like conditions. This means customers will be charged the same rate for the use of voice, messaging and data services abroad as they are charged in their home state. Play customers can therefore use their mobile devices in the rest of Europe on their current tariff plans under the "roam-like-at-home" legislation, use of voice and SMS message services and uncapped, while data services may be subject to a "fair use policy". The policy allows Play to issue a surcharge to a customer at wholesale rates when abusive or non-standard usage is detected. Additionally, Play may request the national regulatory authority to add surcharges for roaming services, following the sustainability procedure defined in the International Roaming Regulation.

We already have international roaming agreements in place with operators in the European Union which provide for network coverage for our customers. Typically, we pay the host operator directly on a monthly basis and then bill the amount to our customers under their normal tariff. Under the new "roam-like-at-home" legislation, we potentially face an increased risk of fraud in the event that a customer purchases a Play tariff, uses it outside of Poland, and then defaults on their payments to Play. As such activity would occur outside Poland and given that we would therefore be reliant on third party operators to track mobile use and data consumption, it may be more difficult to stop this fraud and recover amounts from such customers.

Additionally, due to discrepancies in domestic tariffs between Poland and other EU countries, there is a risk of misuse of Play's services through extensive use abroad thus creating a negative margin for Play, regardless of whether or not they result in bad debt.

To the extent that we are not able to recover the amounts we pay to international operators from our customers, or if any increased costs result from service misuse or fraud generally, it could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Structure

Drawings under the Senior Facilities bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Drawings under the Senior Facilities bear interest at floating rates tied to WIBOR plus a spread. WIBOR could rise significantly in the future. Although we have entered into certain hedging arrangements covering a third of this interest rate risk designed to fix a portion of these rates in the future, there can be no assurance that we will hedge the remaining two thirds of the exposure, or that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

There are risks related to the 2014 Refinancing and Recapitalization.

In the 2014 Refinancing and Recapitalization, the Group refinanced all of its outstanding indebtedness with the issue of notes. As part of the structuring of these transactions, the Group undertook several internal restructuring actions, including the purchase of shares and the merger of Play with Glenmore Investments Sp. z o.o., another Group entity. In March 2017, Play refinanced its debt resulting from the 2014 Refinancing and Recapitalization.

The tax treatment of the above transactions, including the tax treatment of expenses as tax-deductible costs, withholding tax treatment, VAT treatment and/or their compliance with Polish tax regulations, is subjective;

in particular, taxpayers and tax authorities may have different opinions on the tax deductibility of particular expenses incurred or refinanced and/or other tax characteristics of the transactions in question. Consequently, as an example, it cannot be excluded that Play may not be able to treat some of the interest, foreign exchange differences or other costs related to financing as tax-deductible costs. Challenges by the tax authorities of the tax deductibility of particular expenses financed or refinanced under the 2014 Refinancing and Recapitalization may have an impact on the tax classification of costs related to such financing and also on the tax treatment of interest, foreign exchange differences and other costs and/or other characteristics related to the 2017 Refinancing. If the tax authorities challenge the tax classification and settlements of the above transactions, that may have a material adverse effect on our business, financial condition and operational results.

Tax authorities may take a different view of the tax treatment of business reorganization of trademarks within the Group.

Between 2012 and 2014, Play trademarks were subject to certain intra-group reorganization transactions between Play Brand Management Limited, Play 3GNS and Play, resulting in, among other things, the transfer of such trademarks. If Polish tax authorities take a different view of the tax treatment of this reorganization, the steps taken as part of these transactions and the manner in which they were presented for tax purposes, and successfully challenge the tax approach taken by the entities involved, tax exposure might arise and affect our business, financial condition and results of operations.

An increased focus by the Polish tax authorities on related party transactions may cause our policies to undergo more scrutiny, and we may be subject to further audits and challenges in relation to such transactions.

Over the last few years there has been a significant increase in the number of transfer pricing audits conducted by the Polish tax authorities, in particular in relation to Polish taxpayers being part of international capital groups.

During the tax audit initiated in 2016 and in 2017 with respect to our 2013 and 2012 financial year, the tax authorities requested documents concerning different types of related party transactions (*e.g.*, transfer pricing documentation, fee calculations, and other similar documentation) but as of the date of this Prospectus they have not formally challenged any transaction or settlements resulting therefrom.

When concluding and performing related-party transactions, we exercise efforts to take special care to ensure that such transactions comply with the applicable transfer pricing. However, due to the specific nature of related-party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, as well as the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that specific Group Companies will not be subject to inspections or other investigative activities undertaken by tax authorities or fiscal control authorities. The tax authorities may have a different view of the Groups' compliance with transfer pricing and may attempt to challenge the arm's length nature of some of our related party transactions. Should the methods of determining arm's-length terms for the purpose of the above transactions be challenged, resulting in *e.g.* assessing additional taxable income, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The interests of the Issuer's controlling shareholders may conflict with your interests.

As a result of their ownership of shares and their representation on the board of the Issuer (the "**Issuer's Board**"), Tollerton and Novator have, and will continue to have, directly or indirectly, the power to affect the

Issuer's legal and capital structure, the ability to control the outcome of matters requiring action by shareholders, and to effectively control many other major decisions regarding the Group's operations. Day-to-day management is undertaken by the current senior management who are not dependent on shareholder support, though any conflicts between senior management and our controlling shareholders could adversely affect the Group and its operations. Further, both controlling shareholders may have other business interests and portfolio companies that may conflict with your interests as shareholders (or compete with the Group) and may conflict with potential transactions the Group may wish to undertake. In addition, any circumstances relating to the shareholders' ownership or beneficial ownership in the Group may negatively affect the Group's business and operations, including its image, brand or its ability to refinance its indebtedness to the extent that financial institutions deem such ownership as materially adverse to their willingness to undertake any such refinancing or other capital raising. There can be no assurances that the interests of either of the shareholders will be consistent with the interests of the shareholders or the Group or that the shareholders will exercise their rights for the benefit of all shareholders.

Risk Factors Relating to the Offering and Trading on the WSE

The Offering may be suspended, modified or canceled or the results of the Offering may deviate significantly from the envisaged Offering size and value.

The Selling Shareholder ,in agreement with the Global Coordinators and after consultation with the Co-Offering Agents, may cancel the Offering and/or modify its terms and dates at any time, but no later than by 9:00 a.m. CET on July 26, 2017, (or, another date and time, as indicated in any supplement or update report to this Prospectus, if amended), at which point the distribution of the information on clearing or transfers (*zlecenia rozrachunku*) will commence in order to record the Offer Shares in the securities accounts of the Institutional Investors.

If information on the cancelation, suspension or modification of the Offering is published before the commencement of the subscription period for the Retail Investors and the Authorized Employees, no reason must be published for such cancelation, suspension or modification. After the commencement of the subscription period for the Retail Investors and the Authorized Employees, the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents, may also cancel, suspend or modify the Offering at any time if proceeding with the Offering is considered impracticable or inadvisable. Reasons that would make the Offering impracticable or inadvisable include, but are not limited to: (i) the occurrence of a sudden or unforeseeable change in the economic or political situation in Poland or abroad which may have a material adverse effect on the financial markets, Poland's economy, the Offering or the Group's operations; (ii) the occurrence of a sudden or unforeseeable change or event other than those stated under item (i) above which could have a material adverse impact on the Group's operations or which could result in the Group incurring material damage or any material disruption to its operations; (iii) the occurrence of a material adverse change in the Group's business, financial condition or operating results; (iv) the suspension of, or a material limitation in, trading in securities on the WSE or on any other exchange if such circumstances could have a material adverse effect on the Offering and/or the Admission; (v) an unsatisfactory demand for the Offer Shares from the Institutional Investors based on the declarations received in the book-building process; (vi) in the opinion of the Global Coordinators and after consultation with the Co-Offering Agents, an insufficient number of the Shares is expected to be traded on the WSE which would not warrant the required liquidity of the Shares; (vii) the occurrence of a sudden and unforeseeable change which could have a direct, material and adverse effect on the Group's operations; or (viii) the termination of the Underwriting Agreement.

In the case of the cancelation of the sale of the Offer Shares in the Offering prior to the submission of orders for the sale of the Offer Shares to Retail Investors through the WSE system, purchase orders will be deemed void and any payments made will be returned without interest or damages no later than seven days from the date of the announcement of the withdrawal from the sale of the Offer Shares in the Offering.

Should the Offering be canceled after instructions have been issued to sell the Offer Shares to the Retail Investors through the WSE before 09:00 a.m. Warsaw time on July 26, 2017, (or, another date and time, as indicated in any supplement or update report to this Prospectus, if amended), the entities accepting subscriptions from the Retail Investors shall return the Offer Shares previously acquired by the Retail Investors in accordance with the powers of attorney granted by the Retail Investors in the purchase order forms for the Offer Shares and in accordance with the instructions issued by the Co-Offering Agents. Any payments made by the Retail Investors for the Offer Shares will be returned to them without any interest or damages within seven days following the return of such Offer Shares to the Selling Shareholder's securities account. The payments will be made to the cash accounts maintained for the Retail Investor's securities account through which the subscription was made in accordance with the rules prevailing at the given investment firm.

These rules for the cancelation of the Offering shall also apply to the Authorized Employees and Institutional Investors up until such time as the Selling Shareholder is entitled to cancel the Offering.

Should the Offering be canceled, purchase orders for the Offer Shares that have been placed will be deemed null and void, and any subscription payments that have been made will be returned without any interest or compensation no later than seven days after the date of the public announcement of the cancelation of the Offering. A return of a payment for the Offer Shares without interest or compensation, net of transfer costs, shall also take place to the extent that no Offer Shares are allotted or where there is a reduction of purchase orders placed as set out in the Prospectus or if excess payments are being returned, no later than seven days following each of such events.

A decision to suspend the Offering, without the need to provide any reason for doing so, may be taken at any time before the commencement of the subscription period for the Retail Investors and Authorized Employees by the Selling Shareholder in agreement with the Global Coordinators after consultation with the Co-Offering Agents. From the commencement of the subscription period for the Retail Investors and Authorized Employees up to the submission of orders for the sale of the Offer Shares to Retail Investors through the WSE system, the Selling Shareholder, in agreement with the Global Coordinators after consultation with the Co-Offering Agents, may decide to suspend the Offering only for reasons that are (in the opinion of the Selling Shareholder) material, which may include, among other things, any event that might adversely affect the success of the Offering or cause increased investment risks for the purchasers of the Offer Shares. A decision to suspend the Offering may be made without specifying a new timetable for the Offering, which may be determined at a later date.

In the event of the suspension of the Offering, information about the suspension of the Offering will be made available to the public through a publication on the Issuer's website as well as, to the extent required, by way of a supplement to the Prospectus.

If a decision to suspend the Offering is made in the period between the commencement of the subscription period for the Retail Investors and Authorized Employees and the submission of orders for the sale of the Offer Shares to Retail Investors through the WSE system, any purchase orders received and any payments made will still be considered valid; however, investors will have the right to void the legal validity of their

purchase orders by submitting a relevant statement within two business days from the date of the publication of the supplement to the Prospectus relating to the suspension of the Offering.

If a decision on the suspension of the Offering is made after the completion of the book-building process but prior to the opening of the period for accepting purchase orders from the Institutional Investors, the Selling Shareholder ,in agreement with the Global Coordinators after consultation with the Co-Offering Agents, may repeat the book-building process, *provided that* in such event it will determine whether or not the previously submitted declarations and invitations to place orders for the Offer Shares remain valid.

Furthermore, there is a risk that the final number of Offer Shares to be allocated in the Offering and the Offer Prices determined during the Offering could be significantly lower due to many factors, including low demand or a lack of available financial resources due to public offerings of other companies conducted simultaneously with the Offering. As a result, the size of the free float of the Shares may not guarantee a satisfactory level of liquidity of the Shares.

The Shares may not be eligible to be admitted to trading or listing on the regulated market (main market) of the WSE.

The admission and introduction of the Shares to trading on the regulated market (main market) of the WSE is subject to the consent of the management board of the WSE and the registration by the NDS of the Shares. Such consent and registration may be obtained if the Issuer, the Shares satisfy all the legal requirements, specifically, those set forth in the Regulation on the Market and Issuers as well as in the respective regulations of the WSE and the NDS. The Issuer does not intend to seek the admission of the Shares to trading on the parallel market operated by the WSE. One of the requirements provided for in the Regulation on Markets and Issuers as well as in the rules of the WSE, and a requirement on which the admission of the Shares to trading on the regulated market depends, is ensuring the proper liquidity of the Shares. Moreover, some of the criteria with respect to the admission and introduction of the Shares to trading on the regulated market are discretionary and left to the WSE to assess. The Issuer cannot guarantee that such criteria will be satisfied and/or these approvals and consents will be obtained and that the Shares will be admitted and introduced to trading on the regulated market of the WSE. In addition, the Issuer cannot rule out the possibility that due to circumstances beyond its control, the admission and introduction of the Shares to trading on the main market of the WSE will be effected on dates other than as originally anticipated or that they will be effected simultaneously.

In the event of a breach or suspected breach of law in relation to the Offering, or the application for the admission and introduction of the Shares to trading on a regulated market, the CSSF and the PFSA may, inter alia, prohibit or suspend the Offering and issue an order to stay the application or prohibit the application for the admission or introduction of the Shares to trading on the regulated market.

Pursuant to the Polish Act on Public Offering, in the event that an issuer, any selling shareholder or any other entities participating in an offering, subscription or sale carried out pursuant to such offering, themselves or on behalf of or upon instructions from the issuer or any selling shareholder, are in breach of the laws applicable to public offerings, subscriptions or sales of securities in Poland, an admission and/or the introduction of securities to trading on a regulated market in Poland or a promotional campaign carried out in the territory of Poland, the PFSA shall notify the competent regulator in the home Member State (the CSSF for the Issuer) of such event(s). Based on such notification, the CSSF may, in accordance with the provisions of the Luxembourg Prospectus Law, impose sanctions on the Issuer. If upon being notified by the PFSA, the CSSF does not immediately react or the actions taken by such regulator are insufficient, the PFSA may, among others: order that the commencement of the public offering and/or the application for the admission and/or

introduction of securities to trading on a regulated market be withheld or the offering, subscription or sale or the admission and/or introduction of securities to trading be delayed for up to ten business days; or otherwise prohibit the commencement of the public offering, subscription or sale or further activity in relation to it. Additionally, pursuant to the Polish Act on Trading in Financial Instruments, if the safety of trading on a regulated market so requires or if the interests of investors are prejudiced, the company operating a regulated market will suspend, at the request of the PFSA, the admission to trading on that market or the commencement of listing of securities or other financial instruments designated by the PFSA for a period not exceeding ten days. In addition, the CSSF may request the WSE to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Luxembourg Transparency Law or the Luxembourg Prospectus Law have been infringed by the Issuer or if it has reasonable grounds for believing that such legal provisions have been infringed. The CSSF may further request the WSE to suspend the Shares from trading if, in its opinion, the Issuer's situation is such that trading would be detrimental to investors' interests. The occurrence of the circumstances mentioned above could have a material adverse effect on the success of the Offering and the Admission.

Trading in the Shares on the WSE may be suspended.

The WSE may pass a resolution suspending trading in securities in accordance with the WSE Rules. The WSE may suspend trading in financial instruments at the request of a listed company in order to protect the interests and the safety of trading activities or upon a violation of the WSE regulations by a listed company. Trading may be suspended for a period of up to three months.

The PFSA is empowered under the Polish Act on Trading in Financial Instruments to direct the WSE to suspend trading in instruments quoted on the WSE for a period not exceeding one month. The PFSA may exercise this right if trading in specific securities or other financial instruments constitutes a threat to the proper functioning of the WSE or the safety of trading on the WSE, or if the interests of investors have been infringed. During a suspension of trading in securities, investors are unable to purchase and sell the affected securities on the stock market, which adversely affects the liquidity levels of such securities. Any off-market sale of suspended securities might be achieved only at a significant discount to their last traded price. There can be no assurance that trading in the Shares will not be suspended.

The CSSF may request the WSE to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Luxembourg Transparency Law have been infringed by the Issuer. The CSSF may further request the WSE to withdraw the Shares from the regulated market of the WSE if it finds that the provisions of the Luxembourg Transparency Law have been infringed, or if it has reasonable grounds for suspecting that the provisions of the said law have been infringed. The CSSF may also request the suspension of trading of the Shares if the Issuer is in breach of its obligations under the Market Abuse Regulation.

The CSSF may also request the WSE to suspend at any time trading of the Shares for a maximum of ten consecutive working days on any single occasion if it has reasonable grounds for believing that the legal provisions of the Luxembourg Prospectus Law have been infringed. The CSSF may further request the WSE to suspend the Shares from trading if, in its opinion, the Issuer's situation is such that trading would be detrimental to investors' interests.

The Issuer's failure to meet the requirements set forth in the WSE rules, the Luxembourg Transparency Law or the Polish Act on Public Offering may cause the Shares to be delisted.

Securities traded on the WSE may be delisted by the management board of the WSE. "The Warsaw Stock Exchange Rules" establish the basis for the optional and mandatory delisting of securities by the WSE.

Securities are delisted in the case where: (i) their transferability has been limited or when they are no longer dematerialized and have been converted to registered form; or (ii) a competent authority delists them from a regulated market, or at the PFSA's request in connection with a material threat to the proper functioning of the WSE, the safety of trading on the WSE or to the interests of investors, among other matters specified in detail in the Polish Act on Trading in Financial Instruments. The PFSA may decide to delist a listed company's securities if the company breaches its duties under the Polish Act on Public Offering. The WSE may decide to delist securities if a listed company, *inter alia*, repeatedly violates WSE regulations, submits an application for delisting, is declared bankrupt, fails to have any dealings in the given securities for the period of the last three months or it initiates liquidation proceedings. The CSSF may also request the WSE to withdraw the Shares from the regulated market of the WSE if it finds that the provisions of the Luxembourg Transparency Law have been infringed, or if it has reasonable grounds for suspecting that the provisions of the said law have been infringed. There can be no assurance that no grounds for the delisting of the Shares will occur in the future. Upon the delisting of securities, investors can no longer trade in the affected securities on the WSE, which would have a material adverse effect on the liquidity of such securities. Any off-market sale of such securities may be achieved only at a significant discount to their last traded price.

The Issuer is not in full compliance with the Corporate Governance Rules of the Warsaw Stock Exchange and does not expect to be in full compliance in the near future.

The Issuer is a holding company incorporated under the laws of Luxembourg with a one-tier corporate governance supervisory function. Play is the Group's key operating company and is an entity incorporated under the laws of Poland. Play also has a one-tier corporate governance day-to-day management function. See "*Management*." Together, these corporate governance structures have been designed to create a more customary two-tier corporate governance structure for the Group.

While the Issuer's corporate governance structure complies with the principles of Luxembourg law, the Issuer deviates in certain respects from the principles of the good corporate governance and best practice provisions set forth in the WSE Corporate Governance Rules contained in the "WSE Best Practices". See "*Description of Share Capital and Corporate Governance—Corporate governance code.*" Investors generally consider companies that comply with the WSE Corporate Governance Rules to be more transparent. Failure to fully comply with the WSE Corporate Governance Rules may have an adverse effect on the Offering, as well as the price and liquidity of the Shares. As the Shares will be only admitted to trading on the WSE, the Issuer has not opted to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

If the Issuer does not comply with the requirements with which it must comply as a listed company, the value of its Shares may be adversely affected.

A publicly listed company is subject to a number of obligations including reporting and disclosure obligations. The Issuer has never been subject to such obligations and may fail to sufficiently fulfill such obligations. As a consequence, the Issuer may be subjected to various administrative penalties, criminal and civil liability, including fines, damage claims and negative investor perception, and shareholders may not be provided on time or at all with price sensitive information or the content of materials made public may be of an unsatisfactory quality. In addition, other sanctions may be imposed on the Issuer for noncompliance with regulations relating to publicly listed companies. If any of the above risks materializes, the value of the Shares could be materially adversely affected.

The market price of the Shares may decrease and/or be highly volatile.

The market price of the Shares may decrease and/or be highly volatile, as well as be subject to significant fluctuations caused by various factors, some or many of which are beyond the Group's control and not

necessarily related to the Group's business, operations and prospects. These factors include: the overall condition of the Polish economy; conditions and trends in the telecommunication sector in Poland and elsewhere in Europe; changes in market valuations of companies in the telecommunication industry; variations in the Group's quarterly operating results; fluctuations in stock market prices and volumes; potential changes in the regulatory regime; changes in financial estimates or recommendations by securities analysts regarding the Issuer or the Shares; and announcements by the Group or its competitors of new services or technology, significant investments, acquisitions, or joint ventures. In addition, the equity market has generally been exposed to significant fluctuations in price which may be unrelated to or disproportionately high in relation to the results of operations of the companies in question. Such general market factors may have an adverse effect on the market price of the Shares, irrespective of the Group's results of operations.

The shares may have limited liquidity.

The fact that the Shares are admitted to trading on the regulated market operated by the WSE does not guarantee that the Shares will be sufficiently liquid. Listed companies from time to time experience significant fluctuations in securities trading volumes, which can have a negative impact on the market price of the Shares. If an appropriate level of trading in the Shares is not achieved or maintained, that could have a material impact on the liquidity and price of the Shares. Even if the appropriate level of trading in the Shares is achieved and maintained, the market price of the Shares may be below the price of such shares in the Offering.

Furthermore, the Shares may have a lower level of liquidity than the shares in comparable companies to the Issuer listed on other markets, especially in the U.S. or in other Western European countries.

Any inadequate level of liquidity of the Shares may limit the ability of investors to sell the required number of the Shares at the expected share price. This could have a material adverse effect on the price of the Shares.

The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below the Offer Price.

The Issuer cannot assure that the marketability of the Shares will improve or remain consistent. The market price of the Shares (the Offer Price and the Offer Price for the Authorized Employees) at the time of the Offering may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Issuer's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Issuer and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general, the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. The market price of the Shares is also subject to fluctuations in response to further issuances of shares by the Issuer, sales of the Shares by the Selling Shareholder, the liquidity of trading in the Shares, share capital decreases or purchases of Shares by the Issuer, as well as investor perception. As a result of these or other factors, the Issuer cannot give assurance that the public trading market price of the Shares will not decline below the Offer Price (or even below the Offer Price for the Authorized Employees).

There is no prior market for the Shares and therefore no assurance regarding the future development of such market can be given.

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or on the price at which the holders may be able to sell their Shares. If a market for the Shares were to develop, the Shares could trade at prices that may be higher or lower than the Offer Price or the Offer

Price for the Authorized Employees, depending on many factors. There can be no assurance as to the liquidity of the Shares or that an active market for the Shares will develop.

The free float of the Shares is expected to remain limited for at least a period of 180 days after the Listing Date due to applicable lock-up arrangements, which may have a negative impact on the liquidity of and market price for the Shares.

It is expected that, immediately after the completion of the Offering, 43.86% of the Shares will be publicly held by investors who are not subject to any lock-up arrangements (assuming the full exercise of the Over-Allotment Option and assuming that there was no increase in the number of Sale Shares offered and assuming that the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued). Under the same assumptions, 56.14% of the Shares will be held by the Selling Shareholder, which has entered into lock-up arrangements under which the Selling Shareholder (and any of its controlled undertakings or agents) has agreed not to dispose of its Shares for a period of 180 days following the first listing date of the Shares, without the written consent of the Global Coordinators. The Reinvestment Shares and Original VDP 4 Shares are subject to contractual lock-up arrangements from the date of their registration on the securities accounts of such persons up until the third anniversary of the Listing Date (with 20% of such Shares being released from the lock-up at the first anniversary of the Listing Date, and 40% of such shares being released from the lock-up at the second and third anniversaries of the Listing Date, respectively). Further lock-up arrangements apply to shares awarded pursuant to our new performance incentive plans following the Offering. See "*Management—New Performance Incentive Plans*."

Therefore, the free float of the Shares is expected to remain limited during the periods where such lock-up agreements are applicable. This may have a negative impact on the liquidity of the Shares and may result in a low trading volume, which could adversely affect the then-prevailing market prices for the Shares.

Future offerings by the Issuer of debt or equity securities may adversely affect the market price of the Shares and dilute the interests of its shareholders.

To finance investment plans, the Issuer or its Subsidiaries may raise additional capital by offering debt or additional equity securities, including notes convertible into shares, senior or subordinated notes and ordinary shares.

The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of the existing shareholders if made without granting pre-emptive or other subscription rights, or reduce the price of the Issuer's shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Issuer may issue in the future may also dilute the interests of the Issuer's shareholders. Holders of the Issuer's ordinary shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Issuer's ordinary shares. As a result, holders of the Issuer's ordinary shares may, in certain circumstances, have the right to purchase ordinary shares that the Issuer may issue in the future in order to preserve their percentage ownership interest in the Issuer. If the General Meeting deprives investors of pre-emptive rights or they fail to exercise such rights, their share in the share capital will be reduced.

As any decision by the Issuer to issue additional securities depends on market conditions and other factors beyond the Issuer's control, the Issuer cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Issuer's future offerings reducing the market price of the Shares and diluting their interest in the Issuer.

Future sales or the possibility of future sales of a substantial number of the Shares by the Selling Shareholder by management or by other shareholders may adversely affect the market price of the Shares.

Following the completion of the Offering, 56.14% of the Shares will be held by the Selling Shareholder (assuming the full exercise of the Over-Allotment Option and assuming that the there was no increase in the number of Sale Shares offered). After the expiration of the lock-up period of 180 days for the Selling Shareholder following the Listing Date, the Selling Shareholder may sell substantial numbers of its Shares on the public market. This could also result in the Selling Shareholder selling substantial numbers of its Shares on the public market even before the expiry of the applicable lock-up period. In addition, there could also be a perception on the market that such sales could occur due to the expiry of the applicable lock-up period or the waiver thereof.

Furthermore, other shareholders of the Issuer who acquire the Shares in the Offering or in stock exchange transactions may plan to sell the Shares or securities entitling their holders to the Shares in the future.

The sale of a significant number of the Shares in the future or an expectation that such sale will take place after the closing of the Offering, in particular after all contractual lock-ups on the issuance, sale or other disposal of the Shares imposed on the Issuer, the Selling Shareholder and others expire, may have an adverse effect on the market price of the Shares and significantly reduce the Group's ability to arrange capital by way of a public offering or private placements of shares or other securities. Furthermore, the sale of the Shares by one or more significant shareholders of the Issuer may have an adverse impact on the perception of the Issuer's standing or its prospects for strategic growth, and thus on the value of the Shares. The Issuer cannot predict the potential effect that either the sale of the Shares by the existing or future shareholders or the belief that such sale will take place will have on the Share price.

Any of these circumstances may adversely affect the market price of the Shares. In addition, such sales could make it more difficult for the Issuer to raise capital through the issuance of equity securities in the future.

The interpretation of Polish laws and regulations governing investing in shares, including tax laws and regulations applicable to investors, may be unclear, and Polish tax laws and regulations may change.

The Polish legal system, including the tax regulations incorporated therein, is subject to frequent changes. Furthermore, some provisions of Polish law, specifically tax law, are ambiguous, and often there is no unanimous or uniform interpretation of the law or uniform practice by the public authorities, including the tax authorities, or the courts as far as the application of Polish law. Because of frequent changes in law and, specifically, tax law and the varying interpretations thereof, the risk connected with Polish tax law may be greater than that in other developed markets. The above is true in particular with respect to issues related to income tax applicable to income generated by investors in relation to the acquisition, holding and sale of securities. No assurance may be given that changes to the tax law, including tax treaties, which may prove unfavorable to investors will not be introduced or that the Polish tax authorities will not take a new, different and unfavorable interpretation of tax provisions, which could have an adverse effect on the tax charges incurred and the actual profit generated by investors from their investment in the Shares. In particular, any changes in regulations on capital gains tax or changes to the Luxembourg-Polish Double Taxation Treaty may influence the returns achieved by investors. This risk could have material adverse effects on the Offering in Poland.

The value of the Shares for foreign investors may decrease due to exchange rate fluctuations.

The market price of the Shares traded on the WSE is denominated in Polish zloty. Consequently, payments for the Offer Shares will be made by foreign investors in PLN and, accordingly, foreign investors must convert

amounts into PLN at a certain exchange rate, which could be different from the exchange rate prevalent in the future. Consequently, the return on investment in the Shares will depend not only on changes in the price of the Shares during the investment period, but also on fluctuations in the exchange rate between the PLN and the investors' domestic currencies. Exchange rate risk will also apply to any cash disbursements under rights associated with the Shares, including the payment of dividends, which, if any are made, may be paid in PLN.

The exercise of certain shareholder rights and the tax treatment of non-Luxembourg investors in a Luxembourg company may be more complex and costly.

The Issuer is organized and exists under the laws of the Grand Duchy of Luxembourg. Accordingly, its corporate structure as well as the rights and obligations of the Issuer's shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE.

The exercise of certain shareholder rights for non-Luxembourg investors in a Luxembourg company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the General Meeting may be adopted with majorities different from the majorities required for the adoption of equivalent resolutions in Polish companies. Under Luxembourg law, there are limited grounds on the basis of which resolutions taken by the general meeting of shareholders can be invalidated. Actions aimed at declaring a resolution invalid must be filed with, and will be reviewed by, a Luxembourg court in accordance with the laws of the Grand Duchy of Luxembourg.

Investors holding Shares may also be subject to Luxembourg taxation in respect of dividends received from the Issuer. Although Poland and Luxembourg have a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force.

The rights of shareholders in a Luxembourg company may differ from the rights of shareholders in companies organized under the laws of other jurisdictions.

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. The rights of holders of the Shares of the Issuer and the responsibilities of the Issuer to its shareholders under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of other jurisdictions. As such, it may be difficult or impossible to enforce rights against the Issuer that may be common in other jurisdictions.

The Issuer is a holding company incorporated under the laws of the Grand Duchy of Luxembourg the principal assets of which are the shares of its subsidiaries. If the Group's operating subsidiaries experience sufficiently adverse changes in their financial position or results of operations, or the Issuer otherwise becomes unable to pay its debts as they become due and obtain further credit, the Issuer may be in a state of cessation of payments (*cessation de paiements*) and lose its commercial creditworthiness (*ébranlement de crédit*), which could result in the commencement of insolvency proceedings. Such proceedings would have a material adverse effect on the Issuer's business and prospects, and the value of the Shares.

Insolvency proceedings may be brought against the Issuer or its subsidiaries, and such proceedings may be conducted under, and be governed by, the insolvency laws of Luxembourg. The insolvency laws of the Grand Duchy of Luxembourg may not be as favorable to interests of investors as the laws of Poland, the United States or other jurisdictions with which investors may be familiar.

Under the insolvency laws of Luxembourg, the following types of proceedings (together referred to as Insolvency Proceedings) may be opened against the Issuer to the extent that the Issuer has its registered office or the center of its main interests (*centre des intérêts principaux*) (for the purposes of Council Regulation (EC)

No. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended or, starting from June 26, 2017, of Council of the European Union Regulation (EU) No. 848/2015 of May 20, 2015 on insolvency proceedings) in the Grand Duchy of Luxembourg at the time of the commencement of such proceedings:

Bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the Issuer (i) is unable to pay its debts as they become due (*cessation de paiements*), and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); moreover if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;

Controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors. The Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) may (i) approve a proposed reorganization plan if a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the Issuer's liabilities have agreed thereto, or (ii) disagree with the reorganization plan proposed by the administrators even though a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the Issuer's liabilities have agreed to such plan, in which case the application for controlled management will be dismissed, or (iii) ask the administrators to propose an amended plan (such amended plan will have to be submitted again to the creditors). The judgment approving the plan will be binding upon the Issuer and its creditors, joint debtors and guarantors; and voluntary composition with creditors (*concordat préventif de la faillite*), upon request only by the Issuer. Composition may only be adopted if a majority of the creditors representing, via their unchallenged claims, three-quarters of the Issuer's debt have adhered to the proposal and if the composition has been homologated by the Commercial District Court. Creditors benefiting from mortgages (*hypothèques*), privileges (*privilèges*) or pledges (*gages*) only have a deliberating voice in a composition if they renounce the benefit of their mortgages, privileges or pledges. A vote in favor of a composition requires such renunciation. However, such renunciation may be limited by the secured creditors to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights. While a composition is being negotiated, creditors may not take action against the Issuer to recover their claims. Secured creditors who do not participate in the composition proceedings may take action against the Issuer to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the Commercial District Court commenced composition proceedings may be set aside.

In addition to these proceedings, the Issuer may be affected by a decision of the Commercial District Court granting a suspension of payments (*sursis de paiements*) or putting the Issuer into judicial liquidation (*liquidation judiciaire*).

Luxembourg insolvency law may also affect transactions entered into or payments made by the Issuer during the hardening period (*période suspecte*) (which is a maximum of six months and ten days preceding the judgment declaring bankruptcy), except that in certain specific situations the Commercial District Court may set the start of such period for an earlier date.

The new Council Regulation (EC) No. 2015/848 of May 20, 2015 on insolvency proceedings (the "**Recast EU Insolvency Regulation**") came into force on June 26, 2015 and will gradually replace the EU Insolvency Regulation, but its main provisions will only become effective on June 26, 2017.

Certain foreign judgments issued against the Issuer, its directors or the Selling Shareholder by its shareholders may not be enforceable.

The Issuer is incorporated in the Grand Duchy of Luxembourg, and the Group conducts its operations predominantly in the territory of Poland and the majority of the Group's assets are located in Poland. The

majority of the members of the Board have their place of residence outside of the Grand Duchy of Luxembourg. As a result, it may be difficult or impossible for an investor in the Shares to enforce a judgment issued outside the Grand Duchy of Luxembourg against the Issuer or against members of the Board. This applies, to the greatest extent, to investors from outside the EEA and any countries that are not party to conventions or bilateral agreements on the mutual recognition and enforcement of court judgments to which the Grand Duchy of Luxembourg is a party. Even if such an investor were successful in bringing an action of this kind, the laws of Poland or Luxembourg, as applicable, may render such investor unable to enforce a judgment against the Issuer's and the Group's assets or the assets of the Issuer's directors and officers.

Moreover, the Selling Shareholder is an entity incorporated and operating in accordance with the laws of the Grand Duchy of Luxembourg and thus any judgments issued against the Selling Shareholder, including those issued by Polish courts, in connection with the Offering and the Offer Shares will be recognized and enforced specifically on the terms determined by private international law rules applicable in the Grand Duchy of Luxembourg. Please see "*Important Information—Delivery and enforceability of foreign court judgments.*"

Holders of the Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emptive rights with respect to future offerings.

In the case of an increase of the Issuer's registered share capital, existing shareholders of the Issuer are entitled to exercise pre-emptive rights pursuant to the applicable regulations of Luxembourg, unless waived in whole or in part under a resolution of the General Meeting. To the extent that pre-emptive rights are granted, holders of the Shares in the United States may be unable to exercise their pre-emptive rights unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. Shareholders of the Issuer in other jurisdictions may also be limited in their ability to exercise their pre-emptive rights. The Issuer cannot give any assurance that in the future it will register any of the Shares or other securities in accordance with the U.S. Securities Act or the provisions of any other jurisdiction outside Poland. If the Issuer's share capital is increased in the future, the Issuer's shareholders who are not able to exercise a potential pre-emptive right (in accordance with the laws of the country where they have their registered office) should take into account that their interest in the Issuer's share capital may be diluted upon such issuance of new shares in the Issuer. Furthermore, although in some jurisdictions non-participating shareholders may be given a distribution in cash of the value of their tradable rights, there is no requirement to do so in the Grand Duchy of Luxembourg and, consequently, a holder of the Shares may not receive any exercisable rights or any compensation in lieu of such rights.

The Issuer and the Board are likely to incur costs and expenses, as well as be required to invest time, in complying with the obligations of a listed company.

Compliance with reporting and disclosure in connection with being a public company, as well as certain operational elements and investor expectations, will require the incurrence of certain costs and expenses which the Group has previously not had to incur. In addition, complying with these requirements will require the investment of the time of the management, which will divert attention from other aspects of the Group's business. As the Issuer (or its subsidiaries) has not been run as a public company in the past, it may increase the costs, expenses and time for the Board to comply with these requirements. In addition, as mentioned above, if the Issuer fails to sufficiently fulfill these obligations, the Issuer may be subject to fines, damage claims and negative investor perception.

IMPORTANT INFORMATION

Important Notice

J.P. Morgan Securities plc, Merrill Lynch International and UBS Limited (together, the "**Global Coordinators**") and Bank Zachodni WBK Spółka Akcyjna and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie (together, the "**Co-Offering Agents**") (the Global Coordinators together with the Co-Offering Agents, the "**Joint Bookrunners**") are acting exclusively for the Issuer and the Selling Shareholder and no one else in connection with the Offering, and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Issuer and the Selling Shareholder for providing the protections afforded to their respective clients, or for providing advice in relation to the Offering or any transaction or arrangement referred to in this Prospectus.

Capitalized terms used in this Prospectus and not otherwise defined in this Prospectus have the meanings ascribed to such terms in the "*Abbreviations and Definitions*" section. Moreover, certain industry terms and other terms used in this Prospectus are explained in the "*Abbreviations and Definitions*" and "*Presentation of historical financial and other information*" and "*Industry, market and subscriber data*" below.

Unless implied otherwise in this Prospectus, the terms "**we**" or "**Group**", refer to the Issuer together with all of its Subsidiaries.

Unless indicated otherwise, references to statements as to beliefs, expectations, estimates and opinions of the Issuer or its management refer to the beliefs, expectations, estimates and opinions of the Issuer's Board.

Neither the Issuer, nor the Selling Shareholder, nor the Joint Bookrunners, or any of their respective representatives, make any assurance to any offeree or purchaser of the Offer Shares as to the legality of an investment in the Offer Shares by such an investor under the laws applicable to such investor. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

The Issuer has prepared this Prospectus solely for use in connection with the offer of the Shares to qualified institutional buyers under Rule 144A under the U.S. Securities Act and outside the United States under Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this Prospectus and the transactions contemplated hereby in confidence. You may not distribute this Prospectus to any person, other than a person retained to advise you in connection with the purchase of any Shares.

The Issuer, the Selling Shareholder and the Joint Bookrunners may reject any offer to purchase the Offer Shares in whole or in part, sell less than the entire principal amount of the Offer Shares offered hereby or allocate to any purchaser less than all of the Offer Shares for which it has subscribed.

This Prospectus is intended to provide information to prospective investors in the context and for the sole purpose of evaluating a possible investment in the Offer Shares offered in the Offering. It contains selected and overview information, does not express any commitment or acknowledgement or waiver and does not create any express or implied right towards anyone other than a prospective investor in the context of the Offering. It cannot be used except in connection with the promotion of the Offering. The contents of this Prospectus are not to be construed as an interpretation of the Group's obligations, of market practice or of contracts entered into by the Group.

Responsibility statements

The Issuer accepts responsibility for the completeness and accuracy of the information contained in this Prospectus. To the best of the Issuer's knowledge and belief (having taken all reasonable care to ensure that such is the case), this Prospectus contains all of the information with respect to the Issuer and the Offer Shares that is material in the context of the Offering and does not omit anything likely to affect its accuracy or completeness. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Issuer are honestly held by the Issuer, have been reached after considering all the relevant circumstances and are based on reasonable assumptions.

No representation or warranty, express or implied, is made by the Joint Bookrunners as to the accuracy, completeness or verification of the information set forth in this Prospectus or any other information provided by the Issuer or the Selling Shareholder in connection with the Offer Shares or their distribution, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether made in the past or the future. The Joint Bookrunners assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this document or any such statement.

Notice to Prospective Investors

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus in its entirety, in particular the "Risk Factors" section hereof, when considering an investment in the Offer Shares. In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Issuer, and the information contained in this Prospectus and the terms of the Offering, including the merits and risks involved with an investment in the Offer Shares.

The investors also acknowledge that: (i) they have not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision, (ii) they have relied only on the information contained in this document, and (iii) that no person has been authorized to give any information or to make any representation concerning the Issuer or its subsidiaries or the Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Selling Shareholder or the Joint Bookrunners.

Any decision to invest in the Offer Shares offered in the Offering should be based solely on this Prospectus (and any supplement hereto) taking into account that any overview or description, set forth in this Prospectus of legal provisions, accounting principles or a comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be construed as legal, accounting or tax advice as to the interpretation or enforceability of such provisions, information or relationships.

Except as provided for under mandatory provisions of law, no person is authorized to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Selling Shareholder or any of the Joint Bookrunners.

This Prospectus does not constitute an offer to sell or a solicitation by or on behalf of the Issuer, the Selling Shareholder or the Joint Bookrunners to any person to subscribe for any of the Offer Shares offered in the Offering in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The

distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer, the Selling Shareholder and the Joint Bookrunners to inform themselves about and to observe such restrictions. Other than with respect to the Offering in Poland, no action has been taken by the Issuer, the Selling Shareholder or the Joint Bookrunners that would permit an offer of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material or application form relating to the Offer Shares, in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. None of the Issuer, the Selling Shareholder or any of the Joint Bookrunners accepts any responsibility for any violation by any person, whether or not such person is a prospective investor in the Offer Shares, of any of these restrictions. See "*Selling Restrictions*" elsewhere in this Prospectus. Investors acquiring Offer Shares may be subject to restrictions on transfer. See "*Transfer Restrictions*" elsewhere in this Prospectus.

The Issuer has submitted the Prospectus to the CSSF. The Prospectus has been prepared in accordance with the Regulation 809/2004 and Part II of the Luxembourg Law of 10 July 2005 on prospectuses for securities, as amended (*Loi modifiée du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*), as well as with the Act on Public Offering and other applicable legislation governing the public offering of securities in Poland. The Prospectus has been prepared for the purpose of the admission to trading of the Offer Shares on the regulated market of the Warsaw Stock Exchange and for the purpose of the Polish Public Offering. The Prospectus was approved by the CSSF and published on the Luxembourg Stock Exchange's website (www.bourse.lu), and once its approval has been notified by the CSSF to the PFSA, it (together with its summary translated into Polish) will be pubilished on the Issuer's website, for information purposes, and the Co-Offering Agents' websites.

None of the Issuer, the Selling Shareholder, the Joint Bookrunners or any of their respective representatives is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. The contents of this Prospectus should not be construed as legal, financial or tax advice. The investors are advised to consult their own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

For the purpose of or in connection with the Offering, each of the Joint Bookrunners and any of their respective affiliates, may take up a portion of the Offer Shares in the Offering as a principal position and in that capacity may retain, purchase or sell for its own account such Offer Shares and any other securities of the Issuer or related investments and may offer or sell securities of the Issuer or other investments other than in connection with the Offering. Accordingly, references in this Prospectus to the Offer Shares being offered or placed should be read as including any offering or placement of such securities to the Joint Bookrunners and any of their respective affiliates acting in such capacity. In addition certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Neither the delivery of this Prospectus nor any sale made hereunder at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date hereof or that the entirety of the information set forth in this Prospectus is correct as at any time subsequent to its date.

Notice to Prospective Investors in the United States

Neither the Offer Shares nor any other securities of the Issuer described in this Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered or sold within the United States except under an exemption from the registration requirements of the U.S. Securities Act. In connection with the Offering, information concerning the Offering will be provided only to: (i) certain investors outside of the United States in offshore transactions (as defined in Regulation S); and (ii) QIBs in the United States as defined under and in accordance with Rule 144A. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to the exemption from the registration requirement provided for by the U.S. Securities Act.

Neither the U.S. Securities and Exchange Commission nor any state securities commission nor any non-U.S. securities authority has approved or disapproved of the Offer Shares offered in the Offering or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Notice to EEA Investors

No offer of the Offer Shares to the public is being made in any other Member State. However, the Joint Bookrunners may decide to promote the Offering in another Member State under certain exemptions from the obligation to prepare a prospectus under the Prospectus Directive if such exemptions have been implemented in that Member State, *provided that* any such offering of the Offer Shares will not result in a requirement to publish the Prospectus by the Issuer or any of the Selling Shareholder or the Joint Bookrunners under Article 3 of the Prospectus Directive or any relevant implementing legislation.

In relation to each Member State of the European Economic Area (other than Poland) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date"), there will be no offer of the Offer Shares to the public in that Relevant Member State other than:

- to a legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons other than to qualified investors as defined in Article 2(1)(e) of the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive within the territory of the Relevant Member State.

For the purposes of the Prospectus, the expression an "offer of the Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication, in any form and by any means, of sufficient information on the terms of the Offering and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, while the scope and form of such communication may vary in individual Relevant Member States due to measures implementing the Prospectus Directive in such Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the Directive Amending the 2010 Prospectus Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in

each Relevant Member State, and the expression "Directive Amending the 2010 Prospectus Directive" means Directive 2010/73/EU.

Notice to UK Investors

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the United Kingdom to, and is only directed at, persons that are qualified investors ("**qualified investors**") within the meaning of Article 2(1)(e) of the Prospectus Directive (as defined below) that also: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"): or (ii) who fall within Article 49(2)(a) to (d) of the Order: or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as the "**relevant persons**"). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, the relevant persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this Prospectus or any of its contents.

Notice to Prospective Investors in Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. The Prospectus has been prepared without regard to the disclosure standards for issue prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27 of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material related to the Offering, the Issuer or the Offer Shares has been filed or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Offer Shares has not been authorized and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Offer Shares.

Notice to Prospective Investors in Canada

The Offer Shares may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to

any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended). The Offer Shares are not and may not be subject of an indirect or direct offering or sale in the territory of Japan or to a Japanese resident (which term as used herein includes any corporation or other entity organized under the laws of Japan), or to others for direct or indirect offering or sale, directly or indirectly, in Japan or to a resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and in compliance with any other provisions thereof; and (ii) in compliance with any other applicable requirements of laws of Japan.

Notice to Prospective Investors in Hong Kong

The Offer Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Offer Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Notice to Prospective Investors in Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the

beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in the Dubai International Financial Centre ("DIFC")

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("**DFSA**"). This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial advisor.

In relation to its use in the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

Notice to Prospective Investors in Australia

This Prospectus:

- does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "**Corporations Act**");
- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**"), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act;
- does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a "retail client" (as defined in section 761G of the Corporations Act and applicable regulations) in Australia; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is

otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of Offer Shares under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 apply to that resale. By applying for the Offer Shares you undertake to us that you will not, for a period of 12 months from the date of issue of the Offer Shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Notice to Prospective Investors in South Africa

Due to restrictions under the securities laws of South Africa, the Offer Shares are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies (i) the offer, transfer, sale, renunciation or delivery is to: (a) persons whose ordinary business is to deal in securities, as principal or agent; (b) the South African Public Investment Corporation; (c) persons or entities regulated by the Reserve Bank of South Africa; (d) authorized financial service providers under South African law; (e) financial institutions recognized as such under South African law; (f) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorized portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or any combination of the person in (a) to (f); or (ii) the total contemplate acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No "offer to the public" (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the "**South African Companies Act**")) in South Africa is being made in connection with the issue of the Offer Shares. Accordingly, this document does not, nor is it intended to, constitute a "registered prospectus" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the Offer Shares in South Africa constitutes an offer of the Offer Shares in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from "offers to the public" set out in section 96(1)(a) of the South African Companies Act. Accordingly, this document must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons being referred to as "**SA Relevant Persons**"). Any investment or investment activity to which this document relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

Stabilization

In connection with the Offering, the Stabilizing Manager (or any person acting as agent for the Stabilizing Manager) may, to the extent permitted by applicable law, over-allot or effect transactions with a view to supporting the market price of the Shares on the WSE at a level higher than that which might otherwise prevail in the open market for a limited period. However, there is no obligation on the Stabilizing Manager (or any agent of the Stabilizing Manager) to take such action. Such transactions, if commenced, may be

discontinued at any time and must be brought to an end within 30 days after the date of allotment of the Offer Shares. Such transactions shall be carried out in compliance with all applicable laws, regulations and rules.

Presentation of Financial Information

Financial Information of the Group

This Prospectus includes the consolidated financial information of the Issuer and its subsidiaries. The consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows of the Issuer and its subsidiaries set forth in this Prospectus as of and for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, have been derived from the audited consolidated financial statements of the Issuer and its subsidiaries as of and for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 (the "**Audited Financial Statements**") and included elsewhere in this Prospectus. Ernst & Young *société anonyme* have audited the Audited Financial Statements included herein.

The interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of cash flows of the Issuer and its subsidiaries set forth in this Prospectus as of and for the three months ended March 31, 2017, have been derived from the unaudited interim condensed consolidated financial statements of the Issuer and its subsidiaries as of and for the three-month period ended March 31, 2017, prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16 (the "**Interim Financial Statements**", together with the Audited Financial Statements, the "**Financial Statements**") and included elsewhere in this Prospectus. Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa have reviewed the Interim Financial Statements.

As permitted under IFRS, we have adopted IFRS 15 ("Revenue from Contracts with Customers") and IFRS 16 ("Leases") early, and have applied such new accounting policies to the Financial Statements contained in this Prospectus on a consistent basis. As a result, any financial statements prepared prior to the adoption of IFRS 15 and IFRS 16 will not be directly comparable to the Financial Statements included in this Prospectus. For further information, see "—*Changes in Accounting Policies*" below and Notes 2.1 and 2.2 to the Audited Financial Statements included elsewhere in this Prospectus.

The preparation of financial statements in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in those consolidated financial statements.

The financial information of the Issuer and its subsidiaries included in this Prospectus is not intended to comply with the SEC's reporting requirements. IFRS with early adoption of IFRS 15 and IFRS 16 differ in various significant respects from IFRS as adopted by the European Union and U.S. GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS with early adoption of IFRS 15 and IFRS 16, on one hand, and U.S. GAAP or IFRS, on the other hand, and how those differences could affect the financial information contained in this Prospectus. In making an investment decision, you should rely upon your own examination of the terms of the Offering and the financial information contained in this Prospectus.

Currency Translation for Non-zloty Amounts Presented in this Prospectus

The financial information in this Prospectus is presented in zloty. For your convenience, a translation of certain zloty amounts as of and for the twelve months ended March 31, 2017, into euro has been presented in this Prospectus. The average exchange rate for the convenience translations is PLN 4.2198 per EUR 1.00, which was the NBP exchange rate per euro as of March 31, 2017. You should not view such translations as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate. See "*Exchange Rate Information*."

Non-IFRS Measures

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

Under our presentation:

- "EBITDA" means operating profit for a certain period plus depreciation and amortization;
- "Adjusted EBITDA" means EBITDA plus costs of advisory services provided by shareholders, plus cost/(income) resulting from valuation of retention programs and costs of special bonuses, plus certain one off items;
- "Adjusted EBITDA margin" means Adjusted EBITDA divided by operating revenue;
- "Free cash flow to equity (post lease payments)" means Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions), adjusted by total changes in net working capital and other (as such term is defined in the notes to the Financial Statements and no other part of this Prospectus) and change in Contract Assets and change in Contract Liabilities and change in Contract costs, less cash interest, less cash taxes less lease payments; and
- "Cash conversion" means Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) divided by Adjusted EBITDA.

While amounts included in EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments), and Cash conversion are derived from our consolidated financial statements, EBITDA, Adjusted EBITDA, Free cash flow to equity (post lease payments) and Cash conversion are not financial measures calculated in accordance with IFRS (including IFRS with early adoption of IFRS 15 and IFRS 16). Cash capital expenditures, and cash conversion is an approximation and is influenced by different calculations and accounting standards and could differ from those presented by other companies in the industry.

We present EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) and Cash conversion because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

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

- EBITDA, Adjusted EBITDA and Adjusted EBITDA margin do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

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

We present EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) and Cash conversion as we believe they will be useful to investors and analysts in reviewing our performance and comparing our results to other operators. However, none of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Free cash flow to equity (post lease payments) or Cash conversion are IFRS measures and you are encouraged to evaluate any adjustments to IFRS measures yourself and the reasons we consider them appropriate for supplemental analysis. Because of these limitations, as well as further limitations discussed above, the non-IFRS measures presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS with early adoption of IFRS 15 and IFRS 16. We compensate for these limitations by relying primarily on our results in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 and using non-IFRS measures only supplementally.

Changes in Accounting Policies

The Group has early adopted two new accounting standards, IFRS 15 (“Revenue from Contracts with Customers”) and IFRS 16 (“Leases”) early, which has resulted in changes to our accounting policies and consequently in differences to the financial data as included in our financial statements prepared prior to the adoption of IFRS 15 and IFRS 16 as compared to the financial data included in the Financial Statements and presented herein. The early adoption of IFRS 15 and IFRS 16 result in the accounting adjustments that do not affect the net cash flows of the Group.

Rationale for Early Adoption

We believe that the early adoption of IFRS 15 principles allows for a more streamlined approach to new customer contracts, and also provides a better basis for the comparison of business performance in the future, by applying the same accounting policy to all customer contracts, regardless of the type of contract made. The application of the current revenue standard in the telecommunications industry, IAS 18 ("**Revenue**"), results in a degree of variability in timing of revenue recognition depending on the sales model (subsidy versus installment). Telecommunications companies have over time replaced the subsidy sales model with the installment sales model and, as a result, have differing mixes of contract types. The installment contract sales model, which is now widely used, results in a disconnect between the phasing of the accounting recognition of revenue and the timing of cash flows, as a significant portion of customers' total contractual obligation is recognized as revenue upfront (the handset component), but the cash is received on a monthly basis over the life of the contract.

Applying IFRS 15 results in comparable allocation of customers' total contractual obligation between service revenue and handset revenue in both sales models.

We also believe that the early adoption of IFRS 15 and IFRS 16 allows us to maintain a consistent reporting regime. The adoption of IFRS 15 and IFRS 16 will become mandatory for all entities reporting under IFRS starting from January 1, 2018, for IFRS 15 and starting from January 1, 2019, for IFRS 16. Early adoption of both standards thus ensures the consistency of our historical and prospective financial information going forward. Implementation of IFRS 15 without implementing IFRS 16 would have required a further change to our reporting standards in the future and a further adjustment for investors to reconcile to historical results. By adopting the IFRS 15 and IFRS 16 standards at the same time, our future results will be presented on a basis consistent with our historical and current financial results.

IFRS 15 Adjustments

Prior to implementation of IFRS 15 for mobile devices sold in bundled packages, we limited revenue to the amount that was not contingent on the provision of future telecommunications services (typically the amount received from the customer on the signing of a contract). Under IFRS 15, the total consideration with respect to a contract (*e.g.*, for mobile devices, telecommunications services and activation fees) is instead allocated to all products and services (*e.g.*, for mobile devices and mobile telecommunications services) based on their relative stand-alone selling prices. This results in a reallocation of a portion of revenue from service revenue to revenue from the sale of goods, which are recognized upfront on signing of the customer contract, and correspondingly the creation of a contract asset, which includes some items previously presented as trade and other receivables.

IFRS 15 also requires the reclassification of some items previously presented as deferred income to contract liabilities. Contract liabilities are then netted against contract assets on a contract-by-contract basis.

Previously, we capitalized the subscriber acquisition costs ("**SAC**") and subscriber retention costs ("**SRC**") relating to postpaid contracts and "mix" contracts in the month of service activation. Components of SAC included: subsidy granted to end customer to price of handset or other device, i.e., cost of sales of handset or other device less price charged to end customer, commission on sale, dispatch cost directly attributable to a contract.

The SAC was capitalized and recognized as an intangible asset, and amortized in depreciation and amortization, over the life of the contract.

Under IFRS 15, we only capitalize costs of commissions paid to acquire or retain subscribers who enter into a post-paid or mix contract. Capitalized costs of commissions constitute “contract costs” assets and are depreciated on a straight-line basis over the life-time of the contract in operating expenses in the “contract costs, net” line.

With respect to EBITDA, the adoption of IFRS 15 results in upfront recognition of revenue attributable to handset sales, which is partially offset by lower service revenue from contracts adjusted historically, whereas overhead costs increase due to the greater impairment recognition required against the significant contract assets recognized on the balance sheet under IFRS 15.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition of revenue, with the difference recognized on balance sheet and reflected in the changes in working capital and other (as such term is defined in the notes to the Financial Statements and no other part of this Prospectus) as well as in other cash flow line items.

IFRS 16 Adjustments

Previously, under IAS 17 (“Leases”), we were required to classify our leases as either finance leases or operating leases and account for those two types of leases differently. Leases classified as a finance lease were recognized as property, plant and equipment and the discounted future payment obligations as liabilities. Assets leased under finance lease agreements comprised mostly vehicles or computers. For leases classified as operating lease the recurring expenses relating to the use of leased assets were presented in general and administrative expenses.

Under IFRS 16 (“Leases”), we have implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases, excluding exceptions listed in the standard. Based on the accounting policy applied, we recognize 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 asset for a period of time. Accordingly, the recurring expenses relating to the use of leased assets, previously presented in general and administrative expenses, are now capitalized and depreciated in the “depreciation and amortization” line in the Financial Statements. The discount on lease liability is periodically unwound into finance costs.

Assets previously classified as finance lease agreements as well as asset retirement obligations relating to leased property were reclassified from property, plant and equipment to right-of-use assets.

The adjustment for IFRS 16 has a positive impact on EBITDA as the costs of operating leases that were previously expensed above EBITDA are now moved below EBITDA to depreciation of the “right-of-use” asset and the unwind of the discounted lease liability is presented as interest within finance costs.

Nevertheless, the uplift to EBITDA is largely offset at the profit before tax level, although phasing differences between previous recognition of operating leases, the rate of depreciation of the asset and the unwind of the lease liability discount do result in a degree of difference.

The IFRS 16 adjustment also results in a significant increase in net debt, as the discounted future costs of all leases, whether previously classified as finance or operating leases, are recognized as liabilities on the balance sheet.

For further information, see Note 2.2 to the Audited Financial Statements included elsewhere in this Prospectus.

Assessment of the impact of IFRS 9

The Group plans to adopt IFRS 9 'Financial Instruments' on the required effective date, which is January 1, 2018. So far the Group has performed a high-level assessment of the impact of all three aspects of IFRS 9: classification and measurement, impairment and 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 Group in the future. Overall, the Group expects no significant impact on its statement of financial position or equity except for the effect of applying the impairment requirements of IFRS 9.

Industry, Market and Subscriber Data

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

The Statistical Office of the European Communities ("**Eurostat**"); unless otherwise indicated, historical GDP, historical real GDP growth rate and harmonized unemployment and inflation rate refer to data retrieved from the Eurostat website. Real GDP growth rate forecast refers to the *Autumn 2016* European Economic Forecast, published on November 9, 2016;

- The Central Statistical Office of Poland (the "**CSO**"), Poland's chief government executive agency charged with collecting and publishing statistics related to Poland's economy, population and society, at both national and local levels;
- The Polish Office of Electronic Communications (the "**UKE**"), the Polish regulatory authority for the telecommunications and postal services markets focusing on, among other things, stimulating competition, consumer protection, developing new offerings and technologies, reducing prices and increasing availability of services in Poland; unless otherwise indicated, all references to the UKE Report in this Prospectus should be read as references to the UKE Report on Telecommunications Market in Poland, 2015 (the "**UKE Report**");
- The National Bank of Poland (the "**NBP**"), the central bank of Poland;
- The European Commission (the "**EC**"), the European Union's executive body, which publishes the Digital Agenda Scoreboard; unless otherwise indicated, the EC's data should be read as references to the EC's thematic portal, European Commission Information Society;
- Analysys Mason Limited ("**Analysys Mason**"); unless otherwise indicated, all references to Analysys Mason data should be read as references to the report titled "**Country Report Poland**" or "**Fixed Broadband Quarterly Metrics**";
- Economist Intelligence Unit ("**EIU**");
- Millward Brown S.A. ("**Millward Brown**");
- The World Bank Group (the "**World Bank**");

- SMARTSCOPE S.C. (“**Smartscope**”), the company, which provides with marketing research, customer satisfaction research, organizational culture and employee satisfaction research and research projects for cultural and public institutions;
- Rzeczpospolita, a Polish daily newspaper;
- The CIA World Factbook (the “**CIA Factbook**”);
- The International Monetary Fund (“**IMF**”);
- The Organisation for Economic Co-operation and Development (the “**OECD**”);
- Standard & Poor’s Global Rating (“**S&P**”);
- Moody’s Investor Services (“**Moody’s**”);
- Fitch Rating Agency (“**Fitch**”);
- BuddeComm;
- Ovum Ltd (“**Ovum**”); and
- PMR Research (“**PMR**”).

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We believe that these industry publications, surveys and forecasts are reliable, but neither we nor the Joint Bookrunners have independently verified them, or make any representation or warranty as to or their accuracy or completeness. To the extent these industry publications, surveys and forecasts are accurate and complete, we believe we have correctly extracted and reproduced the information from such sources. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information and we have not independently verified such information.

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

While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve certain assumptions, risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “*Risk Factors*” in this Prospectus. The Issuer or the Joint Bookrunners cannot assure you that any of these statements are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources, and we cannot guarantee their accuracy.

Key Performance Indicators

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

Our use or computations of the KPIs may not be comparable to the use or computations of similarly titled measures reported by other companies in our industry, by research agencies or by market reports. As mentioned above, we may not define our KPIs in the same way that other mobile network operators do, and as a result, comparisons using this information may not fully reflect the actual market share or position in the market. Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations and if the methodologies of other were used to calculate our KPIs. The KPIs are not accounting measures, but management believes that each of these measures provides useful information concerning the attractiveness and usage patterns of the services we provide as well as costs related with attracting and retaining subscribers. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Performance Indicators*." None of the KPIs should be considered in isolation or as an alternative measure of performance under IFRS, nor shall their inclusion in this Prospectus indicate that the Issuer will continue to report these KPIs on a going-forward basis.

Forward-looking statements

The Prospectus includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the Group's actual results, its financial situation and results of operations or prospects of the Group to materially differ from any of those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it currently operates and will operate in the future. Among the important factors that could cause the Group's actual results, financial situation, results of operations or prospects to differ from those expressed in such forward-looking statements are those factors discussed in the "*Management's Discussion and Analysis of Financial Condition and Result of Operations*" and "*Risk Factors*" sections and elsewhere in the Prospectus. These forward-looking statements speak only as at the date of the Prospectus. The Issuer has no obligation and has made no undertaking to disseminate any updates of or revisions to any forward-looking statements contained in the Prospectus, unless it is required to do so under applicable laws or the listing rules of the LuxSe.

Investors should be aware that several important factors and risks may cause the actual results of the Group to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should, in particular, carefully consider the factors discussed in the "*Management's Discussion and Analysis of Financial Condition and Result of Operations*"

and "*Risk Factors*" sections and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates.

The Issuer makes no representation, warranty or prediction that the factors anticipated in such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or typical scenario.

The Issuer has not published and does not intend to publish any profit estimates within the meaning of Regulation 809/2004.

Documents incorporated in the Prospectus by reference

The Prospectus does not contain any information incorporated therein by reference to information contained in other publicly available documents or sources, regardless of the form in which they have been made available or recorded.

Except for the Prospectus, the Prospectus supplements, the update reports to the Prospectus and the information about the Offer Prices and the final number of the Offer Shares allotted to the investors in each tranche published in compliance with the requirements of the Luxembourg Prospectus Law, the information on the websites of the Issuer, the Selling Shareholder and the Joint Bookrunners or the information contained on the websites to which the websites of the Issuer, the Selling Shareholder and the Joint Bookrunners are linked do not constitute a part of the Prospectus.

Delivery and enforceability of foreign court judgments

The Issuer has been established and operates in accordance with Luxembourg law. The assets of the Issuer are principally situated in Luxembourg. Therefore, in matters that are not subject to the jurisdiction of the Luxembourg courts, it may be difficult for investors who are not subject to the Luxembourg jurisdiction to successfully deliver to the Issuer any letters or judgments issued in courts outside the EU in connection with any proceedings conducted against such persons with respect to the Offering or the Offer Shares.

In each of Poland and Luxembourg, being Member States, Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Regulation 1215/2012**") is applied directly. Under Regulation 1215/2012, the enforcement of judgments of courts of the Member States in each of Poland and Luxembourg does not require a declaration of enforceability in separate proceedings. The relevant court, at the request of the person against whom a motion was submitted for the enforcement of a judgment may refuse to enforce the judgment if any of the following occur: (i) the enforcement would undoubtedly contradict the public policy system of the relevant Member State; (ii) the defendant who has not commenced the dispute had not been provided with a document commencing the proceedings or an equivalent document at the time and in the manner allowing the defendant to prepare the defense, unless the defendant failed to submit a complaint against the judgment, although such an option existed; (iii) the judgment cannot comply with the judgment issued between the same parties in a given Member State; (iv) the judgment cannot comply with any earlier judgment issued in another Member State or in a third state in a dispute regarding the same claim between the same parties, *provided that* such earlier judgment satisfies the conditions necessary for it to be recognized in the relevant Member State; or (v) the judgment contradicts Regulation 1215/2012 regarding jurisdiction over matters concerning insurance, consumer agreements or individual contracts of employment if the defendant was the insurer, the insured, the beneficiary under insurance, an injured party, a consumer or an employee and Regulation 1215/2012 regarding exclusive jurisdiction. The Issuer cannot give any assurance that all of the

conditions for the enforcement of foreign judgments in Poland and/or Luxembourg, as the case may be, will be met or that any particular judgment will be enforceable in Poland and/or Luxembourg, as the case may be.

With respect to a judgment issued by courts of a state that is not party to any relevant bilateral or multilateral treaty with Poland regarding the recognition of judgments and which is not a Member State, the Code of Civil Procedure provides, in principle, that foreign court judgments in civil matters that may be enforced become enforcement titles after their enforceability is declared by a Polish court and after an enforcement clause is attached thereto. A judgment is declared enforceable if it is enforceable in the country in which it was issued and if none of the following obstacles exist: (i) the judgment is not final and non-appealable in the country in which it was issued; (ii) the judgment was issued in a matter that was subject to the exclusive jurisdiction of the Polish courts; (iii) a defendant who did not accede to the dispute as to the merits of the case was not duly served a letter on the commencement of the proceedings within a sufficient time to allow for the preparation of a defense; (iv) in the course of the proceedings, no party was deprived of its right to defense; (v) a case regarding the same claim between the same parties was commenced in Poland prior to the commencement of the case in a foreign state (or, before any other Polish or foreign state authority); (vi) the judgment contradicts a prior foreign court judgment (or a judgment issued by any other Polish or foreign state authority) which satisfied the conditions of being recognized in Poland which was issued in a matter regarding the same claim between the same parties; and (vii) the judgment is considered as being in breach of the legal order of Poland (a public order clause).

With respect to a judgment issued by courts of a state that is not party to any relevant bilateral or multilateral treaty with Luxembourg regarding the recognition of judgments and which is not a Member State, a judgment obtained against a Luxembourg company in such court in a dispute with respect to which the parties have validly agreed that such court is to have jurisdiction, such judgment will not be directly enforced by the courts in Luxembourg. In order to obtain a judgment which is enforceable in Luxembourg, enforcement proceedings must be initiated in Luxembourg (*exequatur*) before the Luxembourg District Court (*Tribunal d'Arrondissement*) subject to compliance with the relevant provisions of the New Luxembourg Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case law, being:

- the court awarding the judgment has personal and subject matter jurisdiction to adjudicate the respective matter according to its applicable laws and Luxembourg private international law rules on conflict of jurisdiction and the choice of venue was proper;
- the judgment rendered by the relevant court is final and enforceable (*exécutoire*);
- the court awarding the judgment has applied to the dispute the substantive law which would have been applied by Luxembourg courts or, at least, the order must not contravene the principles underlying those rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);
- the judgment must have been granted in compliance with the rights of the defendant to appear, and if the defendant appeared, to present its case;
- the court awarding the judgment has acted in accordance with its own procedural laws; and
- the considerations of the foreign order, as well as the judgment, do not contravene international public policy as understood under the laws of Luxembourg or have been given proceedings of a penal, criminal or tax nature or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*).

If an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law amongst others and notably (i) if the choice of such foreign law was not made in good faith (*bona fide*), (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg's international public policy. Also, an exequatur may be refused in respect of a foreign judgment granting punitive damages. In practice, Luxembourg courts presently tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review. Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

In addition, the Issuer and the Selling Shareholder are entities created and operating under the laws of the Grand Duchy of Luxembourg and thus notices and demands regarding the recognition and enforcement of judgments issued against the Issuer or the Selling Shareholder, including by the Polish courts, in connection with the Offering and the Offer Shares will specifically have to comply with the regulations of the laws of Luxembourg.

Exchange Rate Information

Euro-Zloty Exchange Rates

The table below sets forth the period end, average, high and low exchange rates for the euro expressed in zloty per euro for the years indicated. The average exchange rate is calculated as the arithmetical average of the exchange rates for each day of a given period as quoted by the NBP on business days between 11:45 a.m. and 12:15 p.m. In cases when, for a certain day, the exchange rate is not quoted, the exchange rate from the last day when the quotation took place is taken into account.

Year Ended December 31,	Period Ending	Average[(1)]	High	Low
	Zloty per euro[(1)]			
2012	4.0882	4.1850	4.5135	4.0465
2013	4.1472	4.1975	4.3432	4.0671
2014	4.2623	4.1852	4.3138	4.0998
2015	4.2615	4.1839	4.3580	3.9822
2016	4.4240	4.3625	4.5035	4.2355

Source: NBP

(1) The average exchange rate published by the NBP, expressed in zloty per euro. The average exchange rate is calculated as the arithmetical average of the exchange rates for each day of a given period. In case when for a certain day the exchange rate is not quoted, the exchange rate from the last day when the quotation took place is taken into account.

The table below sets forth the period end, high and low exchange rates for the euro expressed in zloty per euro, for each of the six months prior to the date of this Prospectus.

Month	Period Ending	High	Low
	Zloty per euro[(1)]		
December 2016	4.4240	4.5035	4.4022
January 2017	4.3308	4.4150	4.3291
February 2017	4.3166	4.3314	4.2864
March 2017	4.2198	4.3460	4.2198
April 2017	4.2170	4.2705	4.2170
May 2017	4.2138	4.2734	4.2138
June 2017 (through June 28, 2017)	4.2317	4.2442	4.1781

Source: NBP

The NBP rate on June 28, 2017 was PLN 4.2317 per EUR 1.00.

The rates above may differ from the actual rates used in the preparation of our consolidated financial statements and other financial information appearing in this Prospectus. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such euro amounts or that such amounts could have been converted into euro at the rates indicated or at any other rate.

Dollar-Zloty Exchange Rates

The table below sets forth the period end, average, high and low exchange rates for the U.S. dollar expressed in zloty per U.S. dollar for the years indicated. The average exchange rate is calculated as the arithmetical average of the exchange rates for each day of a given period as quoted by the NBP on business days between 11:45 a.m. and 12:15 p.m. In cases when, for a certain day, the exchange rate is not quoted, the exchange rate from the last day when the quotation took place is taken into account.

Year Ended December 31,	Period Ending	Average[(1)]	High	Low
	Zloty per U.S. dollar[(1)]			
2012	3.0996	3.2581	3.0690	3.5777
2013	3.0120	3.1615	3.3724	3.0105
2014	3.5072	3.1537	3.5458	3.0042
2015	3.9011	3.7701	4.0400	3.5550
2016	4.1793	3.9431	4.2493	3.7193

Source: NBP

(1) The average exchange rate published by the NBP, expressed in zloty per U.S. dollar. The average exchange rate is calculated as the arithmetical average of the exchange rates for each day of a given period. In case when for a certain day the exchange rate is not quoted, the exchange rate from the last day when the quotation took place is taken into account.

The table below sets forth the period end, high and low exchange rates for the U.S. dollar expressed in zloty per U.S. dollar, for each of the six months prior to the date of this Prospectus.

Month	Period Ending	High	Low
	Zloty per U.S. dollar[(1)]		
December 2016	4.1793	4.2493	4.1107
January 2017	4.0446	4.2271	4.0446
February 2017	4.0770	4.0942	3.9835
March 2017	3.9455	4.0955	3.9169
April 2017	3.8696	4.0026	3.8696
May 2017	3.7654	3.9227	3.7597
June 2017 (through June 28, 2017)	3.7249	3.8090	3.7066

Source: NBP

The NBP rate June 28, 2017 was PLN 3.7249 per $1.00.

The rates above may differ from the actual rates used in the preparation of our consolidated financial statements and other financial information appearing in this Prospectus. Our inclusion of the exchange rates is not meant to suggest that the zloty amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollar amounts at the rates indicated or at any other rate.

The Financial Statements are presented in Polish Złoty, which is the Issuer's presentation and functional currency, due to the fact that the operating activities of the Group are conducted in Poland. Please also see "*Important Information—Currency Translation for Non-zloty Amounts Presented in this Prospectus.*"

USE OF PROCEEDS

The Selling Shareholder will receive the net proceeds from the sale of the Offer Shares.

The Selling Shareholder intends to apply the net proceeds from the Offering (i) for the purpose of redeeming the Existing 2022 PIK Notes of its direct parent, Impera, in full at par (EUR 500,000,000), plus any applicable premium and accrued and unpaid interest to the redemption date (which, assuming a redemption date on the proposed Listing Date, would total approximately PLN 145.0 million (EUR 34.4 million)); (ii) to pay the underwriting commissions of the Joint Bookrunners; and (iii) to fund the cash settlement portion of, or payments related to, former incentive plans that will be terminated in connection with Offering and not reinvested in Reinvestment Shares by the relevant managers amounting to a maximum cash settlement totalling PLN 227.2 million (EUR 53.7 million), which will be financed by the Selling Shareholder out of the net proceeds of the Offering. The settlement of incentive plans will affect reported EBITDA and cash provided by operating activities of the Group in the future but will not have an impact on Adjusted EBITDA and cash position. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Results—Payments on and settlement of incentive plans and effect on EBITDA*." The Selling Shareholder will use the remaining portion of the proceeds received from the sale of the Sale Shares to fund a distribution to its shareholders. The Issuer will not retain any of the proceeds of the sale of the Sale Shares and the Over-Allotment Shares by the Selling Shareholder or any of the transactions described under "*Management—Remuneration and Benefits—New Performance Incentive Schemes*." Information on the actual gross and net proceeds from the sale of the Sale Shares will be made public by the Issuer in a manner consistent with Luxembourg and Polish laws.

In order to consummate the redemption of the Existing 2022 PIK Notes, Impera will issue a conditional notice of redemption, conditional on the closing of the Offering, on or before the execution of the Underwriting Agreement.

The total expenses of the Offering and listing to be borne by the Issuer are expected to amount to PLN 23.3 million (EUR 5.5 million) (including estimated advisor and other ancillary fees and expenses of the Joint Bookrunners, which excludes any underwriting commissions).

The Selling Shareholder will not collect any fees from the entities placing purchase orders for the Sale Shares. Nonetheless, the amount paid by an investor subscribing for shares may be increased by a potential commission of the investment company accepting the purchase order in accordance with the rules in place in such investment company.

DIVIDEND AND DIVIDEND POLICY

Dividends Paid in the Past

In the periods covered by the Financial Statements, the Issuer has not paid any dividends from the net profit. In connection with previous recapitalization transactions, the Issuer has distributed share premiums to its shareholders. See "*Certain Relationships and Related Party Transactions—Distributions to Shareholders*."

Dividend Policy

The Issuer intends to distribute as a dividend a total of approximately PLN 650 million (as a cash dividend for the financial year to end December 31, 2017) to its shareholders in the second quarter of 2018, subject to approval by the General Meeting, which the existing shareholders have stated that they are committed to support. Thereafter, commencing with the financial year 2018, for which dividend would be payable in 2019, the Issuer is targeting a dividend payout ratio of 65-75% of the preceding year's annual consolidated Group Free cash flow to equity (post lease payments), *provided that* there are sufficient retained profits available, and subject to the legal and contractual restrictions described below. The Issuer intends to re-examine its dividend policy once it has reached its long-term objective of net reported debt to LTM Adjusted EBITDA ratio of 2.5x calculated on a consolidated basis.

The Issuer's Board retains the authority to change the dividend policy and dividend payout ratio at any time, especially if unexpected events occur that would change its view as to the prudent level of cash and capital conservation as well as the Issuer's financial goals and strategy.

All Shares, including the Offer Shares, will entitle the holders to participate in the Issuer's profit from January 1, 2017. Dividends declared by the Issuer will be declared in PLN.

The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the amount of the Issuer's unconsolidated distributable reserves, our earnings, level of profitability and financial condition, capital requirements, applicable restrictions on the payment of dividends under Luxembourg law and such other factors as the Issuer's Board may deem relevant. Accordingly, the Issuer's ability to pay dividends in the future may be limited or its dividend policy may change. No dividend is payable other than in accordance with the applicable provisions of Luxembourg law as more fully described below.

The Issuer is a holding company, which has no direct operations other than the holding of investments in other Group companies. The only source of funds for the payment of dividends, if any, will be dividends and other payments received from its subsidiaries in the form of, *inter alia*, loans granted, notes purchased by its subsidiaries or repayments of capital. The ability of each subsidiary to pay dividends or make such other payments is determined individually and in accordance with applicable law, including the capital requirements to which such subsidiary is subject.

There are no fixed dates on which a shareholder is entitled to receive a dividend. The Issuer may declare and pay dividends in accordance with the 1915 Companies Act, as amended. Dividends may be declared by the Issuer's General Meeting upon approval of the annual financial statements for the immediately preceding financial year.

Dividends may be declared or paid in cash as well as in kind including by way of issuance of shares.

The amount of a dividend declared by the Issuer's General Meeting upon approval of the annual financial statements may not exceed the amount of the profits at the end of the last financial year plus any profits

carried forward and any amounts drawn from reserves which are available for that purpose, minus any losses carried forward and sums to be placed in reserve in accordance with the law or the Issuer's Articles of Association. Interim dividends may be declared and paid by the Issuer's Board out of available Issuer's unconsolidated net profits, premium or other available reserves subject to complying with conditions required by law subject to such dividend not exceeding the amount available for distribution which shall not exceed total profits made since the end of the last financial year for which the annual financial statements have been approved, plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed to reserve pursuant to the requirements of the law or the Issuer's Articles of Association.

After allocation to any legal reserve (pursuant to the Issuer's Articles of Association, set at least 5% of the issued share capital of the Issuer, which as at the date of this Prospectus was EUR 30,000) and upon recommendation of the Issuer's Board, the Issuer's General Meeting determines how the annual net profits will be disposed of. It may decide to allocate the whole or part of the annual net profits to a reserve or to a provision reserve, to carry it forward to the next following fiscal year or to distribute it to the Shareholders as a dividend.

In order to ensure that the Issuer has sufficient funds to enable it to distribute dividends on a yearly basis, Play will pay a dividend to the Issuer in advance of the expected dividend payment date set out by the Issuer. This will require the decision of Play's General Meeting (noting that the Issuer is the sole shareholder of Play). In order to facilitate the payment of dividends in the future, Play's Articles of Association also provide for the possibility of distributing an interim dividend, subject to applicable restrictions on the payment of interim dividends under Polish law.

In order to ensure that the Issuer has sufficient dividend capacity to enable it to distribute dividends in line with the dividend policies described above and that Play had sufficient ability to distribute net profits to the Issuer, the Issuer and Play will undergo restructuring, certain steps of which have already been undertaken, prior to the consummation of the Offering. The restructuring will not impact the Issuer's cash flows. See "*Capitalization—Pre-IPO Restructuring*."

As set forth in "*Capitalization and Indebtedness*", the effect of such restructuring, on a Group consolidated basis, is a negative shareholders' equity, which is different from the distributable reserves of the Issuer on a standalone basis. Having negative shareholders' equity on a consolidated basis does not in and of itself affect the ability of the Issuer to make shareholder distributions or continue operations.

The amount of distributable reserves, on a standalone basis, available to the Issuer as adjusted for the restructuring would be at least PLN 3,396.7 million as of December 31, 2016. Such distributable reserves could potentially also be available for shareholders' distribution in addition to distributable profit created from income from dividends received by the Issuer from Play.

For more detailed information regarding dividend payments please see "*Description of Share Capital and Corporate Governance – Dividends and other distributions.*" For contractual limitations on our ability to pay dividends, see "*Business—Material Contracts—Financing Agreements—The Senior Facilities Agreement*."

For more detailed information regarding the taxation of dividends please see "*Taxation.*"

CAPITALIZATION AND INDEBTEDNESS

The following tables present the capitalization, net financial debt and contingent liabilities of the Group as of March 31, 2017, each based on the financial information of the Group. This section should be read together with the Financial Statements and the notes thereto.

Representation Concerning Working Capital

The Issuer is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing as of the date of this Prospectus.

Capitalization and Indebtedness

The table set forth below sets forth the capitalization of the Issuer on a historical consolidated basis and as adjusted to give effect to the adjustments set forth in the footnotes below.

in PLN millions	As of March 31, 2017	
	(unaudited, unless otherwise indicated)	
	Actual	**As Adjusted**
Total current debt	**374.6**	**374.6**
of which guaranteed	—	—
of which secured[1]	195.4	195.4
of which unsecured not guaranteed[2]	179.1	179.1
Total non-current debt	**6,951.8**	**6,951.8**
of which guaranteed	—	—
of which secured[3]	6,247.6	6,247.6
of which unsecured not guaranteed[4]	704.2	704.2
Shareholders' Equity[5] [6]	**1,361.1**	**(507.7)**[7]
of which net assets attributable to shareholders[8]	1,361.1	(507.7)[7]
Issued share capital	0.1	0.1
Share premium	5,644.2	3,775.4[7]
Retained losses	(4,283.1)	(4,283.1)
Foreign currency transactions reserve	—	—
Total	**8,687.5**	**6,818.7**

(1) Comprising the total current portion of the principal amount of indebtedness under the Senior Facilities Agreement (this does not include any accrued interest as such interest was paid on March 31, 2017 and does not reflect the PLN 400 million committed under the Revolving Credit Facility which was undrawn as of March 31, 2017).

(2) Comprising lease liabilities of PLN 172.1 million and other debt (installment purchase of IT equipment) of PLN 7.1 million.

(3) Comprising the total non-current portion of the principal amount of indebtedness under the Senior Facilities Agreement.

(4) Comprising indebtedness under lease liabilities of PLN 691.3 million and other debt (installment purchase of IT equipment) of PLN 13.0 million.

(5) Shareholders' Equity is presented on a consolidated basis. The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the amount of the Issuer's unconsolidated distributable reserves, our earnings, level of profitability and financial condition, capital requirements, applicable restrictions on the payment of dividends under Luxembourg law and such other factors as the Issuer's Board may deem relevant. In order to ensure that the Issuer has sufficient dividend capacity to enable it to distribute dividends in line with the dividend policies described in this Prospectus and that Play had sufficient ability to distribute net profits to the Issuer, the Issuer and Play will undergo restructuring prior to the consummation of the Offering. See "*Dividend and Dividend Policy*" and footnotes (6) above and (7) below.

(6) The adjustments in footnote (7) below, on a Group consolidated basis, results in negative shareholders' equity of PLN 507.7. This is different from the distributable reserves of the Issuer on a standalone basis. The amount of distributable reserves, on a standalone basis, available to the Issuer as adjusted for the restructuring would be at least PLN 3,396.7 million as of December 31, 2016. Such distributable reserves could potentially also be available for shareholders' distribution in addition to distributable profit created from income from dividends received by the Issuer from Play.

(7) The adjustment to shareholder's equity reflects (i) a decrease in share premium due to the redemption of intercompany notes used to service the repayment of the Old PIK Notes of Impera in an amount of PLN 2,247.5 million (comprising the outstanding principal amount (PLN 2,211.2 million), accrued interest (PLN 3.1 million) and an early redemption fee of 1.5%

of the aggregate principal amount (PLN 33.2 million), in each case as of March 31, 2017 and at an exchange rate of PLN 4.2198 per EUR 1.00, which was the NBP exchange rate per euro as of March 31, 2017), (ii) share premium paid in by the Selling Shareholder in order to settle certain incentive plans of PLN 227.2 million and (iii) an increase of PLN 151.5 million relating to the subscription price paid for Reinvestment Shares in the Offering pursuant to the settlement of certain incentive plans, assuming a share premium of the difference between the Maximum Price and the nominal value of the Shares. The amount set forth under (i) above will change at time of redemption (which will occur prior to the Listing Date) based on accrued interest to the redemption date of the intercompany notes and the PLN to euro exchange rate on such date. The settlement of incentive plans will affect consolidated retained losses of the Group in the future. This impact is not reflected above. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Results—Payments on and settlement of incentive plans and effect on EBITDA*."

(8) Net assets attributable to shareholders equals 100% of Shareholders' equity.

The table below presents the net financial debt of the Group as of March 31, 2017.

in PLN millions	**As of March 31, 2017**	
	(unaudited, unless otherwise indicated)	
	Actual	**As adjusted**
A. Cash balances[(1)]	0.5	0.5
B. Bank balances (cash equivalent)[(2)]	115.8	115.8
C. Trading Securities	—	—
D. Liquidity (A)+(B)+(C)	116.3	116.3
E. Current finance receivables[(3)]	67.9	—
F. Current bank debt	—	—
G. Current portion of non-current bank debt[(4)]	195.4	195.4
H. Other current finance liabilities[(5)]	179.1	179.1
I. Current financial debt (F)+(G)+(H)	374.6	374.6
J. Net current financial indebtedness (I)– (E) –(D)	190.4	258.3
K. Non-current bank loans[(6)]	6,247.6	6,247.6
L. Bonds issued	—	—
M. Other non-current borrowings[(7)]	704.2	704.2
N. Non-current financial liabilities (K)+(L)+(M)	6,951.8	6,951.8
O. Net financial debt (J)+(N)	**7,142.2**	**7,210.1**

(1) Comprising petty cash.

(2) Comprising balances deposited in banks of PLN 115.7 million and other cash assets of PLN 0.1 million.

(3) Comprising current portion of notes issued by Impera of PLN 64.8 million of the principal amount and PLN 3.1 million of accrued interest. As Adjusted current finance receivables reflect that these notes will be redeemed in exchange for redemption of share premium.

(4) Comprising in total the current portion of principal amount of indebtedness under the Senior Facilities Agreement (this does not include any accrued interest as such interest was paid on March 31, 2017 and does not reflect the PLN 400.0 million committed under the Revolving Credit Facility which was undrawn as of March 31, 2017).

(5) Comprising lease liabilities of PLN 172.1 million and other debt (installment purchase of IT equipment) of PLN 7.1 million.

(6) Comprising indebtedness under the Senior Facilities Agreement.

(7) Comprising indebtedness under lease liabilities of PLN 691.3 million and other debt (installment purchase of IT equipment) of PLN 13.0 million.

There have been no material changes in the capitalization, indebtedness or liquidity of the Issuer from March 31, 2017, to the date of this Prospectus other than as described herein.

Pre-IPO Restructuring

In order to ensure that the Issuer has sufficient dividend capacity to enable it to distribute dividends in line with the dividend policies described above and that Play had sufficient ability to distribute net profits to the Issuer (see "*Dividend & Dividend Policy—Dividend Policy*"), the Issuer and Play will undergo a restructuring, certain steps of which have already been undertaken, prior to the consummation of the Offering. The restructuring will not impact the Issuer's cash flows.

With respect to the Issuer, intercompany notes used to service the repayment of the Old 2020 PIK Notes by Impera (other than those previously redeemed in connection with the 2017 Refinancing), will be redeemed and offset against distributable reserves available to the Issuer. The amount of distributable reserves, on a standalone basis, available to the Issuer as adjusted for the restructuring would be at least PLN 3,396.7 million as of December 31, 2016. Such distributable reserves could potentially also be available for shareholders' distribution in addition to distributable profit created from income from dividends received by the Issuer from Play.

With respect to Play, an offset of remaining accumulated losses was made against Play's accumulated share premium and retained profits, such that its total distributable equity on a standalone basis as of December 31, 2016, *adjusted* for (i) the Pre-IPO Restructuring, (ii) payments under its existing incentive plans made in April 2017 in connection with the 2017 Refinancing, amounting to PLN 96 million, and (iii) anticipated payments on the closing of the Offering, would be at least PLN 1,100 million.

Redemption of the Existing 2022 PIK Notes

In order to consummate the redemption of the Existing 2022 PIK Notes, Impera will issue a conditional notice of redemption, conditional on the closing of the Offering, on or about the Listing Date.

Indirect and Conditional Indebtedness

For information on indirect and conditional indebtedness, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingent Liabilities.*"

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Group's consolidated financial information and other data presented below should be read in conjunction with the information contained in "*Use of Proceeds*," "*Capitalization and Indebtedness*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements included elsewhere in this Prospectus.

The following selected consolidated financial information as of and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 has been derived from the audited consolidated financial statements of the Issuer and its subsidiaries as of and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 (the "**Audited Financial Statements**") and included elsewhere in this Prospectus.

The following selected interim consolidated financial information as of and for the three months ended March 31, 2017 and March 31, 2016, have been derived from the unaudited interim condensed consolidated financial statements of the Issuer and its subsidiaries as of and for the three-month period ended March 31, 2017, prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16 (the "**Interim Financial Statements**", together with the Audited Financial Statements, the "**Financial Statements**") and included elsewhere in this Prospectus.

As permitted under IFRS, we have adopted IFRS 15 ("Revenue from Contracts with Customers") and IFRS 16 ("Leases") early, and have applied such new accounting policies to the Financial Statements contained in this Prospectus on a consistent basis. As a result, any financial statements prepared prior to the adoption of IFRS 15 and IFRS 16 will not be directly comparable to the Financial Statements included in this Prospectus. For further information, see Notes 2.1 and 2.2 to the Audited Financial Statements included elsewhere in this Prospectus and "*Presentation of Financial Information—Changes in Accounting Policies*."

Selected Consolidated Statement of Comprehensive Income

	Year ended December 31,			Three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
				Unaudited	
			(PLN in millions)		
Operating revenue	**4,589.7**	**5,436.5**	**6,117.6**	**1,442.6**	**1,580.8**
Operating expenses	**(3,794.1)**	**(4,373.1)**	**(4,753.5)**	**(1,100.0)**	**(1,282.5)**
Other operating income	**64.2**	**78.5**	**70.7**	**18.8**	**27.8**
Other operating costs	**(86.3)**	**(76.1)**	**(144.4)**	**(36.0)**	**(12.7)**
Operating profit	**773.5**	**1,065.9**	**1,290.3**	**325.4**	**313.3**
Finance income	74.7	7.6	135.0	3.6	101.3
Finance costs	(432.6)	(368.0)	(499.1)	(108.1)	(353.3)
Profit before income tax	**415.6**	**705.5**	**926.1**	**220.9**	**61.3**
Income tax benefit/(charge)	83.3	(155.2)	(214.1)	(84.0)	(42.8)
Net profit for the period	**498.9**	**550.3**	**712.0**	**136.9**	**18.5**
Other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	**498.9**	**550.3**	**712.0**	**136.9**	**18.5**

Source: The Issuer

Selected Consolidated Statement of Financial Position

	As of December 31,			As of March 31,
	2014	2015	2016	2017
				Unaudited
	(PLN in millions)			
ASSETS				
Total non-current assets	**3,737.3**	**3,873.9**	**5,976.7**	**7,524.0**
Total current assets	**2,330.2**	**3,688.6**	**2,769.9**	**2,629.8**
TOTAL ASSETS	**6,067.5**	**7,562.4**	**8,746.6**	**10,153.8**
EQUITY AND LIABILITIES				
Total equity	**72.2**	**630.6**	**1,342.6**	**1,361.1**
Total non-current liabilities	**4,545.1**	**5,217.5**	**5,385.2**	**7,004.3**
Total current liabilities	**1,450.2**	**1,714.2**	**2,018.8**	**1,788.4**
TOTAL LIABILITIES AND EQUITY	**6,067.5**	**7,562.4**	**8,746.6**	**10,153.8**

Source: The Issuer

Selected Consolidated Statement of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
				Unaudited	
	(PLN in millions)				
Net cash provided by operating activities	**1,182.7**	**1,525.1**	**1,587.5**	**198.7**	**243.4**
Net cash provided by/(used in) investing activities	**(464.3)**	**(572.9)**	**(2,349.3)**	**(1,895.8)**	**127.1**
Net cash provided by/(used in) financing activities	**(393.2)**	**106.8**	**(454.2)**	**13.9**	**(595.0)**
Net change in cash and cash equivalents	**325.1**	**1,059.1**	**(1,215.9)**	**(1,683.2)**	**(224.5)**
Cash and cash equivalents at the beginning of the period	**172.6**	**497.8**	**1,556.8**	**1,556.8**	**341.0**
Cash and cash equivalents at the end of the period	**497.8**	**1,556.8**	**341.0**	**(126.4)**	**116.3**

Source: The Issuer

Other Operating and Financial Information

	Year ended December 31,			Three months ended March 31,		Twelve-month period ended March 31,	
	2014	2015	2016	2016	2017	2017	2017
				Unaudited		*Unaudited*	
	(PLN in millions)					*(PLN in millions)*	*(EUR in millions)*
Adjusted EBITDA[(1)]	1,435.8	1,785.7	2,035.3	466.9	564.2	2,132.5	505.4
Adjusted EBITDA margin (%)[(1)]	31.3	32.8	33.3	32.4	35.7	34.1	34.1
Total cash capital expenditures[(2)]	449.2	429.0	2,190.4	1,826.1	210.5	574.8	136.2
of which cash outflows in relation to frequency reservation acquisition [(3)]	—	—	1,704.4	1,704.4	—	—	—
Adjusted EBITDA less total cash capital expenditures[(4)]	986.6	1,356.7	1,549.3	345.3	353.7	1,557.8	369.2
Cash conversion (%)[(5)]	68.7	76.0	76.1	73.9	62.7	73.0	73.0
Free cash flow to equity (post lease payments)[(6)]	487.1	735.0	782.7	(73.6)	(139.8)	716.5	169.8

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures of our financial and operating performance used by us that are not required by, or prepared in accordance with IFRS. These measures are prepared by us because we believe they provide a view of our recurring operating performance that is unaffected by our capital structure and allow us to readily view operating trends and identify strategies to improve operating performance as well as assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our use of each of these measures is as follows:

- We define EBITDA as operating profit for the period *plus* depreciation and amortization.

- We define Adjusted EBITDA as EBITDA plus costs of advisory services provided by shareholders, cost/(income) resulting from valuation of retention programs and certain one off items.

- We define Adjusted EBITDA margin as Adjusted EBITDA divided by operating revenue in the applicable period.

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

(2) "Total cash capital expenditures" means cash outflows for purchases of fixed assets and intangibles and prepayments for assets under construction, less proceeds from the sale of non-current assets in each period. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures*."

(3) In the three months ended March 31, 2016, the Group acquired frequency reservations in the 800 MHz and 2600 MHz spectrum for the total price of PLN 1,718.4 million, of which PLN 14.0 million was paid in the year ended December 31, 2014, as a deposit securing the frequency and was finally accounted for in the price of the frequency reservation.

(4) Excluding cash outflows in relation to frequency reservation acquisition.

(5) "Cash conversion" is calculated as Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) divided by Adjusted EBITDA.

(6) For a reconciliation of Free cash flow to equity (post lease payments) to Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions), "*Selected Consolidated Financial Information—Free cash flow to equity (post lease payments) Reconciliation*."

EBITDA and Adjusted EBITDA reconciliation

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

	Year ended December 31,			Three months ended March 31,		Twelve-month period ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**	**2017**	**2017**
				Unaudited		*Unaudited*	
			(PLN in millions)			*(PLN in millions)*	*(EUR in millions)*
Operating profit	**773.5**	**1,065.9**	**1,290.3**	**325.4**	**313.3**	**1,278.2**	**302.9**
Depreciation and amortization	540.1	597.3	634.1	141.0	190.5	683.6	162.0
EBITDA	**1,313.6**	**1,663.1**	**1,924.3**	**466.4**	**503.9**	**1,961.8**	**464.9**
Costs of advisory services provided by shareholders[(a)]	21.2	27.7	35.9	7.8	7.5	35.6	8.4
Valuation of retention programs adjustment and costs of special bonuses[(b)]	83.8	93.1	7.2	(23.4)	36.4	66.9	15.9
Other one off costs[(c)]	17.2	1.8	67.9	16.1	16.5	68.3	16.2
Adjusted EBITDA	**1,435.8**	**1,785.7**	**2,035.3**	**466.9**	**564.2**	**2,132.5**	**505.4**

(a) Costs of advisory services provided by shareholders are costs in relation to previous advisory services agreements entered into by the Group with Novator Partners LLP and Olympia. See "*Certain Relationships and Related Party Transactions*." We believe that the adjustment related to advisory services is appropriate because such fees are excluded when judging management performance.

(b) We revalue our employee retention programs periodically based on the triggers affecting the program and the amounts which may be required to be paid to beneficiaries under such programs. This charge/benefit is added back to our Adjusted EBITDA.

(c) Other one-off costs for the three months ended March 31, 2017, comprised: (i) one-off costs of PLN 15.4 million related to prepaid registration process to comply with new regulations; (ii) one-off costs of strategic projects out of usual scope of our business of PLN 2.4 million; (iii) income from reversal of provision for universal service obligation for the years 2007 and 2008 based on the UKE's decision in the amount of PLN 1.9 million and other one-off costs of PLN 0.6 million.

Other one-off costs for the three months ended March 31, 2016, comprised: the one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to an unfavorable court ruling, and other one-off costs of PLN 3.3 million.

Other one-off costs for the year ended December 31, 2016,comprised: (i) the cost of provisions made in respect of early termination fees related to one of Group's commercial agreements in an amount of PLN 20.4 million, (ii) the one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to an unfavorable court ruling, (iii) an impairment allowance for other non-current assets in the amount of PLN 4.6 million, (iv) a non-cash adjustment of prior years deferred income balances of PLN 7.7 million, (v) one-off costs relating to

strategic projects outside of the usual scope of our business of PLN 12.0 million, and (vi) other one-off costs of PLN 10.5 million, comprised mostly of costs of prepaid registration process to comply with the requirements of the ATO Act.

Other one-off costs for the year ended December 31, 2015, comprised: (i) income from a reversal of provisions for a potential liability towards the UOKiK of PLN 10.7 million relating to the alleged participation in an anti-competitive agreement due to the repeal of the UOKiK's decision by the District Court in Warsaw in its judgment of June 19, 2015, and (ii) one-off costs relating to legal and advisory services of PLN 3.4 million and other one-off costs of PLN 9.1 million.

Other one-off costs for the year ended December 31, 2014, comprised: (i) finance and legal services relating to the 2014 Refinancing and Recapitalization as well as the Group restructuring of PLN 3.9 million, (ii) the payment of a one-off civil law activities tax of PLN 14.2 million on the sale of 19.96% shares in Play by the Issuer to Glenmore Investments Sp. z o.o. (now merged with Play) (iii) income resulting from decrease of provision for a potential liability towards the UOKiK of PLN 4.8 million, (iv) income from reversal of impairment of non-current assets of PLN 2.7 million, (v) a non-cash write-off of the prior year's receivables balance of PLN 3.8 million, and (vi) a non-cash correction of prior year consolidation adjustments in an amount of PLN 2.8 million.

Free cash flow to equity (post lease payments) Reconciliation

The following table presents a reconciliation of Adjusted EBITDA less cash capital expenditures (excluding cash outflows in relation to frequency reservation acquisitions) to Free cash flow to equity (post lease payments) for the periods presented:

	Year ended December 31,			Three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
				Unaudited	
			(PLN in millions)		
Adjusted EBITDA	1,435.8	1,785.7	2,035.3	466.9	564.2
Cash capital expenditures[(1)]	(449.2)	(429.0)	(485.9)	(121.6)	(210.5)
Total change in net working capital and other, change in contract assets, change in contract liabilities and change in contract costs[(2)]	(157.6)	(193.0)	(264.9)	(192.1)	(119.7)
Cash interest[(3)]	(133.4)	(226.1)	(256.8)	(126.6)	(164.9)
Cash taxes	(10.5)	(4.2)	(52.2)	(51.3)	(159.4)
Lease payments	(197.9)	(198.4)	(192.7)	(48.9)	(49.5)
Free cash flow to equity (post lease payments)	**487.1**	**735.0**	**782.7**	**(73.6)**	**(139.8)**

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

(2) Comprising the separate line items changes in working capital and other, change in contract assets, change in contract liabilities and change in contract costs from the Financial Statements (as such term is defined in the notes to the Financial Statements and no other part of this Prospectus).

(3) Comprising cash interest on loans, Old Notes, and other debt.

Overview of Key Performance Indicators[1]

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
Reported subscribers (thousands)	**12,286.8**	**14,150.2**	**14,414.5**	**14,419.9**	**14,342.3**
Contract	5,810.5	7,069.6	8,366.4	7,340.7	8,682.1
Prepaid	6,476.3	7,080.6	6,048.1	7,079.3	5,660.2
Net additions (thousands)	**1,553.6**	**1,863.4**	**264.3**	**269.7**	**(72.2)**
Contract	1,040.9	1,259.1	1,296.8	271.0	315.7
Prepaid	512.8	604.3	(1,032.5)	(1.3)	(387.9)
Churn (%)[2]	**3.4%**	**3.3%**	**3.4%**	**3.4%**	**3.1%**
Contract	0.8%	0.6%	0.7%	0.7%	0.7%
Prepaid	5.6%	5.8%	6.4%	6.1%	6.7%
ARPU (PLN)[3]	**31.0**	**31.7**	**31.4**	**30.5**	**31.0**
Contract	41.7	41.0	39.1	39.0	38.2
Prepaid	16.4	17.3	17.4	16.4	16.3
Data usage per subscriber (MB)[3]	**853.3**	**1,742.5**	**2,773.2**	**2,476.3**	**3,602.3**
Contract	1,276.4	2,391.0	3,493.6	3,213.8	4,404.2
Prepaid	276.2	738.5	1,468.5	1,257.3	1,958.9
unit SAC cash (PLN)					
Contract	349.3	332.9	354.1	377.5	312.7
Prepaid	5.0	3.4	3.5	3.5	3.5
unit SRC cash (PLN)	**295.0**	**314.3**	**363.6**	**404.7**	**323.7**
unit SAC (PLN)					
Contract	326.0	294.3	264.5	322.9	292.8
Prepaid	5.0	3.4	3.5	3.5	3.5
unit SRC (PLN)	**279.5**	**274.7**	**261.2**	**272.9**	**319.1**

(1) See "*Glossary of Technical Terms*" for definitions of our key performance indicators. We believe that each of our competitors calculates these metrics differently and this may affect comparability.

(2) We present our churn for reported subscribers on an average monthly basis.

(3) In this Prospectus, ARPU, as well as Data usage per subscriber is presented for active subscribers only on an average monthly basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based on the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows of the Issuer and its subsidiaries as of and for the years ended December 31, 2014, 2015, and 2016, which have been derived from our Audited Financial Statements which are reproduced elsewhere in this Prospectus, and the interim consolidated statement of comprehensive income, the interim consolidated statement of financial position and the interim consolidated statement of cash flows of the Issuer and its subsidiaries as of and for the three months ended March 31, 2016 and 2017, which have been derived from the Interim Financial Statements, which are reproduced elsewhere in this Prospectus. This section should be read in conjunction with the Financial Statements, including the notes thereto, as well as other financial information contained elsewhere in this Prospectus. See "Selected Consolidated Financial Information." An overview of certain critical accounting estimates, judgments and policies that have been applied to the consolidated financial statements is set forth below in "—Critical Accounting Policies, Estimates and Judgments." In this Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise stated, "we," "us" or "our" refers to the Group.

The Financial Statements have been prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16, which differs in certain significant respects from both IFRS as adopted by the EU and U.S. GAAP. In making an investment decision investors must rely upon their own examination of the Group, the terms and conditions of the Offering and the financial information included herein. Investors should consult their own professional advisors in order to gain an understanding of the differences between IFRS as adopted by the EU, U.S. GAAP and IFRS with early adoption of IFRS 15 and IFRS 16 and how these differences might affect the Financial Statements and information herein.

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

The following discussion also contains forward-looking statements. Our actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly under "Forward-Looking Statements" and "Risk Factors." See "Industry, Market and Subscriber Data" for a discussion of how we define and calculate our KPIs.

Overview

We are the second largest mobile network operator ("**MNO**") in Poland based on reported number of subscribers, with over 14.3 million subscribers as of March 31, 2017. We provide mobile voice, messaging, data offerings and video streaming and services to consumers and businesses on a contract and prepaid basis. We have grown our market share of total reported subscribers in Poland from 4.6% at the end of 2008 to approximately 27.6% as of March 31, 2017 and are the market leader in subscriber net additions in Poland, with more than 48% of all contract subscriber net additions in the three months ended March 31, 2017 (taking over 50% on average over the five years ended December 31, 2016). According to research by Analysys Mason, in 2016, we had the highest net promoter score (a ratio measuring the willingness of subscribers to recommend their current provider to others based on a holistic customer experience evaluation) ("**NPS**") of the four major Polish MNOs and across a wider range of global telecommunications operators with an NPS of

28. We have a strong business subscriber base and low churn (0.7% of contract churn in the three months ended March 31, 2017, measured on an average monthly basis).

We have maintained growth in our contract subscriber base, which has steadily increased as a percentage of our total reported subscriber base, from 47.3% as of December 31, 2014 to 60.5% as of March 31, 2017, while retail contract revenues represented 77.1%, 77.3% and 78.1% of our usage revenues for the years ended December 31, 2014, 2015 and 2016 respectively and 80.5% of our usage revenues for the three months ended March 31, 2017. Contract subscribers provide us the benefit of revenue stability and security due to fixed contract durations.

We are the fourth most valuable Polish brand according to Rzeczpospolita Daily. We are the number one brand in Poland, in terms of "top-of-mind advertising awareness," as well as brand image, among the four major Polish MNOs, based on SMARTSCOPE market research. As of March 31, 2017, we had over 850 dedicated "PLAY" branded stores. Our services are available to 99% of the Polish population through a combination of own network and long term national roaming agreements with the other three major Polish MNOs and we are pursuing a nationwide network roll-out in order to cover close to 100% of the population by 2020, in terms of data requirements. As of March 31, 2017, we provided 3G and 4G LTE coverage through our own network to approximately 92.4% and 92.3% of the Polish population, respectively, and approximately 95% of data traffic through our own network.

During the three-month period ended March 31, 2017 and at an exchange rate of PLN 4.2198 per EUR 1.00, which was the NBP exchange rate per euro as of March 31, 2017, we generated total operating revenues of PLN 1,580.8 million (EUR 374.6 million equivalent), which represented an increase of 9.6% period on period in PLN terms. Our Adjusted EBITDA for the three month period ended March 31, 2017 amounted to PLN 564.2 million (EUR 133.7 million equivalent), an increase of 20.8% period on period in PLN terms.

Key Factors Affecting Our Results of Operations and Significant Market Trends

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

Economic environment in Poland

Our revenue growth is dependent on the overall condition of the Polish economy. Over the past decade, strong economic growth in Poland has led to customers having more disposable income, increased foreign direct investments, growth of the number of businesses (especially SMEs), declining unemployment, improving consumer sentiment and expenditures, each of which have impacted our results of operations and may continue to affect them.

During the economic downturn in the European Union, the Polish economy performed better than many of the other European economies and was the only economy in the European Union to continue to grow in each year from 2008 to 2010. More recently, the Polish economy has outperformed the EU average, with real GDP growth of 1.4% in 2013, 3.3% in 2014 and 3.8% in 2015 compared to EU average real GDP growth of 0.3% in 2013, 1.6% in 2014 and 2.1% in 2015. According to EIU, Poland will have a total GDP of PLN 1,850.6 billion in 2018. As of the date of this Prospectus, Moody's rated Poland "A2" with a "stable" outlook, and Standard & Poor's rated Poland's Local Currency Long Term "A-" with a "stable" outlook (Foreign Currency Long Term "BBB+" with a "stable" outlook), and Fitch's credit rating for Poland stands at "A-" with a "stable" outlook. As of March 31, 2017, the harmonized unemployment rate in Poland was

approximately 5.3% compared to approximately 8.0% in the European Union for all 28 member states, according to Eurostat.

While we operate in the telecommunications sector, for which underlying consumer demand has proven to be less cyclical than other aspects of consumer spending during periods of economic downturn, the general macroeconomic environment correlates well with consumer spending. In poor economic conditions, consumers are more likely to delay the replacement of their existing handsets, change to less expensive tariff plans or be more likely to disconnect or cancel their services. While we believe that the telecommunications market will grow in line with overall GDP growth in Poland and support our future growth, generally, weak economic conditions may weigh on the growth prospects of the telecommunications market in Poland, which in turn may impact our number of subscribers and ARPU. In addition, prospects for GDP growth in Poland and other macroeconomic factors are uncertain and strongly dependent, among other things, on the global economic environment; for example, concerns about the stability of the European Union following "Brexit" and similar nationalist movements could have a material adverse effect on the economy in Poland and, consequently, our business and results of operations.

General regulatory environment

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

Since Poland is a member of the European Union, we have to comply with certain EU directives that are transposed into Polish legislation concerning maximum rates that may be charged for international roaming services or maximum contract lengths for tariff plans offered to subscribers. EU Regulation 2015/2120 ("roam-like-at-home") came into effect on June 15, 2017, and adjusted all retail roaming to home charges within the European Union. We have taken the steps required to change our rates in order to comply with the new regulation. Wholesale prices for roaming mobile services were introduced by Regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017, which amended Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets. The wholesale regulation also sets the maximum rates that can be charged to subscribers for voice calls and non-voice services placed and received by subscribers on foreign European mobile networks. In the periods under review these rates have been subject to reductions. In relation to contracts, the EC has set 24 months as the maximum length of time an MNO can tie a contract subscriber to a particular contract.

MNP has also had an effect on our business during the periods described herein. According to the EU's Universal Service Directive of 7 March 2002, which became effective on July 25, 2003, MNP means that customers are given the right to keep their mobile telephone numbers when switching between service providers. Under Article 30 of this Directive, Member States must ensure that all subscribers of publicly available telephone services, including mobile services, who so request, can retain their number(s) independently of the undertaking providing the service.

In addition to European regulations, we are subject to national regulations, such as the ATO Act. The ATO Act came into force in Poland in July 2016. The ATO Act amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards. A subscriber of prepaid services in a public telecommunications network is now obliged to provide personal data to the relevant service provider. Prepaid service subscribers with contracts dated before July 25, 2016, had until February 1, 2017, to provide the required data or, where the data was provided, to have it verified. After February 1, 2017, subscribers that

failed to meet the new de-anonymization requirements had their SIM-cards blocked and, going forward, all customers must register their personal data in order to be provided service.

For further information on any of the regulations mentioned in this section, see "*Regulatory Overview*."

Impact of foreign exchange rate movements

Nearly all of our revenues are denominated in zloty, while certain of our significant expenditures are denominated in foreign currencies, particularly the euro, and to a lesser extent, in XDR, U.S. dollars and pounds sterling. Our principal expenditures denominated in euro result from our:

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

A significant increase in the value of the euro relative to the zloty would substantially increase our costs in relation to the above expenditures.

For information on the euro/zloty exchange rates in recent years, see "*Currency Presentation and Exchange Rate Information*." For a further discussion of our historical currency risk, see Note 2.28.1 to the Financial Statements included elsewhere in this Prospectus.

Subscribers

Market Overview

According to the CSO, the Polish mobile market changed from 54.9 million reported subscribers (a penetration rate of 142.3%) as of March 31, 2013, to 56.7 million reported subscribers (a penetration rate of 147.4%) as of March 31, 2014, to 58.1 million reported subscribers (a penetration rate of 150.8%) as of March 31, 2015, and to 56.6 million reported subscribers (a penetration rate of 147.1%) as of March 31, 2016, and to 52.0 million reported subscribers (a penetration rate of 135.3%) as of March 31, 2017. The overall decrease in reported subscribers between 2015 and the three months ended March 31, 2017, in the Polish market was mainly the result of two factors.

The first factor was T-Mobile's deactivation of a significant amount of prepaid subscribers during the three months ended December 31, 2015. This decreased the penetration level in Poland as of December 31, 2015.

The second factor, which caused the decrease as of March 31, 2017, compared to March 31, 2016, resulted from the introduction of the ATO Act, which implemented a prepaid registration requirement in Poland, and led to unregistered subscribers being blocked by operators after February 1, 2017. All MNOs experienced prepaid subscriber base decreases as a result of the ATO Act. According to the UKE, 68.7% of active prepaid cards were registered as of February 1, 2017.

Competition

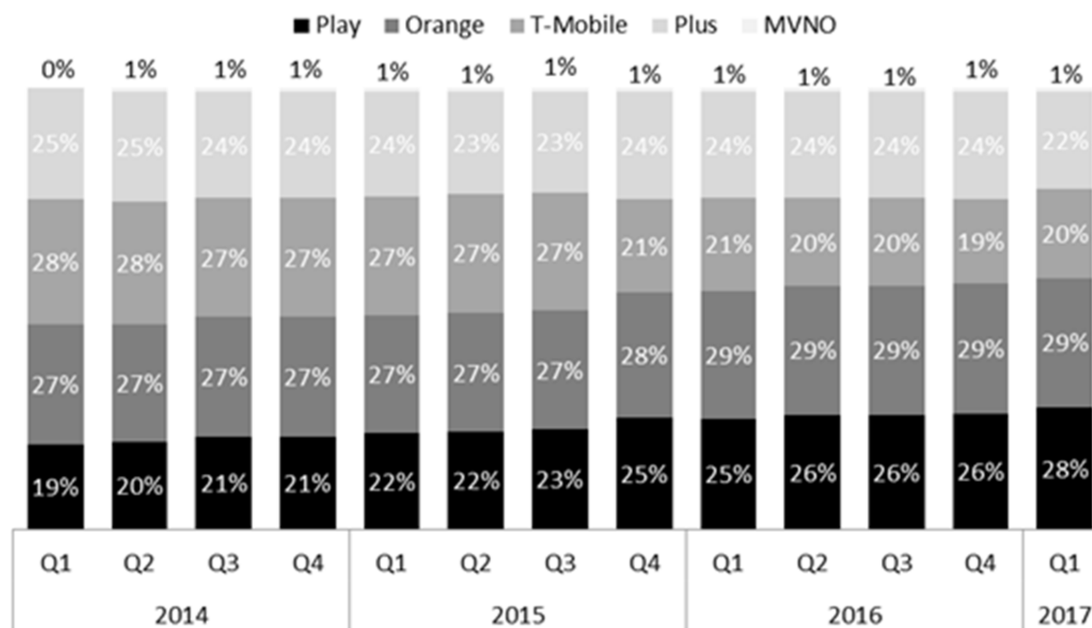
In the periods under review, we faced competition from the other three major mobile network operators, Orange, T-Mobile and Plus, which; along with Play, as of March 31, 2017, held over 99% of the reported subscriber market share according to the CSO, as well as the quarterly reports of the relevant MNOs. The total

number of reported mobile subscribers in Poland as of March 31, 2017, amounted to 52.0 million, and according to the CSO, Play, with its 14.3 million reported subscriber base, had approximately 27.6%.

Over the periods described in this Prospectus, the respective market shares of the four MNOs in the Polish mobile market has evolved as follows:

Evolution of Total Market Share January 1, 2014—March 31, 2017

(In % of Reported Subscribers)



Source: Operator subscriber numbers as reported in the quarterly accounts of the relevant operators. Total market based on the monthly bulletin of the CSO. Plus' subscribers include Cyfrowy Polsat subscribers. Data presented as of the end of each period. Data for Plus from the three months ended June 30, 2014, comes from Play's estimates due to reporting divergence from other operators.

We believe the Polish mobile market is balanced in terms of the relative market share of the largest four MNOs, and the relatively similar manner in which they operate, providing a supportive environment for the four major Polish MNOs (Orange, Play, Plus and T-Mobile) to co-exist. Owing to the growth of the market and the successful implementation of our controlled growth strategy that did not target any specific competitor, we have been able to grow our subscriber base through market share gained in roughly equal proportions from each of our competitors. Our three main competitors were able to achieve solid financial performance through a rational approach of securing their revenues by protecting ARPU levels rather than trying to maximize market share, which would lead to price instability. Rather than focusing on low prices to attract new subscribers and retain existing subscribers, which may lead to price instability, we believe that our revenues and profitability will be supported by continued growth in the number of our subscribers (including in particular, the improvement of our quality mix of subscribers by attracting more contract subscribers), the up-selling of services, increased coverage of our 4G LTE and 4G LTE Ultra network, the launch of new services and the active management of our subscriber acquisition, maintenance and retention costs, including subsidies and commissions (with the growth of smartphones, handsets are increasingly the key driver of both our revenue growth and also market competition). However, we may be forced to lower our prices for certain offerings and services in response to competitors' pricing policies, which may have an adverse effect on our future revenues, profitability and cash flows.

At the same time, we believe that it will be challenging for any new MNO to enter the Polish mobile market given the substantial costs of entry in order to effectively compete. A new entrant would require a substantial amount of radio spectrum (which is currently very limited) and network infrastructure which it would either need to build out or negotiate access to, as well as a distribution network, which, given the exclusivity arrangements the MNOs have with most mobile dealers, is difficult to build out. In addition, considering no new spectrum auctions are anticipated before 2020, the risk of a new MNO competitor in the short-term is limited. Low retail margins have contributed to MVNOs not being a major feature of the Polish mobile market. Additionally, bundling has not been very successful in the Polish market due to low mobile price levels, underdeveloped fixed-line infrastructure and a fragmented landscape of fixed broadband and cable television players. The relatively low level of urbanization in Poland has driven underinvestment in fixed-line infrastructure, as investment in new infrastructure is not economically viable in most non-urban areas. As a result, fixed-line broadband penetration in Poland is fairly low, with Analysys Mason recording a national penetration rate of 53% in 2016, and so the Polish fixed-line, fixed broadband and pay-TV markets are characterized by fragmentation and bundled multi-play offers are not as prevalent or successful as they are in other Western European telecommunications markets.

Subscriber base growth, retention and quality

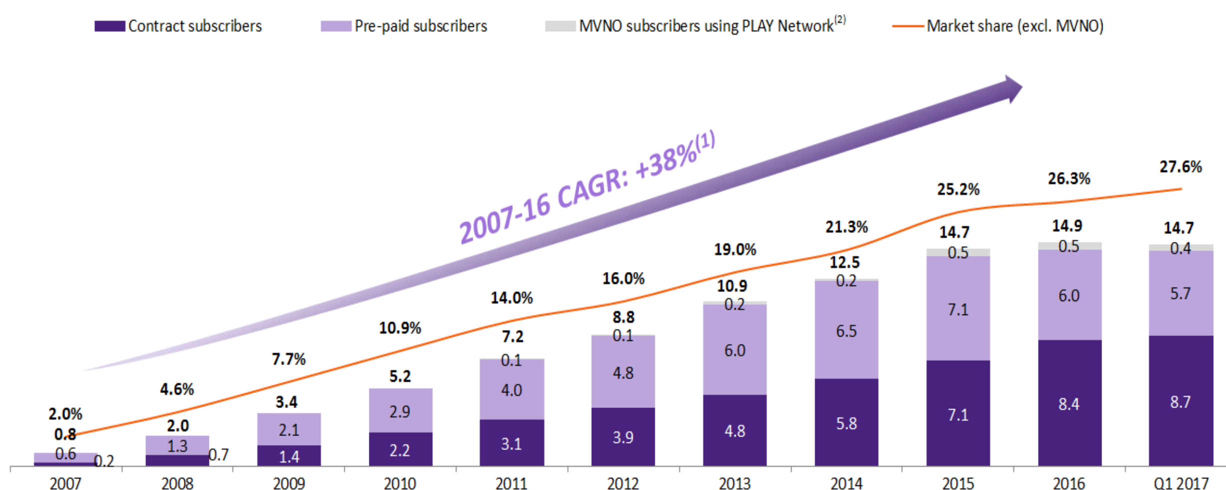
The number of our reported subscribers was 9.4 million as of March 31, 2013 (market share of 17.1%), 10.9 million as of March 31, 2014 (market share of 19.3%), 12.7 million as of March 31, 2015 (market share of 21.9%), 14.4 million as of March 31, 2016 (market share of 25.5%) and 14.3 million as of March 31, 2017 (market share of 27.6%), and we had continued growth in our active contract subscriber base, from 4.1 million active contract subscribers as of March 31, 2013, to 8.2 million contract subscribers as of March 31, 2017, 94.1% of our total contract subscriber base. The proportion of contract subscribers to our total reported subscriber base was 44.1% as of March 31, 2013, 45.0% as of March 31, 2014, 48.3% as of March 31, 2015, 50.9% as of March 31, 2016, and 60.5% as of March 31, 2017.

Since the commercial launch of our operations in 2007, we have been focused on subscriber additions as we sought to establish our market share. Since then we have continued to focus on further subscriber additions and retention, as well as on migrating prepaid subscribers to contract subscribers, which are generally characterized by a more stable revenue profile and higher ARPU, and a higher security of revenue due to fixed term contracts. We have been particularly successful under MNP in attracting new subscribers. In addition, we have been able to maintain low contract churn rates, which have remained around 0.7% during the relevant periods.

In 2016, according to research by Analysys Mason we had the highest NPS of the four major Polish MNOs with an NPS of 28 (Orange: (18), T-Mobile: (9), Plus: (4)). Further, this research showed PLAY to have the highest NPS across a wider range of global telecommunications operators. We believe that NPS is a useful tool to indicate our future sales and growth potential.

For a further discussion of our subscriber base, see *"— Key Performance Indicators—Subscriber base*."

Evolution of Total Subscribers and Total Market Share December 31, 2007—March 31, 2017



Source: The Issuer

(1) CAGR for total reported subscribers (incl. MVNOs)

While we continue to seek subscriber growth, we believe that focusing on subscriber retention as well as up-selling and cross-selling offerings and services, including new offerings and services such as our high-speed data services provided over our 4G LTE and 4G LTE Ultra network, will continue to have a positive impact on our business and results of operations going forward.

Investment in our network

Investment in our network has been an important component of our strategy. We have taken a strategic approach to our network build out through a combination of investment in our own network and through national roaming agreements. As of March 31, 2017, through our own network, we provide coverage to 92.3% of the population through 4G LTE, and through 4G LTE Ultra, we provide coverage to 79.4% of the population. We also provide 2G/3G/4G LTE coverage under long-term national roaming agreements that we have entered into with the other Polish MNOs, including Plus, Orange and T-Mobile, which extends our available network to 99% of the population and provides our subscribers with unmatched network coverage through access to all four major mobile networks in Poland. This strategy allows us to provide wide coverage as well as benefiting from a built-in redundancy, such that if there is a failure of any one network, there are always three back-up networks available, as well as allowing us to manage our level of capital expenditures by being able to choose when to build out our own network or rely on national roaming coverage in a specific area.

In January 2016 and June 2016, we were granted the following frequency reservations, respectively:

- four frequency blocks, each of 2 × 5MHz bandwidth in the 2600 MHz frequency band, for a total of PLN 222.4 million; and
- one frequency block of 2 × 5MHz bandwidth in the 800 MHz frequency band, for a total of PLN 1,496.1 million.

The total amount offered for the above-listed frequency blocks was PLN 1,718.4 million. The payment was made on February 5, 2016, using cash, available overdraft facilities and a drawdown from the Old Revolving Credit Facility. On March 8, 2016, we launched 4G LTE Ultra using, *inter alia*, the new 800 MHz and 2600

MHz frequencies. In 2016 we were able to repay all outstanding amounts under the Old Revolving Credit Facility and overdraft lines.

We are currently pursuing the execution of a cost-efficient nationwide roll-out of our own network, mainly in rural areas, between 2017 to 2020.

We believe we will have sufficient capacity to service our expected subscriber base in the medium term, and the capital expenditures required for further upgrades and new sites with respect to the roll-out of our 4G LTE network will be reduced, although any new frequency reservations we acquire could require significant capital outlays and additional investment in our network.

Key Performance Indicators

We consider the KPIs discussed in this section when evaluating our business. Our revenue is principally driven by the number of reported new and retained subscribers, the mix of subscriber base between prepaid and contract, as well as ARPU, while our costs are materially affected by unit SAC and unit SRC. See "*Industry, Market and Subscriber Data*" for a discussion of how we define and calculate our KPIs.

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

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

Subscriber base

We report our number of subscribers on the basis of the number of SIM cards which are registered on our network at the end of a given period. We also report our number of active subscribers on the basis of the sum of the numbers of active contract subscribers and active prepaid subscribers at the end of a given period. For an explanation of how we define active contract subscriber and active prepaid subscribers, see "*Certain Definitions*."

During the periods described herein, we have successfully gained subscriber market share by continuously focusing on our "value-for-money" positioning by effectively promoting our brand and by maintaining what we believe is a best-in-class distribution network.

The following table presents our subscriber base broken down by the number of contract and prepaid subscribers over the below historical periods:

	As of December 31,			As of March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
Reported subscribers (thousands)	**12,287**	**14,150**	**14,415**	**14,420**	**14,342**
Contract	5,810	7,070	8,366	7,341	8,682
Prepaid	6,476	7,081	6,048	7,079	5,660
Active subscribers (thousands)	**9,697**	**11,247**	**12,011**	**11,458**	**11,943**
Contract	5,778	6,919	7,984	7,181	8,173
Prepaid	3,919	4,328	4,027	4,277	3,770

Source: The Issuer

As of March 31, 2017, the total number of our reported and active subscriber base was approximately 14.3 million and 11.9 million, respectively. As of March 31, 2017, our reported subscriber base represented approximately 27.6% of the total number of reported subscribers in the Polish mobile market compared to 25.5% as of March 31, 2016. The year on year decrease in our reported subscriber base is due to the mandatory prepaid registration introduced by the ATO Act.

As of December 31, 2016, the total number of our reported and active subscriber base was approximately 14.4 million and 12.0 million, respectively, out of which 58.0% and 66.5%, respectively, were contract subscribers. Our reported subscriber base represented approximately 26.3% of the total number of reported subscribers in the Polish mobile market as of December 31, 2016.

On July 25, 2016, we began the registration of prepaid SIM cards in compliance with the ATO Act. The process of registration ended on February 1, 2017, after which date unregistered subscribers' SIM cards were blocked until those customers registered. As a result, there was high volatility in our prepaid subscriber base. As of February 1, 2017, we had registered 89% of our active prepaid subscriber base. According to the CSO, there were 52.0 million total subscribers as of March 31, 2017. As a result of the ATO Act, the total number of subscribers in the Polish market decreased by 4.6 million (as of March 31, 2016, there were 56.6 million subscribers).

Our reported and active contract subscriber base increased from 7.3 million and 7.2 million, respectively, as of March 31, 2016, to 8.7 million and 8.2 million, respectively, as of March 31, 2017. This increased the share of contract subscribers as a proportion of our total reported and active subscriber base from 50.9% and 62.7%, respectively, as of March 31, 2016, to 60.5% and 68.4%, respectively, as of March 31, 2017, and was in line with our strategy to increase the number of contract subscribers, who generate higher ARPU on average compared to prepaid subscribers and who provide greater revenue security through fixed-term contracts.

Net additions and Churn

For the three months ended March 31, 2017, we had 315.7 thousand contract net additions, representing an increase of 16.5% relative to the comparable period in 2016. For the last twelve months ended March 31, 2017, we had 1.3 million contract net additions, which represented an increase of 10.9% relative to the comparable period in 2016. We believe that growth in contract net additions was driven by our "family" plans and "duo" offers, whereby groups of two or more individuals can enjoy discounts on mobile telephones, mobile data and other benefits. These offerings have been successful since their introduction.

For the year ended December 31, 2016, we had 264.3 thousand net additions, which represented a decrease of 85.8% relative to the comparable period in 2015, mainly relating to the impact of the ATO Act. We had 1.3 million contract net additions, representing an increase of 3.0% relative to the comparable period of in 2015. We believe that the growth in contract net additions was driven by our "family" plans. This growth

continued in 2016 when we introduced "duo" offers, whereby groups of two can enjoy discounts on mobile telephones, mobile data and other benefits. Additionally, in during the three months ended December 31, 2016, we experienced the impact of the ATO Act, which partially shifted net additions from prepaid to contract. The effect of prepaid registration influenced all MNOs negatively. However, we believe that the ATO Act will not impact net additions following the three months ended March 31, 2017, as the registration process ended on February 1, 2017.

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

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
Net additions (thousands)	**1,553.6**	**1,863.4**	**264.3**	**269.7**	**(72.2)**
Contract	1,040.9	1,259.1	1,296.8	271.0	315.7
Prepaid	512.8	604.3	(1,032.5)	(1.3)	(387.9)
Contract Churn (%)(1)	**0.8%**	**0.6%**	**0.7%**	**0.7%**	**0.7%**

Source: The Issuer

(1) We present our churn for reported subscribers on an average monthly basis.

Our average monthly contract churn rate remained stable at 0.7% in the three months ended March 31, 2017, as compared to the three months ended March 31, 2016. Due to the nature of prepaid offerings and, in the most recent period, the effect of the ATO Act, prepaid churn rates can be relatively volatile and we believe this measure has much less significance in terms of evaluating our performance.

Total ARPU and Contract/Prepaid ARPU

ARPU is widely used as a measure of performance by other MNOs, and therefore we have decided to adopt ARPU as one of our KPIs.

The majority of revenue in the Polish mobile market is generated by active contract subscribers.

In the three months ended March 31, 2017, our total ARPU was PLN 31.0, 1.7% higher relative to the comparable period in 2016. Our overall ARPU increase was driven by a growing share of contract customers in our total subscriber base, from 50.9% as of the three months ended March 31, 2016, to 60.5% as of the three months ended March 31, 2017.

Contract ARPU for the three months ended March 31, 2017 amounted to PLN 38.2, a decrease of 2.0% compared to the three months ended March 31, 2016, while prepaid ARPU for the three months ended March 31, 2017 amounted to PLN 16.3, a decrease of 0.7% as compared to three months ended March 31, 2016. Contract ARPU for the year ended December 31, 2016, amounted to PLN 39.1, a decrease of 4.6% compared to the year ended December 31, 2015, while prepaid ARPU for the year ended December 31, 2016, amounted to PLN 17.4, an increase of 0.3% as compared to the year ended December 31, 2015. The total ARPU in the year ended December 31, 2016 slightly decreased by 1.0% to PLN 31.4.

The following table presents ARPU during the periods under review:

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
ARPU (PLN)(1)	**31.0**	**31.7**	**31.4**	**30.5**	**31.0**
Contract	41.7	41.0	39.1	39.0	38.2
Prepaid	16.4	17.3	17.4	16.4	16.3

Source: The Issuer

(1) We present our ARPU on an average monthly basis and for active subscribers only.

Data traffic

Data usage per subscriber increased from 2,476.3 MB monthly in the three months ended March 31, 2016, to 3,602.3 MB in the three months ended March 31, 2017, representing a growth of 45.5%. Data usage per subscriber increased from 1,742.5 MB monthly in the year ended December 31, 2015 to 2,773.2 MB in the year ended December 31, 2016, representing a growth of 59.2%. This growth can be particularly observed for prepaid subscribers and is the result of the increased adoption of 4G LTE smartphones and other devices.

The average data consumption of our subscribers is particularly high, more than two times the average data consumption of our competitor Orange (based on total mobile data consumption divided by average number of subscribers over the years ended December 31, 2015 and December 31, 2016).

The following table presents a breakdown of data transmission usage:

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
Data usage per subscriber (MB)[(1)]	**853.3**	**1,742.5**	**2,773.2**	**2,476.3**	**3,602.3**
Contract	1,276.4	2,391.0	3,493.6	3,213.8	4,404.2
Prepaid	276.2	738.5	1,468.5	1,257.3	1,958.9

Source: The Issuer

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

Unit SAC cash and unit SRC cash

We present unit SAC cash and unit SRC cash as the most meaningful measure of our ability to acquire and retain customers, versus unit SAC and unit SRC prepared before the early adoption of IFRS 15 (which would have been distorted by the impact of installment sales) or prepared using data after the early adoption of IFRS 15, which we believe would not clearly present the relevant level of subsidies, sales / retention commissions or other costs related to the subscriber acquisition and retention activities of the Group.

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

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
unit SAC cash (PLN)					
Contract	349.3	332.9	354.1	377.5	312.7
Prepaid	5.0	3.4	3.5	3.5	3.5
unit SRC cash (PLN)	**295.0**	**314.3**	**363.6**	**404.7**	**323.7**
unit SAC (PLN)					
Contract	326.0	294.3	264.5	322.9	292.8
Prepaid	5.0	3.4	3.5	3.5	3.5
unit SRC (PLN)	**279.5**	**274.7**	**261.2**	**272.9**	**319.1**

Source: The Issuer

In the three months ended March 31, 2017, our unit contract SAC cash amounted to PLN 312.7, a decrease of 17.2% compared to the three months ended March 31, 2016. In the three months ended March 31, 2017, our unit prepaid SAC cash amounted to PLN 3.5, which was flat when compared to the same period of 2016.

Our unit SRC cash for the three months ended March 31, 2017, amounted to PLN 323.7, a decrease of 20.0% compared to the three months ended March 31, 2016. The decrease in unit SAC and unit SRC cash resulted from the improved management of acquisition and retention costs.

In the year ended December 31, 2016, our unit contract SAC cash amounted to PLN 354.1, an increase of 6.4% compared to PLN 332.9 in the year ended December 31, 2015. We believe that this is the result of new offerings. In the year ended December 31, 2016, our unit SRC cash amounted to PLN 363.6, an increase of 15.7% compared to PLN 314.3 in the year ended December 31, 2015, which was a result of our strategic focus on retention compared to the prior period in conjunction with the increased use of higher end smartphones to support retention.

In the year ended December 31, 2015, our unit contract SAC cash amounted to PLN 332.9, a decline of 4.7% compared to PLN 349.3 in the year ended December 31, 2014. This is a result of an increase in the volume of contract net additions through innovative offerings and improved management of acquisition costs. In the year ended December 31, 2015, our unit SRC cash amounted to PLN 314.3, an increase of 6.6% compared to PLN 295.0 in the year ended December 31, 2014, which was a result of our strategic focus on retention compared to the prior period in conjunction with the increased use of higher-end smartphones to support retention.

Factors Affecting Comparability of Results

Early adoption of IFRS 15 and IFRS 16

As noted elsewhere herein, the Financial Statements included in this Prospectus and discussed in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16.

With respect to EBITDA, the adoption of IFRS 15 results in upfront recognition of revenue attributable to handset sales, which is partially offset by lower service revenue from contracts adjusted historically, whereas overhead costs increase due to the greater impairment recognition required against the significant contract assets recognized on the balance sheet when the handset revenue is recognized upfront.

The adoption of IFRS 15 also results in creation of contract cost assets (which comprise capitalized costs of commissions incurred in relation to acquiring or retaining a contract). These costs are amortized on a straight-line basis over the life-time of the contract in the operating expenses in the "contract costs, net" line.

The adjustment for IFRS 16 has a positive impact on EBITDA as the costs of operating leases that were previously expensed above EBITDA are now moved below EBITDA to depreciation of the "right-of-use asset" and unwind of the discounted lease liability is presented as interest within finance costs.

Nevertheless, the uplift to EBITDA is largely offset at the profit before tax level, although phasing differences between previous recognition of operating leases and the rate of depreciation of the asset and the unwind of the lease liability discount do result in a degree of difference.

The IFRS 16 adjustment also results in a significant increase in net debt, as the discounted future costs of all leases whether previously classified as finance or operating leases, are recognized as liabilities on the balance sheet.

For further information, see Note 2.2 to our Audited Financial Statements included elsewhere in this Prospectus.

The 2017 Refinancing

The 2017 Refinancing and the application of the proceeds therefrom adjusted our capital structure, in particular in relation to interest expense and currency denomination, which will affect our future results of operations. Following the 2017 Refinancing, our average interest rate costs reduced, as the interest rates under the Senior Facilities is lower than the interest rates on the Old Notes which were repaid with the proceeds

from term loans drawn under the Senior Facilities Agreement. All drawings under the Senior Facilities Agreement bear interest at floating rates tied to WIBOR plus a spread, and so to the extent WIBOR increases, this would increase our interest expense. Interest rate risk is however partially mitigated by the obligation under the Senior Facilities Agreement to hedge 33% of the outstanding Senior Facilities by fixing the interest rate for a three-year minimum period. The Group fulfilled this obligation in May 2017. The 2017 Refinancing reduced our exposure to fluctuations in currency exchange rates, as nearly all of our revenues are denominated in zloty, and repayments under the Senior Facilities are also denominated in zloty, rather than in euros, which was the case under the Old Senior Secured Fixed Rate Notes and Old Senior Notes. Thus fluctuations of the euro against the zloty will have a significantly decreased impact on our financial results going forward as it marginally relates to the servicing of our indebtedness.

Payments on and settlement of incentive plans and effect on EBITDA

As described under "*Management—Former Incentive Plans*" on the consummation of the Offering, retention programs (other than the VDP 3 plan, which expires on December 31, 2017) will be terminated and new performance incentive scheme will be introduced, as described under "*Management—New Performance Incentive Schemes*." Total cash payments made to the six members of our senior management team in connection with the termination of the former programs and settlement of obligations related thereto (net of any estimated taxes paid and any amounts reinvested in the shares of the Issuer), will amount to PLN 227.2 million (EUR 53.7 million), which will be financed by the Selling Shareholder out of the net proceeds of the Offering and will not have an impact on the net cash flows of the Group. However, there will be an outflow recognized within net cash provided by operating activities and a corresponding cash inflow recognized in net cash provided/(used in) financing activities.

The charges relating to the termination of the former management retention programs and the settlement of the obligations related thereto will affect the Group's consolidated reported EBITDA, whereas the Group's consolidated Adjusted EBITDA will not be affected. The impact on EBITDA will be partially offset by the reversal of the accrual created for the former incentive plans which are currently reflected on the balance sheet. The current accrual as of March 31, 2017 for such plans was PLN 169 million. In the second quarter of 2017, a payment of PLN 96 million was paid on the plans in accordance with their terms, which left a remaining accrual of PLN 73 million. The total impact on the consolidated EBITDA of the Group following the Offering and settlement of the payments will be approximately PLN 378.6 million (assuming the Offer Price is equal to the Maximum Price), minus the remaining accrual of PLN 73 million. This will also affect the retained losses of the Group, in an amount equal to the impact on the Group's consolidated EBITDA, adjusted by the income tax effect.

Recent Developments

Recent Trading

The information below is based on our internal management accounts and represents our preliminary expectations with respect to our development as at and for the two month period ended May 31, 2017. These estimates have been prepared by and are the responsibility of our management and have not been reviewed or audited by an auditor and investors should not place undue reliance on them. While management believes these estimates to be reasonable, our actual results could vary from these estimates and the differences could be material. See "Forward-Looking Statements" and "Risk Factors."

In the three month period ended March 31, 2017, we experienced revenue growth of 9.6% compared to the three month period ended March 31, 2016, primarily due to growth in our retail contract usage revenue, interconnection revenue and sales of goods and other revenue. In the two month period ended May 31, 2017,

we have seen this trend continue compared to the two month period ended May 31, 2016 for the reasons stated above.

In the three month period ended March 31, 2017, we experienced Adjusted EBITDA growth of 20.8% compared to the three month period ended March 31, 2016. In the two month period ended May 31, 2017, we have seen this trend continue compared to the two month period ended May 31, 2016.

Our Adjusted EBITDA margin has increased for the three month period ended March 31, 2017 compared to the three month period ended March 31, 2016, achieving 35.7% compared to 32.4%, respectively. In the two month period ended May 31, 2017, we have seen similar margin levels. The Group continued to benefit from the operating leverage, scale effects and ongoing subscriber mix shift from pre-paid to contract.

Financial and Other Goals

We target mid-single digit annual operating revenue growth over the medium term. Compared to our Adjusted EBITDA margin for the year ended December 31, 2016, we target further improvement driven by operating leverage and completion of the nationwide network rollout that we are undertaking. We target annual run-rate cash capital expenditures (which excludes cash outflows in relation to frequency reservation acquisitions) as a percentage of operating revenue at approximately 8% per annum in the medium term. We target cash capital expenditures (which excludes cash outflows in relation to frequency reservation acquisitions) to be below PLN 700 million for the full year 2017, reflecting our ongoing investments into the accelerated completion of the nationwide network rollout. On top of our run-rate cash capital expenditures, we target additional cash capital expenditures of PLN 500 million spread over 2018 to 2020. We target a leverage policy of net reported debt to LTM Adjusted EBITDA of approximately 2.5x calculated on a consolidated basis.

Certain statements in this section and in the section "*Business—Our Strategy*," including in particular the guidance and financial targets described immediately above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward looking statements as a result of many factors, including but not limited to those described under "*Forward-Looking Statements*" and "*Risk Factors*." Investors are urged not to place undue reliance on any of the statements set forth above.

Explanation of Key Items from the Consolidated Statement of Comprehensive Income

For the purposes of the following discussion of our results of operations, the key line items from the statement of comprehensive income include the following:

Operating revenue

Operating revenue includes the following:

- Service revenue, which consists of (i) usage revenue and (ii) interconnection revenue; and
- Sales of goods and other revenue.

Service revenue

Usage revenue is generated mainly from:

- Revenues related to contract subscribers-consisting of subscription fees, charges for recurring voice and non-voice services rendered by us to our contract subscribers which originate on our network and

fees for any traffic generated by our subscribers in foreign mobile networks under the international roaming agreements that we have entered into;

- For bundled packages, including *e.g.* mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct-*i.e.*, if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from customers expected to be received in relation to goods and services delivered over the adjusted contract term (the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses). The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual airtime or data usage, or is made upon the expiration of the Group's obligation to provide the services. International roaming revenues are recognized in the profit or loss in the period in which the services were rendered;

- Revenues related to prepaid subscribers-consisting of sale of prepaid offerings (starter packs, scratch cards, top-ups); telecommunications revenue on the sale of prepaid offerings is recognized at the face value of a prepaid offering sold, net of VAT. The difference between the face value of a prepaid offering and the value for which an offering is sold by us to our distributors, constitutes commission earned by the distributors, who act as agents. The Group acts as a principal in such agreements. The costs of prepaid commissions are treated as other service costs. The revenue from the sale of prepaid products is deferred until an end-user commences using the product, and recognized in the profit or loss as telecommunications services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the service. Revenues from the value added services (*e.g.*, music and video streaming or sales of applications) are recognized in the amount of full consideration if the Group acts as principal in the relation with the customer or in the amount of the commission earned if the Group acts as agent; and

- Other usage revenue-consisting mainly of revenues from MVNOs to which we provide telecommunications services and revenues generated by subscribers of foreign mobile operators that have entered into international roaming agreements with us for using our network.

Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but which terminate on our network. The Group receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the statement of comprehensive income in the period in which the services were rendered.

Sales of goods and other revenues

Sales of goods and other revenues comprise mainly revenues from devices sold to subscribers. Revenues from sales of goods are recognized when control of the assets are transferred to the customer (typically upon delivery). The revenues from devices sold via dealers who act as agents are recognized when the device is delivered to the subscriber. The amount of revenue recognized for mobile devices is adjusted for expected

returns, which are estimated based on the historical data. Other revenue comprises primarily revenue from commissions for sale of our partners' offerings through our distribution network.

Operating expenses

- Interconnection costs include costs of termination of voice and non-voice traffic of our customers in other operators' networks under interconnection agreements.
- National roaming/network sharing costs include costs incurred in connection with the traffic generated by our subscribers hosted in networks of our national roaming partners under our national roaming agreements.
- Other service costs include international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top-ups) and fees paid to content providers in transactions in which we act as a principal. Costs of distribution of prepaid offerings represent commissions paid to distributors. These costs are deferred until the service is provided, a prepaid offering is delivered to a subscriber, and expensed at that time.
- The Group capitalizes all costs of commissions paid to dealers and own salesforce to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized commission fees relating to postpaid contracts are amortized on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognized. The amortization is presented in the statement of comprehensive income in the line item "Contract costs, net."
- Costs of goods sold include our purchasing costs of devices.
- General and administrative expenses consist of the following:
    - Employee benefits include remuneration (including all salaries, quarterly, annual and other bonuses), additional employment benefits such as medical care and contributions to corporate social funds, national social security payments as well costs or income resulting from valuation of retention programs for members of the Management Board of Play and key employees;
    - External services include mainly network maintenance, advertising and promotion expenses, customer relations costs (consisting of costs of our outsourced call center, printing and shipping telecommunications invoices to subscribers), IT costs and other overhead services costs such as office maintenance, finance and legal services, advisory services fees and other personnel costs such as training, company cars maintenance costs and other miscellaneous personnel related costs; and
    - Taxes and fees include primarily fees for the use of telecommunications frequencies, real estate taxes and other administrative duties, as well as non-deductible VAT.
- Amortization and depreciation costs consist mainly of the depreciation of the network system and related equipment and other fixed assets, as well as the amortization of costs of telecommunications reservations and software and other intangible assets, and the depreciation of the right-of-use assets. Depreciation and amortization charges are calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives.

Other operating income and other operating costs

- Other operating income consists primarily of income from early contract termination payments by subscribers, marketing revenues, gain on disposal of non-current assets, gain on sale of receivables and certain other miscellaneous items.
- Other operating costs consist primarily of impairment charges of non-current assets, bad debts, loss on sale of receivables, and other miscellaneous items not included in other general and administrative expenses.

Finance income and finance costs

Finance income includes interest receivable on bank deposits and notes, as well as exchange rate gains.

Finance costs include primarily interest on notes, bank loans and overdrafts (not capitalized as part of assets), amortization of transaction costs, financial costs associated with lease liabilities and exchange rate losses.

Finance income and costs also include the effect of valuation or derecognition of the early redemption options embedded in any of the notes we have issued in the periods discussed herein, separated from the notes themselves, as well as gains and losses on derivatives used to hedge currency risk.

Income taxes

Income tax expense comprises current and deferred taxes.

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 countries where the Group operates and generates taxable income.

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.

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 any related deductible temporary differences arise 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 (deferred tax), does not affect either the accounting profit or the taxable profit or loss. Currently enacted tax rates are used to determine deferred income tax.

Most of the Group’s taxable revenue is subject to the Polish tax system. The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Group. Thus, each of the Group’s subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Luxembourg tax losses can be carried forward for a maximum period of 17 years (tax losses incurred during the period from January 1, 1991 to December, 31, 2016, may be carried forward indefinitely). In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss *per annum* (thus, a given loss may be utilized by the taxpayer, at the earliest, within two years).

Results of Operations

The following table presents our consolidated statement of comprehensive income data for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017:

	Year ended December 31,			Three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
				Unaudited	
		(PLN in millions)		*(PLN in millions)*	
Operating revenue	**4,589.7**	**5,436.5**	**6,117.6**	**1,442.6**	**1,580.8**
Service revenue	3,398.4	4,059.5	4,492.8	1,067.1	1,161.3
Sales of goods and other revenue	1,191.2	1,377.0	1,624.7	375.5	419.4
Operating expenses	**(3,794.1)**	**(4,373.1)**	**(4,753.5)**	**(1,100.0)**	**(1,282.5)**
Interconnection, roaming and other services costs	(1,098.5)	(1,330.6)	(1,495.8)	(349.0)	(389.2)
Contract costs, net	(318.3)	(376.3)	(398.9)	(99.5)	(107.9)
Cost of goods sold	(984.8)	(1,181.2)	(1,366.2)	(333.5)	(327.2)
General and administrative expenses	(852.4)	(887.7)	(858.5)	(177.0)	(267.6)
Depreciation and amortization	(540.1)	(597.3)	(634.1)	(141.0)	(190.5)
Other operating income	64.2	78.5	70.7	18.8	27.8
Other operating costs	(86.3)	(76.1)	(144.4)	(36.0)	(12.7)
Operating profit	**773.5**	**1,065.9**	**1,290.3**	**325.4**	**313.3**
Finance income	74.7	7.6	135.0	3.6	101.3
Finance costs	(432.6)	(368.0)	(499.1)	(108.1)	(353.3)
Profit before income tax	**415.6**	**705.5**	**926.1**	**220.9**	**61.3**
Income tax benefit/(charge)	83.3	(155.2)	(214.1)	(84.0)	(42.8)
Net profit for the period	**498.9**	**550.3**	**712.0**	**136.9**	**18.5**
Other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	**498.9**	**550.3**	**712.0**	**136.9**	**18.5**

Source: The Issuer

Comparison of the Three Months Ended March 31, 2016 and the Three Months Ended March 31, 2017

Operating revenue

Operating revenue increased by PLN 138.2 million, or 9.6%, from PLN 1,442.6 million for the three months ended March 31, 2016, to PLN 1,580.8 million for the three months ended March 31, 2017. This increase resulted primarily from growth in our retail contract usage revenue, interconnection revenue and sales of goods and other revenue.

The following table presents a breakdown of operating revenue for the periods under review along with a percentage change over such periods.

	Three months ended March 31,		
	2016	2017	Change %
	Unaudited (*PLN in millions*)		
Service revenue	**1,067.1**	**1,161.3**	**8.8**
Usage revenue	818.4	872.2	6.6
Retail contract revenue	636.0	702.1	10.4
Retail prepaid revenue	158.1	139.1	(12.0)
Other revenue	24.3	31.0	27.7
Interconnection revenue	248.7	289.1	16.3
Sales of goods and other revenue	**375.5**	**419.4**	**11.7**
Operating revenue	**1,442.6**	**1,580.8**	**9.6**

Source: The Issuer

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 66.1 million, or 10.4%, from PLN 636.0 million for the three months ended March 31, 2016, to PLN 702.1 million for the three months ended March 31, 2017. The increase was primarily due to growth in our reported contract subscriber base of 1.3 million, or 18.3%, from March 31, 2016, to March 31, 2017 due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenue from retail prepaid usage decreased by PLN 19.0 million, or 12.0%, from PLN 158.1 million for the three months ended March 31, 2016, to PLN 139.1 million for the three months ended March 31, 2017. The decrease was primarily due to decrease in our reported prepaid subscriber base of 1.4 million, or 20.0%, from March 31, 2016 to March 31, 2017 due to the prepaid registration process in connection with the ATO Act.

Other usage revenue

Other usage revenue increased by PLN 6.7 million, or 27.7%, from PLN 24.3 million for the three months ended March 31, 2016, to PLN 31.0 million for the three months ended March 31, 2017. This increase was primarily due to the increase in traffic generated by the customers of our MVNO partners.

Interconnection revenue

Interconnection revenue increased by PLN 40.4 million, or 16.3%, from PLN 248.7 million for the three months ended March 31, 2016, to PLN 289.1 million for the three months ended March 31, 2017 as a result of the growing volume of incoming traffic to our network from other network operators due to the increase in our subscriber base and increased usage of voice services by subscribers of other MNOs caused by the proliferation of unlimited voice tariffs.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 43.9 million, or 11.7%, from PLN 375.5 million for the three months ended March 31, 2016, to PLN 419.4 million for the three months ended March 31, 2017. This increase was primarily due to increased sales of devices to newly acquired and retained subscribers.

Operating expenses

Operating expenses increased by PLN 182.5 million, or 16.6%, from PLN 1,100.0 million for the three months ended March 31, 2016, to PLN 1,282.5 million for the three months ended March 31, 2017. This increase was primarily due to increases in interconnection, roaming, and other services costs and general and administrative expenses as well as depreciation and amortization charges slightly offset by a decrease in cost of goods sold.

Interconnection, roaming and other services costs

	Three months ended March 31,		
	2016	2017	Change %
	Unaudited (*PLN in millions*)		
Interconnection costs	(275.9)	(306.5)	11.1
National roaming/network sharing	(39.2)	(45.0)	14.6
Other services costs	(33.9)	(37.7)	11.3
Interconnection, roaming and other services costs	**(349.0)**	**(389.2)**	**11.5**

Source: The Issuer

Interconnection, roaming and other services costs increased by PLN 40.3 million, or 11.5%, from PLN 349.0 million for the three months ended March 31, 2016, to PLN 389.2 million for the three months ended March 31, 2017 mainly due to an increase in interconnection costs of PLN 30.7 million, or 11.1%, from PLN 275.9 million for the three months ended March 31, 2016, to PLN 306.5 million for the three months ended March 31, 2017, which resulted from growth in the volume of traffic terminated on other networks due to the increase in our subscriber base over the period, as well as due to a general increase in traffic per user.

Contract costs, net

	Three months ended March 31,		
	2016	2017	Change %
	Unaudited (*PLN in millions*)		
Contract costs incurred	(98.1)	(110.7)	12.8
Contract costs capitalized	92.0	104.3	13.3
Amortization and impairment of contract costs	(93.4)	(101.6)	8.7
Contract costs, net	**(99.5)**	**(107.9)**	**8.5**

Source: The Issuer

Contract costs, net increased by PLN 8.4 million, or 8.5%, from PLN 99.5 million for the three months ended March 31, 2016, to PLN 107.9 million for the three months ended March 31, 2017 mainly due to the continuous growth in our subscriber base.

Cost of goods sold

Cost of goods sold decreased by PLN 6.3 million, or 1.9%, from PLN 333.5 million for the three months ended March 31, 2016, to PLN 327.2 million for the three months ended March 31, 2017, primarily due to the decrease in the unit cost of goods sold.

General and administrative expenses

The following table presents a breakdown of general and administrative expenses.

	Three months ended March 31,		
	2016	2017	Change %
	Unaudited (*PLN in millions*)		
Salaries and social security	(51.7)	(61.2)	18.5
Special bonuses and retention programs	23.4	(36.4)	-
Employee benefits	**(28.3)**	**(97.6)**	**244.5**
Network maintenance, leased lines and energy	(28.5)	(31.6)	10.7
Advertising and promotion expenses	(49.2)	(49.5)	0.6
Customer relations costs	(15.3)	(19.0)	24.4
Office and points of sale maintenance	(3.5)	(3.8)	7.4
IT expenses	(7.9)	(6.9)	(12.9)
People related costs—cars, trainings and other	(3.3)	(3.7)	12.5
Finance and legal services	(4.8)	(3.8)	(21.9)
Advisory services provided by shareholders	(7.8)	(7.5)	(3.8)
Other external services	(11.9)	(25.8)	116.2
External services	**(132.2)**	**(151.5)**	**14.6**
Taxes and fees	**(16.4)**	**(18.5)**	**12.5**
General and administrative expenses	**(177.0)**	**(267.6)**	**51.2**
General and administrative expenses excluding retention programs valuation and special bonuses and advisory services provided by shareholders	**(192.6)**	**(223.7)**	**16.2**

Source: The Issuer

Total general and administrative expenses increased by PLN 90.6 million, or 51.2%, from PLN 177.0 million for the three months ended March 31, 2016, to PLN 267.6 million for the three months ended March 31, 2017, primarily due to increased expenses relating to salaries and social security, special bonuses and retention programs as well as cost of other external services.

Excluding the impact of the increase in retention program valuation and costs of special bonuses of PLN 59.7 million and advisory services provided by shareholders, general and administrative expenses increased by PLN 31.2 million, or 16.2% from PLN 192.6 million for the three months ended March 31, 2016, to PLN 223.7 million for the three months ended March 31, 2017, mainly as a result of increased salaries and social security as well as cost of other external services. Our controlling shareholders have agreed with the Group that no monitoring fee will be paid following the initial public offering. See "*Certain Relationships and Related Party Transactions—Fees for advisory services provided by shareholders and other fees*."

Salaries and social security

The cost of salaries and social security increased by PLN 9.6 million, or 18.5%, from PLN 51.7 million for the three months ended March 31, 2016, to PLN 61.2 million for the three months ended March 31, 2017. The increase was primarily due to an increase in the number of employees as a result of the growth in the Group's operations over the period as well as an increase in the cost of performance-related bonuses.

External services

External services costs increased by PLN 19.2 million, or 14.6%, from PLN 132.2 million for the three months ended March 31, 2016, to PLN 151.5 million for the three months ended March 31, 2017. This growth was primarily due to increased costs of other external services of PLN 13.9 million due to costs relating to the registration of prepaid subscribers required by the ATO Act and strategic projects out of usual scope of the Group's business, an increase in costs of network maintenance, leased lines and energy of PLN 3.0 million

due to the higher costs of energy as well as increased customer relations costs of PLN 3.7 million mainly due to the cost of call center services.

Taxes and fees

The cost of taxes and fees increased by PLN 2.1 million, or 12.5%, from PLN 16.4 million for the three months ended March 31, 2016, to PLN 18.5 million for the three months ended March 31, 2017, primarily due to the higher cost of non-deductible VAT.

Depreciation and amortization

Depreciation and amortization increased by PLN 49.5 million, or 35.1%, from PLN 141.0 million for the three months ended March 31, 2016, to PLN 190.5 million for the three months ended March 31, 2017. This increase resulted primarily from an increase in the amortization of intangibles of PLN 28.2 million, mostly due to amortization charges related to the 800 MHz and 2600 MHz frequencies, and an increase in depreciation of property, plant and equipment of PLN 21.5 million, resulting from increased gross book value of assets due to development of the Group's network as well as reviewed and adjusted fixed assets' residual values and useful lives.

Other Operating Income and Other Operating Costs

Other operating income increased by PLN 9.0 million, or 47.7%, from PLN 18.8 million for the three months ended March 31, 2016, to PLN 27.8 million for the three months ended March 31, 2017. Higher other operating income in the three months ended March 31, 2017, resulted primarily from the reversal of bad debt of PLN 3.5 million due to improved recoverability of overdue receivables and operating exchange rate gains of PLN 2.5 million due to the appreciation of the zloty against the euro.

Other operating costs decreased by PLN 23.3 million, or 64.7% for the same period under review. This decrease resulted primarily from a decrease of the cost of bad debts which was significantly higher for the three months ended March 31, 2016 mainly due to a one-off write-off of disputed interconnection receivables from the years 2011 to 2013 in an amount of PLN 12.7 million due to an unfavorable court ruling.

Finance Income and Cost

The following table presents a breakdown of finance income and finance costs:

	Three months ended March 31,		
	2016	**2017**	**Change %**
	Unaudited *(PLN in millions)*		
Interest income	3.6	9.0	148.4
Interest expense	(86.9)	(186.7)	115.0
Exchange rate gains/(losses)	(9.8)	92.3	—
Net loss on finance instruments at fair value through profit or loss	(11.4)	(166.6)	1,356.6
Finance income and costs	**(104.5)**	**(252.0)**	**141.2**

Source: The Issuer

Interest Income

Interest income increased by PLN 5.4 million, from PLN 3.6 million for the three months ended March 31, 2016, to PLN 9.0 million for the three months ended March 31, 2017. The increase in interest income for the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, was a result of a

higher amount of interest received on notes issued by Impera to the Group due to an increased outstanding balance of notes receivable.

Interest Expense

Interest expense increased by PLN 99.9 million, or 115.0%, from PLN 86.9 million for the three months ended March 31, 2016, to PLN 186.7 million for the three months ended March 31, 2017. Higher interest expense in the three months ended March 31, 2017, resulted mainly from redemption costs related to the repayment of the Old Senior Secured Fixed Rate Notes and the Old Senior Notes in March 2017.

Exchange rate gains or losses

Results on exchange rate differences changed from exchange rate losses of PLN 9.8 million for the three months ended March 31, 2016, to exchange rate gains of PLN 92.3 million for the three months ended March 31, 2017. This change resulted mainly from a lower valuation of our euro denominated debt due to the appreciation of the zloty against the euro in the three months ended March 31, 2017, compared to the depreciation of the zloty against the euro in the three months ended March 31, 2016.

Net loss on finance instruments at fair value through profit or loss

In the three months ended March 31, 2016, the loss on finance instruments at fair value through profit or loss resulted from the valuation of early redemption options embedded in the indenture relating to the Old Senior Secured Notes and the indenture relating to the Old Senior Notes of PLN 11.4 million. In the three months ended March 31, 2017, the loss on finance instruments at fair value through profit or loss comprised loss on the derecognition of the early redemption options asset of PLN 134.2 million as well as losses of PLN 32.4 million on derivatives used to hedge currency risk.

Comparison of the Year Ended December 31, 2015, and the Year Ended December 31, 2016

Operating revenue

Operating revenue increased by PLN 681.1 million, or 12.5%, from PLN 5,436.5 million for the year ended December 31, 2015, to PLN 6,117.6 million for the year ended December 31, 2016. This increase resulted from growth in most of our revenue categories, primarily in retail contract usage revenue, interconnection revenue and sales of goods and other revenue.

The following table presents a breakdown of operating revenue for the periods under review along with a percentage change over such periods.

	Year ended December 31,		
	2015	**2016**	**Change %**
	(PLN in millions)		
Service revenue	**4,059.5**	**4,492.8**	**10.7**
Usage revenue	3,180.1	3,432.0	7.9
Retail contract revenue	2,459.0	2,679.1	8.9
Retail prepaid revenue	642.9	640.0	(0.5)
Other revenue	78.2	113.0	44.5
Interconnection revenue	879.4	1,060.8	20.6
Sales of goods and other revenue	**1,377.0**	**1,624.7**	**18.0**
Operating revenue	**5,436.5**	**6,117.6**	**12.5**

Source: The Issuer

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 220.1 million, or 8.9%, from PLN 2,459.0 million for the year ended December 31, 2015, to PLN 2,679.1 million for the year ended December 31, 2016. The increase was primarily due to growth in our reported contract subscriber base of 1.3 million, or 18.3%, from December 31, 2015, to December 31, 2016, due to the continued success of our subscriber acquisition and retention strategy, which was partially offset by the decrease in contract ARPU due to the increased amount of subscribers using "family" offers.

Retail prepaid usage revenue

Revenue from retail prepaid usage decreased by PLN 2.9 million, or 0.5%, from PLN 642.9 million for the year ended December 31, 2015, to PLN 640.0 million for the year ended December 31, 2016. The decrease was primarily due to the decrease in our reported prepaid subscriber base of 1.0 million, or 14.6%, from December 31, 2015, to December 31, 2016, due to the prepaid registration process required under the ATO Act and continued migration of customers from prepaid to postpaid offers. See "*Regulatory Overview—Recent Developments—Act on Anti-terrorist Operations*."

Other usage revenue

Other usage revenue increased by PLN 34.8 million, or 44.5%, from PLN 78.2 million for the year ended December 31, 2015, to PLN 113.0 million for the year ended December 31, 2016. This increase was primarily due to the growth in traffic generated by the customers of our MVNO partners.

Interconnection revenue

Interconnection revenue increased by PLN 181.3 million, or 20.6%, from PLN 879.4 million for the year ended December 31, 2015, to PLN 1,060.8 million for the year ended December 31, 2016, as a result of the growing volume of traffic incoming to our network from other network operators and the increase in our contract subscriber base.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 247.8 million, or 18.0%, from PLN 1,377.0 million for the year ended December 31, 2015, to PLN 1,624.7 million for the year ended December 31, 2016. This increase was primarily due to the increased sales of devices to newly acquired and retained subscribers.

Operating expenses

Operating expenses increased by PLN 380.5 million, or 8.7%, from PLN 4,373.1 million for the year ended December 31, 2015, to PLN 4,753.5 million for the year ended December 31, 2016. This increase was primarily due to increases in interconnection, roaming and other services costs and cost of goods sold as well as depreciation and amortization charges partially offset by a decrease in general and administrative expenses as described in detail below.

Interconnection, roaming and other services costs

	Year ended December 31,		
	2015	2016	Change %
	(*PLN in millions*)		
Interconnection costs	(1,002.4)	(1,154.3)	15.2
National roaming/network sharing	(160.0)	(176.3)	10.1
Other services costs	(168.2)	(165.3)	(1.7)
Interconnection, roaming and other services costs	**(1,330.6)**	**(1,495.8)**	**12.4**

Source: The Issuer

Interconnection, roaming and other services costs were higher by PLN 165.2 million, or 12.4% and increased from PLN 1,330.6 million for the year ended December 31, 2015, to PLN 1,495.8 million for the year ended December 31, 2016, mainly due to an increase in interconnection costs of PLN 151.9 million, or 15.2%, from PLN 1,002.4 million for the year ended December 31, 2015, to PLN 1,154.3 million for the year ended December 31, 2016, as the result of the growth in the volume of traffic terminated on other networks due to the increase in our subscriber base over the period as well as due to the general increase in traffic per user.

Contract costs, net

	Year ended December 31,		
	2015	2016	Change %
	(*PLN in millions*)		
Contract costs incurred	(429.1)	(439.6)	2.5
Contract costs capitalized	395.4	422.0	6.7
Amortization and impairment of contract costs	(342.6)	(381.2)	11.3
Contract costs, net	**(376.3)**	**(398.9)**	**6.0**

Source: The Issuer

Contract costs, net consisting of both commissions paid to dealers and our own salesforce increased by PLN 22.6 million, or 6.0%, from PLN 376.3 million for the year ended December 31, 2015, to PLN 398.9 million for the year ended December 31, 2016, primarily due to the slow but continuous growth of our customer base.

Cost of goods sold

Cost of goods sold increased by PLN 184.9 million, or 15.7%, from PLN 1,181.2 million for the year ended December 31, 2015, to PLN 1,366.2 million for the year ended December 31, 2016, primarily due to an increase in sales of devices to newly acquired and retained subscribers.

General and administrative expenses

The following table presents a breakdown of general and administrative expenses.

	Year ended December 31,		
	2015	2016	Change %
	(PLN in millions)		
Salaries and social security	(214.6)	(220.3)	2.7
Special bonuses and retention programs	(93.1)	(7.2)	(92.3)
Employee benefits	**(307.7)**	**(227.5)**	**(26.1)**
Network maintenance, leased lines and energy	(111.6)	(119.4)	7.0
Advertising and promotion expenses	(181.0)	(198.1)	9.4
Customer relations costs	(66.6)	(65.7)	(1.3)
Office and points of sale maintenance	(15.9)	(15.7)	(1.3)
IT expenses	(30.1)	(29.5)	(1.9)
People related costs—cars, trainings and other	(19.2)	(18.9)	(1.3)
Finance and legal services	(18.5)	(19.9)	7.4
Advisory services provided by shareholders	(27.7)	(35.9)	29.7
Other external services	(54.9)	(63.9)	16.3
External services	**(525.5)**	**(567.0)**	**7.9**
Taxes and fees	**(54.5)**	**(64.0)**	**17.6**
General and administrative expenses	**(887.7)**	**(858.5)**	**(3.3)**
General and administrative expenses excluding retention programs valuation and special bonuses and advisory services provided by shareholders	**(766.9)**	**(815.5)**	**6.3**

Source: The Issuer

Total general and administrative expenses decreased by PLN 29.1 million, or 3.3%, from PLN 887.7 million for the year ended December 31, 2015, to PLN 858.5 million for the year ended December 31, 2016, primarily due to decreased employee expenses as a result of lower costs resulting from the valuation of retention programs, partially offset by increased network maintenance, leased lines and energy costs, advertising and promotion expenses as well as cost of advisory services provided by our shareholders.

Excluding the impact of a decrease in the valuation of employee retention programs and the costs of special bonuses of PLN 86.0 million and an increase in the cost of advisory services provided by shareholders, general and administrative expenses increased by PLN 48.6 million, or 6.3%, from PLN 766.9 million for the year ended December 31, 2015, to PLN 815.5 million for the year ended December 31, 2016, mainly as a result of increased network maintenance, leased lines and energy costs and advertising and promotion expenses, as well as cost of other external services.

Salaries and social security

The cost of salaries and social security for the year ended December 31, 2016, increased by PLN 5.7 million, or 2.7%, compared to the year ended December 31, 2015. The increase was primarily due to the higher number of employees resulting from the growth in our operations over the period.

External services

External services costs increased by PLN 41.5 million, or 7.9%, from PLN 525.5 million for the year ended December 31, 2015, to PLN 567.0 million for the year ended December 31, 2016. This growth was primarily due to an increase in the costs of network maintenance, leased lines and energy of PLN 7.8 million resulting from higher network maintenance costs due to an increased number of sites, increased spending on advertising

of PLN 17.1 million and an increase in costs of advisory services provided by shareholders of PLN 8.2 million.

Taxes and fees

The cost of taxes and fees increased by PLN 9.6 million, or 17.6%, from PLN 54.5 million for the year ended December 31, 2015, to PLN 64.0 million for the year ended December 31, 2016, primarily due to higher fees for the use of frequencies due to our purchase of frequencies in the 800 MHz and 2600 MHz bands in the year ended December 31, 2016.

Depreciation and amortization

Depreciation and amortization increased by PLN 36.8 million, or 6.2%, from PLN 597.3 million for the year ended December 31, 2015, to PLN 634.1 million for the year ended December 31, 2016. This increase resulted primarily from an increase in the amortization of intangibles of PLN 107.9 million, mostly due to amortization charges relating to our reservation of the 800 MHz and 2600 MHz frequencies partially offset by a decrease in depreciation of property, plant and equipment of PLN 68.2 million resulting from reviewed and adjusted fixed assets' residual values and useful lives.

Other Operating Income and Other Operating Costs

Other operating income decreased by PLN 7.8 million, or 10.0%, from PLN 78.5 million for the year ended December 31, 2015, to PLN 70.7 million for the year ended December 31, 2016. Higher other operating income in the year ended December 31, 2015, resulted primarily from the reversal of a one-off provision for potential liabilities to the UOKiK of PLN 10.7 million, which was due to a change in the Group's risk assessment concerning the potential liability, as well as higher interest income on cash of PLN 6.4 million due to our maintaining higher average cash balances in 2015. See "*Business—Legal Proceedings—Proceedings before the UOKiK President and the Competition Court—Info TV FM Proceeding*."

Other operating costs increased by PLN 68.4 million, or 89.9%, for the year ended December 31, 2016, as compared to 2015. This increase resulted primarily from a cost for a provision made for an early termination fee related to one of the Group's commercial agreements in the amount of PLN 20.4 million and an increase in bad debt costs of PLN 39.2 million, including costs of a one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to an unfavorable court ruling as well as an increased impairment allowance for receivables from installment sales resulting from increased sales volumes. Increased installment sales resulted in a significant balance of receivables recognized at contract inception and a corresponding impairment allowance recognized upfront accordingly to expected credit loss model.

Finance Income and Cost

The following table presents a breakdown of finance income and finance costs:

	Year ended December 31,		
	2015	**2016**	**Change %**
	(PLN in millions)		
Interest income	7.6	19.9	163.0
Interest expense	(310.3)	(336.8)	8.5
Exchange rate losses	(19.3)	(162.3)	742.4
Net gain/(loss) on finance instruments at fair value through profit or loss	(38.4)	115.0	—
Finance income and costs	**(360.4)**	**(364.1)**	**1.0**

Source: The Issuer

Interest Income

Interest income increased by PLN 12.4 million, from PLN 7.6 million for the year ended December 31, 2015, to PLN 19.9 million for the year ended December 31, 2016. Interest on the Old 2020 PIK Notes was typically serviced by way of notes issued by Impera in exchange for a cash payment by Play in an amount sufficient to pay interest on the Old 2020 PIK Notes. This created interest income at Play's level on notes receivable. The increase in interest income for the year ended December 31, 2016, as compared to the year ended December 31, 2015, was a result of an increased amount of notes receivable outstanding relating to intercompany notes between Play and Impera.

Interest Expense

Interest expense increased by PLN 26.5 million, or 8.5%, from PLN 310.3 million for the year ended December 31, 2015, to PLN 336.8 million for the year ended December 31, 2016. Higher interest expense in the year ended December 31, 2016, resulted from higher interest as a result of our higher average indebtedness (primarily as a result of the issuance of the Old Additional Notes and drawings under our Old Revolving Credit Facility) as well as the depreciation of the zloty against the euro in the year ended December 31, 2016, compared to appreciation of the zloty against the euro in the year ended December 31, 2015.

Exchange rate losses

Exchange rate losses increased from PLN 19.3 million for the year ended December 31, 2015, to PLN 162.3 million for the year ended December 31, 2016. This increase resulted mainly from the higher valuation of our EUR-denominated debt due to depreciation of the zloty against the euro in the year ended December 31, 2016, compared to the appreciation of the zloty against the euro in the year ended December 31, 2015.

Net gain or loss on finance instruments at fair value through profit or loss

The gain or loss on finance instruments at fair value through profit or loss resulted from the valuation of early redemption options embedded in the indenture relating to the Old Senior Secured Notes and the indenture relating to the Old Senior Notes.

Comparison of the Year Ended December 31, 2014, and the Year Ended December 31, 2015

Operating revenue

Operating revenue increased by PLN 846.8 million, or 18.5%, from PLN 4,589.7 million for the year ended December 31, 2014, to PLN 5,436.5 million for the year ended December 31, 2015. This increase resulted from growth in all categories of revenue, primarily in retail contract revenue, interconnection revenue and sales of goods and other revenue.

The following table presents a breakdown of operating revenue for the periods under review along with a percentage change over such periods.

	Year ended December 31,		
	2014	**2015**	**Change %**
	(PLN in millions)		
Service revenue	**3,398.4**	**4,059.5**	**19.5**
Usage revenue	2,761.3	3,180.1	15.2
Retail contract revenue	2,128.6	2,459.0	15.5
Retail prepaid revenue	587.4	642.9	9.5
Other revenue	45.3	78.2	72.6
Interconnection revenue	637.2	879.4	38.0
Sales of goods and other revenue	**1,191.2**	**1,377.0**	**15.6**
Operating revenue	**4,589.7**	**5,436.5**	**18.5**

Source: The Issuer

Retail contract usage revenue

Revenue from retail contract usage increased by PLN 330.4 million, or 15.5%, from PLN 2,128.6 million for the year ended December 31, 2014, to PLN 2,459.0 million for the year ended December 31, 2015. This increase was primarily due to growth in our reported contract subscriber base of 1.3 million, or 21.7%, from December 31, 2014, to December 31, 2015, due to the continued success of our subscriber acquisition and retention strategy.

Retail prepaid usage revenue

Revenue from prepaid usage increased by PLN 55.5 million, or 9.5%, from PLN 587.4 million for the year ended December 31, 2014, to PLN 642.9 million for the year ended December 31, 2015. This increase resulted primarily from growth in our reported prepaid subscriber base of 0.6 million, or 9.3%, due to the continued success of our subscriber acquisition strategy.

Other usage revenue

Other usage revenue increased by PLN 32.9 million, or 72.6%, from PLN 45.3 million for the year ended December 31, 2014, to PLN 78.2 million for the year ended December 31, 2015. This growth resulted from the increase in traffic generated by the customers of our MVNO partners, which represented an increase in wholesale usage revenue of PLN 30.0 million for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

Interconnection revenue

Interconnection revenue increased by PLN 242.3 million, or 38.0%, from PLN 637.2 million for the year ended December 31, 2014, to PLN 879.4 million for the year ended December 31, 2015, as a result of a

growing volume of traffic incoming to our network from other network operators due to the increase in our subscriber base.

Sales of goods and other revenue

Revenue from sales of goods and other revenue increased by PLN 185.7 million, or 15.6%, from PLN 1,191.2 million for the year ended December 31, 2014, to PLN 1,377.0 million for the year ended December 31, 2015. This increase resulted primarily from the increase in revenue from sales of devices to newly acquired and retained subscribers.

Operating expenses

Operating expenses were higher by PLN 578.9 million, or 15.3%, from PLN 3,794.1 million in the year ended December 31, 2014, to PLN 4,373.1 million in the year ended December 31, 2015. This increase resulted primarily from the growth of interconnection, roaming and other services costs and a higher cost of goods sold.

Interconnection, roaming and other services costs

	Year ended December 31,		
	2014	**2015**	**Change %**
	(PLN in millions)		
Interconnection costs	(776.5)	(1,002.4)	29.1
National roaming/network sharing	(179.6)	(160.0)	(10.9)
Other services costs	(142.4)	(168.2)	18.1
Interconnection, roaming and other services costs	**(1,098.5)**	**(1,330.6)**	**21.1**

Source: The Issuer

Interconnection, roaming and other services costs were higher by PLN 232.1 million, or 21.1%, from PLN 1,098.5 million for the year ended December 31, 2014, to PLN 1,330.6 million in the year ended December 31, 2015, mainly due to the increase in interconnection costs resulting from growth in the volume of traffic terminated on other networks due to the increase in our subscriber base as well as due to the general increase in traffic per user, partially offset by the decrease in national roaming/network sharing costs due to our roaming agreement with T-Mobile, which offered better commercial terms.

Contract costs, net

	Year ended December 31,		
	2014	**2015**	**Change %**
	(PLN in millions)		
Contract costs incurred	(376.7)	(429.1)	13.9
Contract costs capitalized	342.7	395.4	15.4
Amortization and impairment of contract costs	(284.3)	(342.6)	20.5
Contract costs, net	**(318.3)**	**(376.3)**	**18.2**

Source: The Issuer

Contract costs, net were higher by PLN 58.0 million, or 18.2%, from PLN 318.3 million for the year ended December 31, 2014, to PLN 376.3 million for the year ended December 31, 2015, due to continuous growth of the customer base resulting in more contract costs (sale commissions) being incurred and capitalized than amortized during the period.

Cost of goods sold

Cost of goods sold increased by PLN 196.4 million, or 19.9%, from PLN 984.8 million for the year ended December 31, 2014, to PLN 1,181.2 million for the year ended December 31, 2015, mainly due to an increase in sales of devices to newly acquired and retained subscribers.

General and administrative expenses

The following table presents a breakdown of general and administrative expenses.

	Year ended December 31,		
	2014	**2015**	**Change %**
	(PLN in millions)		
Salaries and social security	(203.1)	(214.6)	5.6
Special bonuses and retention programs	(83.8)	(93.1)	11.2
Employee benefits	**(286.9)**	**(307.7)**	**7.3**
Network maintenance, leased lines and energy	(109.5)	(111.6)	2.0
Advertising and promotion expenses	(170.1)	(181.0)	6.4
Customer relations costs	(66.8)	(66.6)	(0.3)
Office and points of sale maintenance	(14.3)	(15.9)	11.6
IT expenses	(28.9)	(30.1)	4.2
People related costs—cars, trainings and other	(18.9)	(19.2)	1.7
Finance and legal services	(19.5)	(18.5)	(4.8)
Advisory services provided by shareholders	(21.2)	(27.7)	30.5
Other external services	(49.6)	(54.9)	10.7
External services	**(498.6)**	**(525.5)**	**5.4**
Taxes and fees	**(67.0)**	**(54.5)**	**(18.7)**
General and administrative expenses	**(852.4)**	**(887.7)**	**4.1**
General and administrative expenses excluding retention programs valuation and special bonuses, advisory services provided by shareholders and one-off civil law activities tax	**(733.3)**	**(766.9)**	**4.6**

Source: The Issuer

Total general and administrative expenses increased by PLN 35.2 million, or 4.1%, from PLN 852.4 million for the year ended December 31, 2014, to PLN 887.7 million for the year ended December 31, 2015, mainly due to decreased employee benefits expenses, partially offset by increased costs of external services.

Excluding the impact of an increase in the valuation of employee retention programs and costs of special bonuses of PLN 9.4 million and an increase in cost of advisory services provided by shareholders of PLN 6.5 million, as well as cost of one-off civil law activities tax of PLN 14.2 million payable on the sale of 19.96% of the shares in Play by the Issuer to Glenmore, which was consummated in 2014, general and administrative expenses increased by PLN 33.6 million, or 4.6%, from PLN 733.3 million for the year ended December 31, 2014, to PLN 766.9 million for the year ended December 31, 2015, mainly as a result of increased advertising and promotion expenses and employee salaries.

Salaries and social security

The cost of salaries and social security increased by PLN 11.5 million, or 5.6%, from PLN 203.1 million for the year ended December 31, 2014, to PLN 214.6 million in the year ended December 31, 2015. The increase was in line with the increase of number of employees due to the growing scope of the Group's operations and the increase in employee bonuses resulting from an improved performance of the Group.

External services

External services costs increased by PLN 26.9 million, or 5.4%, from PLN 498.6 million for the year ended December 31, 2014, to PLN 525.5 million for the year ended December 31, 2015. This growth was primarily due to the increase in costs for network maintenance, leased lines and energy of PLN 2.2 million, due to higher energy costs, as well as an increase of PLN 6.5 million in shareholder advisory charges due to the increased volume of services delivered by shareholders to the Group in 2015.

Taxes and fees

The cost of taxes and fees decreased by PLN 12.5 million, or 18.7%, from PLN 67.0 million for the year ended December 31, 2014, to PLN 54.5 million for the year ended December 31, 2015, primarily due to the payment of a one-off civil law activities tax of PLN 14.2 million on sale of 19.96% shares in Play by the Issuer to Glenmore incurred in the year ended December 31, 2014.

Depreciation and amortization

Depreciation and amortization increased by PLN 57.1 million, or 10.6%, from PLN 540.1 million for the year ended December 31, 2014, to PLN 597.3 million for the year ended December 31, 2015.

Other Operating Income and Other Operating Costs

Other operating income increased by PLN 14.3 million, or 22.2%, from PLN 64.2 million for the year ended December 31, 2014, to PLN 78.5 million for the year ended December 31, 2015. Higher other operating income in the year ended December 31, 2015, resulted primarily from income from reversal of a one-off provision for potential liability to the UOKiK of PLN 10.7 million, which was due to a change in the Group's risk assessment concerning the potential liability, compared to reversal of legal provisions in the amount of PLN 4.8 million in the year ended December 31, 2014. Increase in other operating income resulted also from an increasing income from early contract termination fees by PLN 7.2 million due to the improved collectability of such fees.

Other operating costs decreased by PLN 10.2 million, or 11.8%, from PLN 86.3 million for the year ended December 31, 2014, to PLN 76.1 million for the year ended December 31, 2015. This decrease resulted primarily from a decrease of costs of bad debt of PLN 16.4 million resulting from improved collectability of receivables.

Finance Income and Cost

The following table presents a breakdown of finance income and finance costs.

	Year ended December 31,		
	2014	**2015**	**Change %**
	(PLN in millions)		
Interest income	1.5	7.6	398.4
Interest expense	(328.9)	(310.3)	(5.7)
Exchange rate losses	(81.2)	(19.3)	(76.3)
Net gain/(loss) on finance instruments at fair value through profit or loss	50.7	(38.4)	–
Finance income and costs	**(357.9)**	**(360.4)**	**(0.7)**

Source: The Issuer

Interest Income

Interest income increased by PLN 6.1 million, or 398.4%, from PLN 1.5 million for the year ended December 31, 2014, to PLN 7.6 million for the year ended December 31, 2015. Interest on the Old 2020 PIK Notes was typically serviced by way of additional notes issued by Impera in lieu of a cash interest payments by Play in an amount sufficient to pay interest on the Old 2020 PIK Notes. This creates interest income at Play's level on notes receivable. This increase resulted mainly from higher amount of interest on notes issued by Impera to the Group due to an increased outstanding balance of notes receivables.

Interest Expense

Interest expense decreased by PLN 18.6 million, or 5.7%, from PLN 328.9 million for the year ended December 31, 2014, to PLN 310.3 million for the year ended December 31, 2015. Higher interest expense in the year ended December 31, 2014, resulted primarily from a one-off write-off of loan origination costs that had not yet been amortized of PLN 28.3 million as well as PLN 12.4 million of break costs related to bank loans due to the extinguishment of these loans in January 2014. This was partially offset by higher interest charged on existing indebtedness in the year ended December 31, 2015, due to higher average indebtedness of the Group.

Exchange rate losses

Exchange rate losses decreased by PLN 62.0 million, or 76.3%, from PLN 81.2 million for the year ended December 31, 2014, to PLN 19.3 million for the year ended December 31, 2015. This change resulted mainly from the valuation of the EUR-denominated indebtedness due to strong depreciation of the zloty against the euro in 2014 versus a slight appreciation of the zloty against the euro in 2015.

Net gain or loss on finance instruments at fair value through profit or loss

The gain/loss on finance instruments at fair value through profit or loss resulted from the valuation of early redemption options embedded in the existing financing arrangements.

Liquidity and Capital Resources

Liquidity

Our historical liquidity needs have arisen primarily from the need to finance capital expenditures for the expansion of our operations, including the deployment of new technologies, the expansion of network coverage and efforts to maintain our quality of service. We have invested in the development of our network over the last several years, in particular in connection with the roll-out of our 4G LTE network and use of our most recent frequency reservations. The Group has historically been financed through equity capital (including contributions in kind), cash from operations, and borrowings under bank loans and notes. In connection with the 2017 Refinancing, the Group entered into the Senior Facilities Agreement, which provides for a Revolving Credit Facility in the amount of PLN 400 million. In addition, the Group has PLN 200 million available for drawing under the Local Overdraft Facilities.

In March 2017, the Group drew PLN 6,443.0 million under the Senior Facilities Agreement with Alior Bank Spółka Akcyjna, Bank Zachodni WBK S.A., BNP Paribas S.A., DNB Bank ASA, DNB Bank Polska S.A., PKO Bank Polski S.A., TFI PZU S.A. on behalf of PZU FIZ AN BIS 2, TFI PZU SA on behalf of PZU SFIO Universum and Raiffeisen Bank International AG as mandated lead arrangers and Bank Zachodni WBK S.A. as an agent.

Finance liabilities

The following table summarizes long-term and short-term finance liabilities for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2017.

	December 31, 2014	December 31, 2015	December 31, 2016	March 31, 2017
				Unaudited
		(PLN in millions)		
Long-term finance liabilities				
Long-term bank loans	–	–	–	6,151.3
Long-term notes liabilities	3,775.5	4,333.2	4,505.3	–
Long-term lease liabilities	607.7	663.4	669.6	691.3
Other debt	–	–	1.5	13.0
	4,383.2	**4,996.6**	**5,176.4**	**6,855.5**
Short-term finance liabilities				
Short-term bank loans	–	–	–	192.4
Short-term notes liabilities	89.1	99.2	102.9	–
Short-term lease liabilities	189.4	178.0	173.1	172.1
Other debt	–	–	1.1	7.1
	278.5	**277.2**	**277.2**	**371.6**
	4,661.7	**5,273.9**	**5,453.6**	**7,227.1**

The weighted average cost of term loan debt for the Group for the most recent interest period was approximately 4.7% (excluding interest rate hedging and assuming the WIBOR 1.7%).

Cash flows

The following table summarizes net cash flows from operating, investing and financing activities for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017.

	Year ended December 31,			Three months ended March 31,	
	2014	2015	2016	2016	2017
				Unaudited	
			(PLN in millions)		
Profit before income tax	**415.6**	**705.5**	**926.1**	**220.9**	**61.3**
Depreciation and amortization	540.1	597.3	634.1	141.0	190.5
Changes in contract costs	(58.4)	(52.8)	(40.7)	1.4	(2.7)
Interest expense (net)	327.4	302.7	316.9	82.9	177.7
(Gain)/Loss on finance instruments at fair value through profit or loss	(50.7)	38.4	(115.0)	11.4	166.6
Foreign exchange (gains)/losses	87.9	19.3	162.2	9.8	(92.0)
Gain on disposal of non-current assets	(3.5)	(3.9)	(8.8)	(1.0)	(2.5)
Impairment of non-current assets	(1.7)	1.7	6.3	1.8	(0.1)
Change in provisions and retention programs liabilities	33.9	61.2	(17.1)	(24.9)	21.0
Changes in working capital and other	65.5	(26.3)	(249.9)	(199.4)	(35.7)
Change in contract assets	(167.2)	(114.9)	3.1	(1.5)	(81.5)
Change in contract liabilities	2.5	1.0	22.6	7.4	0.2
Cash provided by operating activities	**1,191.3**	**1,529.1**	**1,639.7**	**250.0**	**402.7**
Interest received	1.9	0.1	0.1	—	—
Income tax paid	(10.5)	(4.2)	(52.2)	(51.3)	(159.4)
Transfers from restricted cash (operating)	—	0.2	—	—	—
Net cash provided by operating activities	**1,182.7**	**1,525.1**	**1,587.5**	**198.7**	**243.4**
Proceeds from sale of non-current assets	7.6	7.8	5.5	2.6	0.7
Proceeds from loans given	—	0.1	—	—	18.3
Proceeds from debt securities (Repayment of notes by Impera)	—	—	—	—	388.3
Purchase of fixed assets and intangibles and prepayments for assets under construction	(456.9)	(436.8)	(2,195.9)	(1,828.7)	(211.2)
Loans given	(0.1)	—	(17.9)	—	—
Purchase of debt securities (notes issued by Impera)	—	(144.0)	(141.1)	(69.7)	(68.9)
Transfer to other finance assets	(720.3)	—	—	—	—
Transfer from other finance assets	705.2	—	—	—	—
Net cash provided by/(used in) investing activities	**(464.3)**	**(572.9)**	**(2,349.3)**	**(1,895.8)**	**127.1**
Proceeds from finance liabilities	3,816.0	543.8	385.0	190.0	6,443.0
Distribution of share premium	(1,416.1)	—	—	—	—
Repayment of finance liabilities and relating finance costs	(2,927.9)	(437.0)	(839.2)	(176.1)	(4,811.0)
Purchase of debt securities (Notes issued by Impera)	—	—	—	—	(2,227.0)
Transfers from restricted cash	134.7	—	—	—	—
Other proceeds from financing activities	22.5	—	—	—	—
Other payments relating to financing activities	(22.4)	—	—	—	—
Net cash provided by/(used in) financing activities	**(393.2)**	**106.8**	**(454.2)**	**13.9**	**(595.0)**
Net change in cash and cash equivalents	**325.1**	**1,059.1**	**(1,215.9)**	**(1,683.2)**	**(224.5)**
Effect of exchange rate change on cash and cash equivalents	0.1	(0.1)	0.1	(0.0)	(0.2)
Cash and cash equivalents at the beginning of the period	**172.6**	**497.8**	**1,556.8**	**1,556.8**	**341.0**
Cash and cash equivalents at the end of the period	**497.8**	**1,556.8**	**341.0**	**(126.4)**	**116.3**

Comparison of the Three Months Ended March 31, 2016, and March 31, 2017, the Years Ended December 31, 2015, and December 31, 2016, and the Years Ended December 31, 2014, and December 31, 2015

Net cash provided by operating activities

Net cash provided by operating activities increased by PLN 44.6 million, or 22.5%, from PLN 198.7 million for the three months ended March 31, 2016, to PLN 243.4 million for the three months ended March 31, 2017.

Net cash provided by operating activities increased by PLN 62.4 million, or 4.1%, from PLN 1,525.1 million for the year ended December 31, 2015, to PLN 1,587.5 million for the year ended December 31, 2016,

primarily due to an increase in the profit before income tax of PLN 220.7 million from PLN 705.5 million to PLN 926.1 million.

Net cash provided by operating activities increased by PLN 342.5 million, or 29.0%, from PLN 1,182.7 million for the year ended December 31, 2014, to PLN 1,525.1 million for the year ended December 31, 2015, primarily due to increase in the profit before income tax by PLN 289.8 million from PLN 415.6 million to PLN 705.5 million.

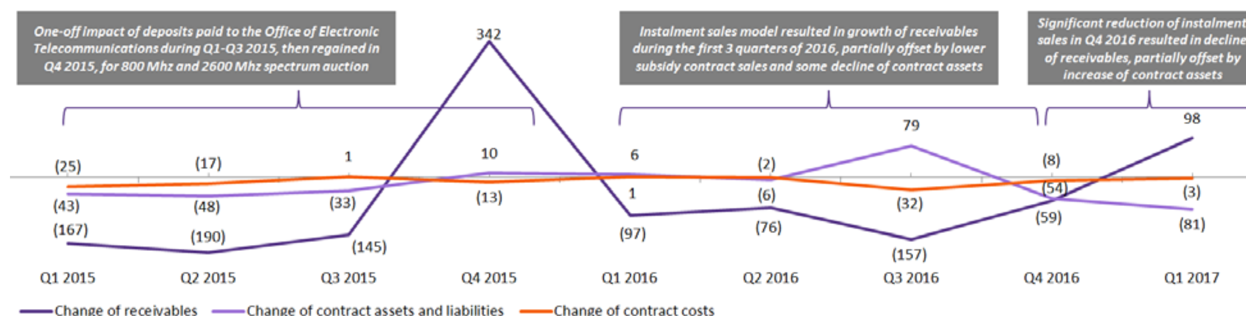
Cash flows from changes in working capital and other, change in contract costs and contract assets and liabilities comprised a negative change of PLN 119.7 million in the three months ended March 31, 2017. Following significant reduction in the amount of installment sales after October 2016, we reported a decreasing amount of receivables (our trade receivables balance was reduced by PLN 97.7 million in the three months ended March 31, 2017, generating positive cash flows), which was partially offset by growing contract assets (contract assets increased by PLN 81.5 million in the three months ended March 31, 2017). Installment sales being largely terminated in the fourth quarter of 2016, we expect installment receivables to decline over the next few quarters, benefiting the change in working capital dynamics.

The cash flow impact of changes in working capital and other, change in contract costs, contract assets and liabilities, comprised a negative change of PLN 264.9 million for the year ended December 31, 2016, increasing from a negative change of PLN 193.0 million in the year ended December 31, 2015, and from a negative change of PLN 157.6 million in the year ended December 31, 2014. This significant increase in negative changes in working capital and other was caused, largely, by growth in our sales of goods, resulting in an increase in receivables, and our strategy of selling a higher number of relatively more expensive models of smartphones under the installment sales model. The installment sales model was widely used by Play from the three months ended December 31, 2015, until October 2016, and was characterized by longer contract periods and lower upfront payments as compared to a subsidy model. As a result of this we recognized a substantial increase in the amount of receivables. These were partially offset by a lower increase in contract assets during the year ended December 31, 2015, as compared with the year ended December 31, 2014, and by a decrease in contract assets of PLN 3.1 million in the year ended December 31, 2016.

In addition, the development of changes in working capital and other was affected by the seasonality of our business. The seasonal factors affecting our working capital and other position are as follows: inventory restocking, following a period of higher sales in the three months ended December 31 of each year, and annual bonus payments made in the three months ended March 31 of each year. The seasonal patterns of the development of our changes in the line item “working capital and other” in our Financial Statements (as such term is defined in the notes to the Financial Statements and no other part of this Prospectus) as well as the change in contract assets, change in contract liabilities and change in contract costs are presented in the charts below:

Impact of Change in Receivables, Contract Assets and Liabilities and Contract Costs on Net Cash Provided by Operating Activities

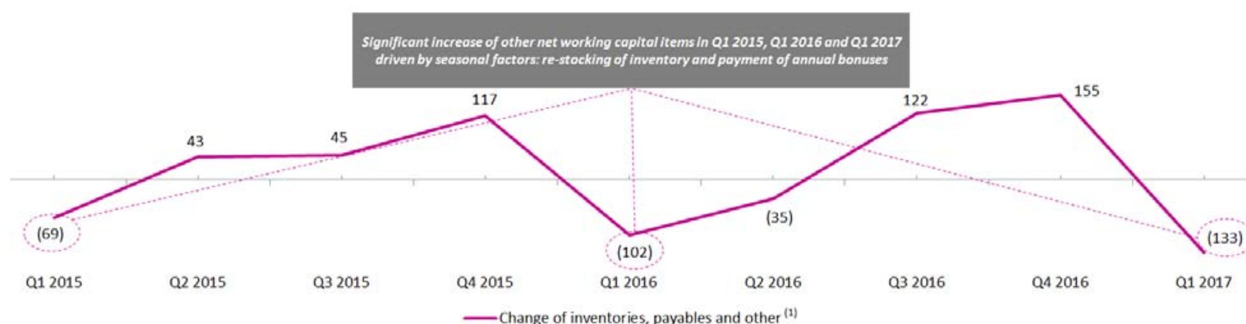
(In PLN million)



Source: The Issuer

Impact of Change in Inventories, Payables and Other(1) on Net Cash Provided by Operating Activities

(In PLN million)



Source: The Issuer

(1) "Payables" exclude investment payables; "other" includes prepaid expenses, accruals, other long-term receivables, other non-current liabilities and deferred income.

The following factors have affected the development of the "working capital and other" line item in our Financial Statements (as such term is defined in the notes to the Financial Statements and no other part of this Prospectus) as well as the change in contract assets, change in contract liabilities and change in contract costs in the past two years:

(i) the one off impact of deposits paid to the Polish Office of Electronic Telecommunications during the nine months ended September 30, 2015 (resulting in a significant increase in accounts receivable), then regained in the three months ended December 31, 2015 (resulting in a significant decrease in accounts receivable), for the 800 Mhz and 2600 Mhz spectrum auction;

(ii) the wide application of the installment sales model between the three months ended December 31, 2015, and October 2016, as described above; and

(iii) a significant increase in other line items in the "working capital and other" line item in our Financial Statements (as such term is defined in the notes to the Financial Statements and no other part of this Prospectus) in the three months ended March 31 in each of 2015, 2016 and 2017,

driven by seasonal factors such as the re stocking of inventory and the payment of annual bonuses, driving a negative change in inventories, payables and other categories of Net Cash Provided by Operating Activities, of PLN 69 million, PLN 102 million and PLN 133 million in the three months ended March 31 in each of 2015, 2016 and 2017, respectively.

For the illustration of the factors described in (i) and (ii) above, please refer to the above chart entitled "*Impact of Change in Receivables, Contract Assets and Liabilities and Contract Costs on Net Cash Provided by Operating Activities*." For the illustration of the factor described in (iii) above, please refer to the above chart entitled "*Impact of Change in Inventories, Payables and Other on Net Cash Provided by Operating Activities*."

The increase in income tax paid of PLN 108.1 million from PLN 51.3 million for the three months ended March 31, 2016, to PLN 159.4 million for the three months ended March 31, 2017, resulted from an increase in taxes paid for the respective fiscal years preceding the analyzed periods. The taxable profit for 2016 was higher than in 2015, mainly due to the lower amount of utilized tax losses incurred in prior periods.

Net cash provided by or used in investing activities

Cash flows from investing activities changed from a net cash outflow of PLN 1,895.8 million for the three months ended March 31, 2016, to a net cash inflow of PLN 127.1 million for the three months ended March 31, 2017. This change resulted primarily from payments to the UKE for new frequencies in the 800 MHz and 2600 MHz spectrums in the amount of PLN 1,704.4 million in the three months ended March 31, 2016, and proceeds from the repayment of notes issued by Impera of PLN 388.3 million in the three months ended March 31, 2017.

Cash used in investing activities increased by PLN 1,776.4 million, or 310.1%, from PLN 572.9 million for the year ended December 31, 2015, to PLN 2,349.3 million for the year ended December 31, 2016. This increase primarily reflects payments made to the UKE for new frequencies in 800 MHz and 2600 MHz spectrums in the amount of PLN 1,704.4 million in the year ended December 31, 2016.

Cash used in investing activities increased by PLN 108.5 million, or 23.4%, from PLN 464.3 million for the year ended December 31, 2014, to PLN 572.9 million for the year ended December 31, 2015. This increase primarily reflects the purchase of notes from Impera in the amount of PLN 144.0 million to facilitate the payment of the Old 2020 PIK Notes coupon in the year ended December 31, 2015.

Net cash provided by or used in financing activities

Cash flows from financing activities changed from a net cash inflow of PLN 13.9 million for the three months ended March 31, 2016, to a net cash outflow of PLN 595.0 million for the three months ended March 31, 2017. This change resulted primarily from the purchase of notes issued by Impera in the amount of PLN 2,227.0 million and repayment of the Old Notes in the amount of PLN 4,660.7 million which was partially offset by proceeds from Senior Facilities Agreement of PLN 6,443.0 million in the three months ended March 31, 2017.

Cash flows from financing activities changed from the net cash inflow of PLN 106.8 million for the year ended December 31, 2015, to a net cash outflow of PLN 454.2 million for the year ended December 31, 2016. This change resulted primarily from an increase in the repayment of finance liabilities and related finance costs from PLN 437.0 million for the year ended December 31, 2015, to PLN 839.2 million for the year ended December 31, 2016, mainly due to the repayment of the Old Revolving Credit Facility in the amount of PLN 385.0 million. Higher proceeds from finance liabilities in the year ended December 31, 2015, was due to the

increase in outstanding debt following the issuance of the Old Additional Notes in the year ended December 31, 2015, compared to the debt amount of Old Revolving Credit Facility drawn in the year ended December 31, 2016.

Cash flows from financing activities changed from a net cash outflow of PLN 393.2 million for the year ended December 31, 2014, to a net cash inflow of PLN 106.8 million for the year ended December 31, 2015. In the year ended December 31, 2014, the total proceeds from Old Notes issued amounted to PLN 3,816.0 million and were mainly used for the repayment of bank loans in the amount of PLN 2,499.5 million and the distribution of share premium of PLN 1,416.1 million. In the year ended December 31, 2015, the Group issued the Old Additional Notes, resulting in a cash inflow in the amount of PLN 543.8 million.

Capital Expenditures

The following table presents our capital expenditures and additions to right-of-use assets for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016, and March 31, 2017:

	Year ended December 31,			**Three months ended March 31,**	
	2014	**2015**	**2016**	**2016**	**2017**
		(PLN in millions)		*Unaudited (PLN in millions)*	
800 / 2600 MHz license acquisition costs	—	—	1,718.4	1,718.4	—
Radio network	328.8	259.5	391.3	53.0	47.3
Core & network operations center	63.8	73.1	73.0	8.0	4.5
IT	97.0	111.4	116.5	13.9	27.0
Other capital expenditures	19.7	60.9	30.4	3.0	1.7
Right-of-use assets[1]	113.5	172.3	146.1	20.5	61.5
Total capital expenditures and right-of-use additions	**622.8**	**677.2**	**2,475.6**	**1,816.8**	**142.0**
Cash adjustments, including increase in leasing liabilities and changes in investment payables and prepayments for construction in progress	(165.9)	(240.4)	(279.7)	11.8	69.2
Proceeds from sale of non-current assets	(7.6)	(7.8)	(5.5)	(2.6)	(0.7)
Total cash capital expenditures	**449.2**	**429.0**	**2,190.4**	**1,826.1**	**210.5**
Total cash capital expenditures excluding cash outflows in relation to frequency reservation acquisition	**449.2**	**429.0**	**485.9**[2]	**121.6**[2]	**210.5**

Source: The Issuer

(1) New leases were previously reported in the radio network, core & network operations center and other line items. They are now presented in the right-of-use assets line item.

(2) In the three months ended March 31, 2016, the Group acquired frequency reservations in the 800 MHz and 2600 MHz spectrums for the total price of PLN 1,718.4 million, of which PLN 14.0 million was paid in the year ended December 31, 2014, as a deposit securing the frequency and was finally accounted for in the price of the frequency reservation. The cash paid in the three months ended March 31, 2016, for the frequency reservations, was PLN 1,704.4 million.

General

The majority of our capital expenditures are associated with our capital-intensive mobile telecommunications network. We have invested strategically in our assets over the last several years and we are continuously reviewing various market opportunities for further spectrum acquisition which will enhance our frequency range. Our cumulative capital expenditures excluding frequency reservation acquisitions for the period from January 1, 2014, to March 31, 2017, were PLN 1,705.8 million. In January 2016, the Group acquired reservations in the 800 MHz and 2600 MHz spectrums for the total price of PLN 1,718.4 million, of which PLN 14.0 million was paid in the year ended December 31, 2014, as a deposit securing the frequency auction

and was finally accounted for the price of the frequency reservation. Over the periods described in this Prospectus, all of our capital expenditures were made within Poland. These capital expenditures were financed using our own funds derived from operating activities, and from external sources, such as interest-bearing bank loans.

We expect that our future capital expenditures in Poland will primarily comprise the discretionary build-out of our network as well ongoing extension and modernization expenditures, which will be financed using our own funds derived from operating activities, and from external sources, such as interest-bearing bank loans and finance leases. We expect our cash capital expenditures relating to our existing networks and operations, excluding cash outflows in relation to frequency reservation acquisition, for 2017 to be below PLN 700.0 million, the majority of which will be spent on further network build-out and anticipate additional capital expenditures relating primarily to further network build-out, of approximately PLN 500.0 million over the years 2018 to 2020, which is in addition to our regular cash capital expenditure levels (approximately 8% of operating revenues in the medium term).

Capital expenditures relating to radio network

Capital expenditures reported in the radio network line above generally refer to expenses associated with the build-out and upgrade of base stations, including all construction work, towers, antennas, feeders, jumpers and similar items, costs relating to building sites including site acquisition and administration and the acquisition of building permits, the UKE permits, environmental permits and other required permits. It also includes also the purchase of active telecommunications equipment including microwave links and IP routers.

Our physical footprint, which made up of base stations in our network, as of December 31, 2014, 2015 and 2016 and March 31, 2017, is set forth below. Individual physical sites may carry more than one technology:

	December 31,			March 31,
	2014	2015	2016	2017
Total number of physical sites	**4,422**	**4,798**	**5,137**	**5,178**
of which carrying 2G	4,208	4,731	5,038	5,054
of which carrying 3G	4,417	4,791	5,089	5,115
of which carrying 4G LTE	3,857	4,714	5,037	5,073

We launched our 4G LTE network in November 2013 with 831 4G LTE base stations and as of March 31, 2017, we had 5,073 4G LTE base station sites.

Capital expenditures relating to core network

Capital expenditures reported in the core network line above refer to network planning, network optimization and core systems development as well as system engineering for the core systems, which cover both, voice data and other services.

Capital expenditures relating to IT

Capital expenditures reported in the IT line item above generally refer to expenditures relating to IT and billing systems and infrastructure expansions, such as hardware purchases or upgrades, hardware and software reservations or software development.

Capital expenditure overview for the periods under review

Capital expenditures in the three months ended March 31, 2017, mainly related to the following:

- PLN 47.3 million in relation to investments in our radio network (mainly new base stations), in particular, in relation to the expansion of our 4G LTE network;
- PLN 4.5 million in relation to investment in our core network and network operations center, in particular, in relation to the expansion of our 4G LTE network;
- PLN 27.0 million in relation to IT, in particular, relating to the organic growth of the Group and subscriber base requiring hardware and system expansions, including an expansion of our billing system; and
- PLN 1.7 million in relation to other capital expenditures.

Capital expenditures in the three months ended March 31, 2016, mainly related to the following:

- PLN 1,718.4 million in relation to the acquisition of reservations in the 800 MHz and 2600 MHz spectrums;
- PLN 53.0 million in relation to investments in our radio network (mainly new base stations), in particular, in relation to the expansion of our 4G LTE network;
- PLN 8.0 million in relation to investment in our core network and network operations center, in particular, in relation to the expansion of our 4G LTE network;
- PLN 13.9 million in relation to IT, in particular, relating to the organic growth of the Group and subscriber base requiring hardware and system expansions; and
- PLN 3.0 million in relation to other capital expenditures.

Capital expenditures in the year ended December 31, 2016, mainly related to the following:

- PLN 1,718.4 million in relation to acquisition of reservations in the 800 MHz and 2600 MHz spectrums;
- PLN 391.3 million in relation to investments in our radio network (mainly new base stations and expansions), in particular, in relation to the expansion of our 4G LTE and 4G LTE Ultra network;
- PLN 73.0 million in relation to investment in our core network and network operations center, in particular, in relation to the expansion of our 4G LTE and 4G LTE Ultra network;
- PLN 116.5 million in relation to IT, in particular, relating to the organic growth of the Group and subscriber base requiring hardware and system expansions, including an expansion of our billing system; and
- PLN 30.4 million in relation to other capital expenditures.

Capital expenditures in the year ended December 31, 2015, mainly related to the following:

- PLN 259.5 million in relation to investments in our radio network (mainly new base stations), in particular, in relation to the expansion of our 4G LTE network;

- PLN 73.1 million in relation to investment in our core network and network operations center, in particular, in relation to the expansion of our 4G LTE network;
- PLN 111.4 million in relation to IT, in particular, relating to the organic growth of the Group and subscriber base requiring hardware and system expansions, including an expansion of our billing system; and
- PLN 60.9 million in relation to other capital expenditures.

Capital expenditures in the year ended December 31, 2014, mainly related to the following:

- PLN 328.8 million in relation to investments in our radio network (mainly new base stations), in particular, in relation to expansion of our 4G LTE network;
- PLN 63.8 million in relation to investment in our core network and network operations center, in particular, in relation to expansion of our 4G LTE network;
- PLN 97.0 million in relation to IT, in particular, relating to the organic growth of the Group and subscriber base requiring hardware and system expansions, including an expansion of our billing system; and
- PLN 19.7 million in relation to other capital expenditures.

Long-Term Financing Arrangements

As of March 31, 2017, the Group's total financial liabilities (principal increased by accrued interest) were PLN 7,326.4 million. In addition, the Group had PLN 400.0 million committed under the Revolving Credit Facility which was undrawn as of March 31, 2017, and uncommitted PLN 200 million undrawn under the Local Overdraft Facilities. See "*Use of Proceeds*" and "*Capitalization and Indebtedness*."

As of March 31, 2017, the principal amounts outstanding under the Group's financing arrangements, were as follows:

	Payment Due by Period		
	under 1 year	**1-5 years**	**over 5 years**
		(PLN millions)	
Term Loan Facilities	489.6	3,241.2	4,125.9
Leases	178.0	534.1	505.9
Other debt	7.5	13.3	—
Total[1]	**675.1**	**3,788.6**	**4,631.7**

Source: The Issuer

(1) The presentation includes the maturity of bank loans, notes, leases and other debt in contractual values (i.e. excluding the impact of nominal expenses incurred in relation to the loan and the liability), increased by projected value of interest payments. It excludes the Revolving Credit Facility and the Local Overdraft Facilities.

Certain other contractual commitments

Leases

Under the current accounting policies, lease liabilities resulting from contracts for long-term rentals of points of sale, office space, space for base stations, space for telecommunications cabinets at the collocation centers and dark fibers are presented as finance liabilities in the statement of financial position.

Frequency reservations

We have certain investment needs in relation to our frequency reservations. We built our network using allocated frequencies and, as of December 31, 2016, 800 MHz was enabled on 3,114 sites and 2600 MHz on 1,685 sites.

<u>800 MHz frequency reservation requirements</u>

The 800 MHz frequency reservation decision granted to Play on January 25, 2016, and replaced by the decision granted to Play on June 23, 2016, outlines a set of regulatory requirements applicable to Play. These require Play to invest in a telecommunications network covering 83% of communes defined as "white spots" in the Appendix 2 to Decision by no later than the 24 months from the date of the frequency reservation, and additionally to invest in a telecommunications network in 90% of communes defined in Appendix 3 by no later than 36 months and in 90% of communes defined in Appendix 4 by no later than 48 months from the decision. Additionally, Play must commence the provision of services which utilize 800 MHz frequencies by no later than twelve months from the date of the frequency reservation.

<u>2600 MHz frequency reservation requirements</u>

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

For details regarding our other frequency reservations acquired in previous periods please refer to Note 35 to our Audited Financial Statements and Note 34 to our Interim Financial Statements included in this Prospectus.

Contingent liabilities

We have certain contingent liabilities which are discussed in Note 36 to our Audited Financial Statements and Note 35 to our Interim Financial Statements included in this Prospectus.

Tax contingent liability

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

On July 15, 2016, amendments were made to the Polish tax ordinance to introduce the provisions of GAAR. GAAR was introduced to prevent the origination and use of factitious legal structures for the avoidance of tax payments in Poland. GAAR defines tax evasion as an activity performed mainly with a view to realizing tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities

similar to those referred to in items (i), (ii) or (iii) may be treated as an indication of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

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

The Group is not aware of any circumstances, which may currently give rise to a potential material liability in this respect.

Universal service liability to Orange Polska S.A.

The Telecommunications Law states that the obligation to provide universal services shall rest with the operator selected pursuant to a decision of the President of Polish regulator Urząd Komunikacji Elektronicznej (the "**UKE**") issued after a tender procedure. The President of the UKE issued a decision assigning Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) as the operator required to provide universal services until May 8, 2011. Telecommunications providers whose revenues from telecommunications activities exceed PLN 4.0 million have to co-finance the fulfillment of this obligation. The share in the funding that a telecommunications provider will be required to provide shall also be established by a decision of the President of the UKE; however, it may not exceed 1% of the telecommunications provider's revenues in the given calendar year, and must be proportionate to its market share vis a vis other entities obliged to co-fund the universal service. The amount of the share in the funding of the universal service shall constitute a deductible cost, as defined by the Act on Corporate Income Tax.

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

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

On May 24, 2011, the President of the UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 67.0 million (the total amount requested by Orange Polska S.A. was PLN 803.7 million). On January 10, 2012, the President of the UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of PLN 55.1 million (the amount requested by Orange Polska S.A. was PLN 269.4 million). On September 17, 2013, the President of the UKE issued a decision that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period from January to May 2011 in the amount of PLN 14.9 million (the amount requested by Orange Polska S.A. was PLN 33.8 million).

The administrative proceedings to set the level of Play's contribution to universal service for the year 2007 started on September 30, 2011, for the year 2008— started on November 30, 2011, for the year 2009— started on December 9, 2011, for the year 2010— started on May 22, 2012, and for the year 2011— started on October 14, 2013. In December 2016, on January 18, 2017 and on February 2, 2017, the President of the UKE

issued decisions setting the list of operators and the level of their contribution to the universal service for the years 2007, 2008, 2009 and 2010. On March 30, 2017, the President of the UKE issued the decision determining the exact amount of Play's contribution for 2007, which was PLN 6,493.10. The contribution is in line with the provisions recognized in the consolidated financial statements. On April 14, 2017, the President of the UKE, upon request for reconsideration of the case, issued a decision detailing the list of operators and the level of their contribution to the universal service for the year 2008. On May 25, 2017, the President of the UKE commenced the proceedings to determine the amount of Play's contribution for the year 2008. Decisions relating to Play's contribution to universal service for subsequent years are expected in the second half of 2017.

The Group has created a provision in the Financial Statements for Play's share in the universal service contributions based on the UKE decisions and on estimates prepared for the years 2008, 2009, 2010 and 2011.

Off-Balance Sheet Arrangements

As of March 31, 2017, we had no off-balance sheet arrangements.

Financial and Trading Position

There has been no significant change in the financial or trading position of the Group since March 31, 2017.

Qualitative and Quantitative Information on Market Risks

Our activities expose us to a variety of market risks including currency, interest rate, credit and liquidity risks. Our overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. 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.

The following sections discuss our significant exposure to market risk, however, we do not address other risks that we face in the normal course of business, including country risk and legal risk.

Currency risk

Substantially all of the Group's borrowings are denominated in zloty. Certain of our operating costs and capital expenditures are in euros and other currencies other than zloty (in particular in XDR, U.S. dollars and GBP). Currency risk relates to the volatility of cash flows (in respect of zloty) arising from fluctuations in the exchange rate of the zloty against other currencies, and the adverse effect of movements in exchange rates on net profit (in respect of zloty).

Our currency risk is regularly monitored by our senior management who decide if they will take actions, such as entering into derivatives, to protect against currency risk. As of the date of this Prospectus, we have no long-term currency derivatives in place to manage this risk but we may enter into such derivatives in the future, in order to be protected from foreign exchange movements.

Interest rate risk

The Group is exposed to interest rate risk related to short- and long-term credit facilities and leases with floating interest rates. The Group's historical interest bearing liabilities were based mainly on fixed interest rates.

Our interest rates risk is primarily limited to amounts drawn under the Revolving Credit Facility, amounts drawn under the Term Loan Facilities and other available working capital facilities.

Under the Senior Facilities Agreement, there is an obligation to hedge 33% of the outstanding Senior Facilities by fixing the interest rate for a three year minimum period, which has now been implemented. Other than pursuant to the foregoing, we currently do not envisage entering into any transactions to hedge any potential exposure to changes in interest rates.

Credit risk

Except as described below, the Group has no significant concentrations of credit risk because the Group has an extensive portfolio of receivables of low individual amounts.

A substantial part of the Group's receivables consists of billing receivables. The Group follows certain principles and procedures to limit the risks connected with billing receivables. These procedures include: verification of the credit quality of potential subscribers before signing the contract, payment monitoring, sending payment reminders, credit limits and receivables collection.

As of December 31, 2016, 2015 and 2014, 10.9%, 9.1% and 9.5%, respectively, of our receivables were attributable to aggregate receivables generated by three major debtors (other than individual subscribers) to which we provide services or sell goods. We constantly review the creditworthiness of these counterparties to limit any potential losses.

As of March 31, 2017, the Group had a substantial finance receivable from Impera in the amount of PLN 2,214.3 million. This receivable, including further accrued interest, will be redeemed before the Listing Date. See *"Capitalization and Indebtedness*."

The Group's cash is deposited only with high credit quality financial institutions.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Going forward, our main sources of liquidity will be cash generated through operations as well as amounts available under our Revolving Credit Facility, the Local Overdraft Facilities and other working capital facilities which we may enter into as permitted by Senior Facilities Agreement.

The following table summarizes long-term and short-term finance liabilities for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2017.

	Years ended December 31,			Three months ended March 31,
	2014	2015	2016	2017
				Unaudited
	(PLN in millions)			
Long-term finance liabilities				
Long-term bank loans	–	–	–	6,151.3
Long-term notes liabilities	3,775.5	4,333.2	4,505.3	–
Long-term lease liabilities	607.7	663.4	669.6	691.3
Other debt	–	–	1.5	13.0
	4,383.2	**4,996.6**	**5,176.4**	**6,855.5**
Short-term finance liabilities				
Short-term bank loans	–	–	–	192.4
Short-term notes liabilities	89.1	99.2	102.9	–
Short-term lease liabilities	189.4	178.0	173.1	172.1
Other debt	–	–	1.1	7.1
	278.5	**277.2**	**277.2**	**371.6**
	4,661.7	**5,273.9**	**5,453.6**	**7,227.1**

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

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

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide benefits for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Critical Accounting Policies, Estimates and Judgments

General

The preparation of consolidated financial statements in accordance with IFRS with early adoption of IFRS 15 and IFRS 16 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised as well as in any future periods affected.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial year are discussed below and also in Note 2.30 to our Audited Financial Statements and in Note 2.6 to our Interim Financial Statements included elsewhere in this Prospectus.

Significant judgments and estimates relating to application of IFRS 15

The application of IFRS 15 requires the Group to make judgments that affect the determination of the amount and timing of revenue from contracts with customers. These include:

- determining the timing of satisfaction of performance obligations;
- determining the transaction price allocated to them; and
- determining the standalone selling prices.

Goods and services may be sold separately or in bundled packages. For bundled packages, including, *e.g.*, mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct, *i.e.*, if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the adjusted contract term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contract term lapses. The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services.

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

Significant financing component

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

Material right considerations

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

Agent vs. principal considerations in relation to cooperation with dealers

The Group cooperates with a network of dealers who sell post-paid services (including these bundled with handsets) and prepaid services. The Group has assessed that it acts as a principal in this process, for the following reasons:

a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service—the Group is responsible for delivering airtime services to the end-customer and organizes the process of repairs of the equipment within the guarantee period,

b) prices of services and prices of equipment to customers are determined by the Group and not by the dealer;

c) dealers are remunerated in the form of commissions;

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

Significant judgments and estimates relating to application of IFRS 16

The application of IFRS 16 requires the Group 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, the contract term and determining the interest rate used for discounting of future cash flows.

For lease contracts with indefinite term or with the option to extend the lease on the same commercial terms the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it (*e.g.* economic useful life of foundations of telecommunications towers in case of lease of land on which the tower is located). 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 interest rate swap rate applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences.

Valuation of liabilities relating to retention programs

During the years ended December 31, 2016, 2015 and 2014, and the three months ended March 31, 2017, the Group operated cash-settled share based retention programs for key employees. A brief overview of these retention programs is set forth below. Please also see "*Management—Remuneration and Benefits*." For a more detailed description of the retention programs described below, see Note 20 to the Financial Statements included elsewhere in this Prospectus. None of the compensation paid under the below retention programs (to any person participating in such programs, including any members of the management or supervisory boards of Play or any of its affiliates prior to the date of this prospectus) were payable in stock options, as they were all cash-settled.

On the consummation of the Offering, it is intended that the retention programs described below (other than the VDP 3 plan, which expires on December 31, 2017) will be terminated and replaced with the performance incentive schemes described in "*Management—Remuneration and Benefits—New Performance Incentive Schemes.*" In addition, one member of the Management Board of Play entered into a management incentive plan with Play, under similar terms, which will also be terminated on the consummation of the Offering. The value of the potential liabilities under the performance incentive schemes described in "*Management—Remuneration and Benefits—New Performance Incentive Schemes*" has not yet been estimated.

The Group's fair value (using a geometric Brownian motion process) was the main input used for the valuation of retention program liabilities. As of March 31, 2017, the fair value of the Group was estimated using the multiply method on the basis of business projections for the years 2017-2020, respectively.

Profit Share Agreements

Certain members of the Management Board of Play (the "**PSA Managers**") entered into shadow share agreements ("**PSA SSAs**") with the Issuer in September 2014 (which have, in certain cases, been amended since such date). The PSA SSAs were structured as derivative financial instruments under the Polish Trading in Financial Instruments Act of July 29, 2005 (as amended), such that each PSA Manager was granted a certain number of participation units which entitled the relevant PSA Manager to participate in the proceeds ultimately received by the principal shareholders upon the occurrence of a "trigger event" (*e.g.*, change of control) and interim payments to the principal shareholders prior to a change of control (*e.g.* triggered by a share premium distribution from the Issuer to the principal shareholders). The PSA SSAs did not entitle the PSA Managers to any equity interest in any company in the Group.

Equity Grant Agreements

Certain members of the Management Board of Play (the "**EGA Managers**") entered into shadow share agreements ("**EGA SSAs**") with the Issuer in September 2014. The EGA SSAs were structured as derivative financial instruments under the Polish Trading in Financial Instruments Act of July 29, 2005 (as amended), such that each EGA Manager was granted a certain number of participation units which entitled the relevant EGA Manager to participate in the proceeds ultimately received by the principal shareholders upon the occurrence of a "trigger event" (*e.g.*, change of control) and interim payments to the principal shareholders prior to a change of control (*e.g.* triggered by a share premium distribution from the Issuer to the principal shareholders). The EGA SSAs did not entitle the EGA Managers to any equity interest in any company in the Group.

VDP 3

Under the VDP 3 plan, members of the Group's key personnel were granted share appreciation rights by Play in June and August 2015. In accordance with the conditions of the VDP 3 plan, program members are entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right is calculated in reference to the increase in fair value of Play's equity until the date of change of control over Play (a liquidity event), or until the end of the program in case a liquidity event would not take place before the end of the program. The program ends on December 31, 2017, and is not triggered by a sell down of shares by the Issuer's controlling shareholders unless that controlled shareholding goes below 50%.

The VDP 3 plan vests gradually from grant date to the date when program ends if the program member has not resigned or been dismissed by the Group until that date.

Historical Management and Employee Incentive Plans

Previously certain members of the Group's key personnel were granted share appreciation rights by Play through the VDP 1 Plan, VDP 2 Plan, SF 1 Plan, SF 2 Plan, and the EGA Employees Plan (together, the "**Plans**"), each of which are disclosed in the Financial Statements and the rights under which have now vested and been exercised. None of the Plans will remain in existence as of the Listing Date, except for VDP 3, which will expire on December 31, 2017. See "*Management—Remuneration and Benefits—New Performance Incentive Schemes*" for a description of incentive schemes following the Listing Date.

Valuation of the assets retirement obligation provision

As at March 31, 2017, the assets retirement obligation provision was calculated using a discount rate of 3.15% (3.62% as at December 31, 2016, 3.00% as at December 31, 2015, and 2.95% as at December 31, 2014), representing the interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the fixed assets that will be subject to retirement obligation. The discount period applied for the calculation in the years ended December 31, 2016, and December 31, 2015, has changed in comparison to the year ended December 31, 2014. The discount period applied for the calculation in the three months ended March 31, 2017, has not changed in comparison to the year ended December 31, 2016.

Deferred tax

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Group's income taxes. This process involves estimating the Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

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

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

Impairment of the Group's long-lived assets

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

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2016. The goodwill was allocated to the CGU identified as the entire Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Group's latest available financial projections for the years 2017-2021.

The test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2016. As a result no impairment loss has been recognized.

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

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

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount of the CGU may differ significantly in the future from the Group's current estimates.

Certain deviations from key assumptions may affect our assessment of the Group's long-lived assets impairment as follows:

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

Deferred charges—distribution costs of prepaid products

Distribution costs of prepaid offerings are deferred until the service is provided, *i.e.* a prepaid product is delivered to an end-user, and expensed at that time. However, as Play is unable to maintain records concerning the exact moment at which the prepaid offerings are delivered to end-users, it is estimated that the distribution services are rendered when prepaid offerings are first activated in Play's billing system. The

distribution costs of prepaid offerings that were not activated after a pre-determined period from the date of delivering the products to the distributors are treated as incurred and expensed at that time.

Impairment of billing receivables

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. The collectability ratio used for calculation as at March 31, 2017 is higher than in comparative periods.

BUSINESS

Overview

We are the second largest mobile network operator ("**MNO**") in Poland based on reported number of subscribers, with over 14.3 million subscribers as of March 31, 2017. We provide mobile voice, messaging, data offerings and video streaming and services to consumers and businesses on a contract and prepaid basis. We have grown our market share of total reported subscribers in Poland from 4.6% at the end of 2008 to approximately 27.6% as of March 31, 2017 and are the market leader in subscriber net additions in Poland, with more than 48% of all contract subscriber net additions in the three months ended March 31, 2017 (taking over 50% on average over the five years ended December 31, 2016). According to research by Analysys Mason, in 2016, we had the highest net promoter score (a ratio measuring the willingness of subscribers to recommend their current provider to others based on a holistic customer experience evaluation) ("**NPS**") of the four major Polish MNOs and across a wider range of global telecommunications operators with an NPS of 28. We have a strong business subscriber base and low churn (0.7% of contract churn in the three months ended March 31, 2017, measured on an average monthly basis).

We have maintained growth in our contract subscriber base, which has steadily increased as a percentage of our total reported subscriber base, from 47.3% as of December 31, 2014 to 60.5% as of March 31, 2017, while retail contract revenues represented 77.1%, 77.3% and 78.1% of our usage revenues for the years ended December 31, 2014, 2015 and 2016 respectively and 80.5% of our usage revenues for the three months ended March 31, 2017. Contract subscribers provide us the benefit of revenue stability and security due to fixed contract durations.

We are the fourth most valuable Polish brand according to Rzeczpospolita Daily. We are the number one brand in Poland, in terms of "top-of-mind advertising awareness," as well as brand image, among the four major Polish MNOs, based on SMARTSCOPE market research. As of March 31, 2017, we had over 850 dedicated "PLAY" branded stores. Our services are available to 99% of the Polish population through a combination of own network and long term national roaming agreements with the other three major Polish MNOs and we are pursuing a nationwide network roll-out in order to cover close to 100% of the population by 2020, in terms of data requirements. As of March 31, 2017, we provided 3G and 4G LTE coverage through our own network to approximately 92.4% and 92.3% of the Polish population, respectively, and approximately 95% of data traffic through our own network.

During the three-month period ended March 31, 2017 and at an exchange rate of PLN 4.2198 per EUR 1.00, which was the NBP exchange rate per euro as of March 31, 2017, we generated total operating revenues of PLN 1,580.8 million (EUR 374.6 million equivalent), which represented an increase of 9.6% period on period in PLN terms. Our Adjusted EBITDA for the three month period ended March 31, 2017 amounted to PLN 564.2 million (EUR 133.7 million equivalent), an increase of 20.8% period on period in PLN terms.

Our Strengths

Play has a well-established track record of revenue growth, which combined with operating leverage, growing margins, and controlled capital expenditure, has led to historically attractive and increasing cash conversion. We believe this success is attributable to the following key strengths:

Poland is one of the most attractive mobile communications markets in Europe

Poland is the largest economy in the CEE region, demonstrating sustained growth and continued improvement in the macroeconomic environment, driving an increase in disposable income and purchasing

power. We operate in Poland, which reported GDP per capita on a PPP basis of $27,730 in 2016 according to the EIU, compared to an EU average of $40,080. In recent years, the Polish economy has outperformed the EU average, with Polish real GDP growth of 1.4%, 3.3%, 3.8% and 2.7 compared to an EU average of 0.3%, 1.7%, 2.2% and 1.8%, in 2013, 2014, 2015 and 2016, respectively. We believe the Polish communications market will continue to grow as a result of economic growth due to steadily increasing disposable income that is driving increases in consumption expenditures (both increasing at a CAGR of approximately 4% since 2009 according to the Central Statistical Office of Poland), low unemployment rates (6.2% in the year ended December 31, 2016 per Eurostat), fiscal stimulus provided by the government-funded child benefit program, and a growing number of SMEs. Finally, the exchange rate between the zloty and the euro has remained stable since 2013, varying by approximately 5% around an average of 4.24 zloty per euro.

Poland is a structurally attractive mobile market with stable competitive dynamics. The Polish mobile communications market is well balanced in terms of the relative market shares of the four largest MNOs, and the relatively similar manner in which they operate, particularly when compared to the fixed line market, which is more fragmented. In 2016, the Polish mobile market was the main revenue contributor to the Polish communications market, generating revenues of approximately PLN 26.3 billion based on the publicly reported revenues of the four major Polish MNOs, which is approximately five times broadband market revenue. In terms of total number of users, Poland had approximately 52.0 million reported SIM cards, implying a penetration rate of 135% as of March 31, 2017, which has remained relatively stable despite the effects of the implementation of the ATO Act, which required customers to register their SIM cards and resulted in lower prepaid SIM card sales. Cumulative mobile revenues of the four largest MNOs have grown at a CAGR of 4.2% from 2014 to 2016, along with contract subscribers, which have grown from 28.3 million to 32.9 million over the same period. We believe there is still opportunity for further mobile service revenue growth in Poland, particularly driven by smartphone penetration which is expected to support an increase in data usage, mobile broadband services and growth in business customers.

Current pricing and market structure support mobile platform bundling, while fixed-mobile bundling uptake has been historically limited in Poland. Bundling in Poland is mainly relegated to double play offers (these currently represent a 77% share of the total bundle uptake per the UKE); primarily mobile telephony and mobile broadband. Historically, fixed-mobile bundling has not been very successful in the Polish market due to low price levels limiting the ability to offer further in-bundle discounts, low speed infrastructure (due to topography that is more favorable to mobile over fixed-line technology) and a fragmented landscape of fixed broadband and cable television players. While, according to Analysys Mason, mobile operators cover more than 99% of the population, the fixed broadband market in Poland is fragmented, covering only 53% of Polish households with quality broadband access. For these reasons the importance of the mobile platform in Poland is paramount and, according to PMR, has led to mobile broadband representing 52% percent of all internet subscribers. As per the EU Digital Agenda Scoreboard 2016, Poland also had the sixth highest mobile broadband penetration in Europe, amounting to 114.6%, above the EU 28 average of 84.7% (as of June 30, 2016 and defined as subscriptions per 100 people).

Market structure has historically limited the competitive impact of MVNOs and the entrance of new MNOs to the marketplace. In Poland, telecom service prices are low compared to most other European countries, thus mobile operators are largely able to grow operating margin with increased scale, providing a natural barrier to entry for new entrants, specifically MVNOs. This constraint has resulted in a Polish marketplace with no meaningful MVNOs (representing approximately 1% of the market). The MVNOs that are in place focus on the prepaid market or mobile as a bundled add-on. Further, we believe that it will be challenging for any new MNO to enter the Polish mobile communications market given the substantial costs of entry in order to effectively compete. A new entrant would require a substantial amount of radio spectrum (which is currently

very limited) and network infrastructure, as well as a distribution network, which given the exclusivity arrangements MNOs have with most of their dealers, would also be time and capital consuming to build out. Considering no new spectrum auctions are anticipated before 2020, the risk of a new MNO competitor in the short-term is limited.

Growth prospects in the Polish communications market remain attractive. Following other mobile markets, the increasing mix towards contract subscribers, combined with an increase in smartphone and tablet penetration, driving increased data consumption, as well as growing popularity of OTT services in Poland, is expected to continue to be a driver creating new opportunities, premium offers and related revenues. In Poland, the smartphone penetration of the mobile subscriber base is relatively low, with a penetration rate of 67% of the population as of December 31, 2016. These trends could impact our ARPU positively in two separate ways: first, a higher percentage of new customers purchasing plans with greater quantities of data, and second, the migration of lower tariff subscribers to higher tariffs driven by a shift from subscriptions with minimal data into plans containing higher quantities of data. In November 2015, we launched Tidal, a music streaming service, which was followed by the launch of PLAY NOW in August 2016, an OTT online video streaming and TV service. We expect that these initiatives will further support data-intensive smartphone usage among our subscribers and support ARPU growth which, on a blended basis, was approximately PLN 31.0 per month for the three months ended March 31, 2017.

PLAY is one of the fastest growing mobile operators in Poland and Europe

We are an exceptional "success story" in Poland with a differentiating subscriber growth trajectory. From the Group's year end in 2007 to March 31, 2017, we grew our subscriber base at a CAGR of 37%, with over 14.3 million subscribers as of March 31, 2017. In this time, we have established ourselves as a market leader through our consistent increase in market share year-on-year. We have been one of the most successful late entrants to the mobile market in Europe, gaining a subscriber market share of approximately 27.6% over our ten years of operations.

Most recognized communications brand in Poland. We employ "PLAY" as a one brand and communications platform across all of our offerings. "PLAY" was the strongest Polish brand in the communications category and was recently assessed as the fourth most valuable Polish brand according to Rzeczpospolita Daily. We believe that our "PLAY" brand, which we position as the "value-for-money" brand, is both distinctive and has broad appeal in the market. As of March 31, 2017, according to SMARTSCOPE, our brand image index topped Orange, Plus and T-Mobile, while we also had the highest level of advertising awareness amongst the competition in the Polish mobile market. We believe we have created clear brand positioning through simple, easy to consume and clearly targeted offerings.

Campaigns geared toward building a clear, simple and consistent brand image. In order to break through the mass of advertising material to which our potential subscribers are exposed, we strive to present our marketing messages in creative, clear and distinctive formats that distinguish us from the rest of the market. We believe the distinctiveness of our award-winning campaigns makes them highly persuasive to a wide audience and builds positive brand recognition.

We market our offerings via what we believe are effective and consistent advertising campaigns, which are highlighted by our ongoing "multi-celebrity" marketing campaign, which employs various Polish celebrities to advertise different "PLAY" product offerings or tariff plans. Based on SMARTSCOPE research results, our advertising campaigns garner the highest degree of awareness and attention among Polish MNOs.

In 2016, according to research by Analysys Mason we had the highest NPS of the four major Polish MNOs with an NPS of 28 (Orange: (18), T-Mobile: (9), Plus: (4)). Further, this research showed PLAY to have the

highest NPS across a wider range of global telecommunications operators. We believe that NPS is a useful tool to indicate our future sales and growth potential.

Play's controlled sales network drives an amazing customer experience and positions us as the operator of choice in Poland. Among the four Polish MNOs, we operate the largest nationwide sales network of dedicated stores, with more than 850 "PLAY" branded stores, across over 420 cities, as of March 31, 2017. We believe that our sales network has a strong presence in prime high street and shopping mall locations allowing us to capture an outsized share of contract net additions, given our store count vis-à-vis our competitors. In addition, in 2016, we were awarded both the "Service Quality Star" (for the 10th year in a row and earning us the title of "Star of the decade") and the "Golden Customer Laurel" award.

We have standardized our interior design and IT solutions to ensure that all our stores have a consistent, modern look and feel and to allow our sales force to operate in a similar manner across all of our stores. In addition, we exercise significant control over our sales network through a combination of direct ownership of stores in prime locations and a number of control measures we implement at our dealer-operated stores, such as exclusivity, lease control, commission schemes based on cost base plus premium and rights of first refusal (whereby we are given the opportunity to retain key locations for our stores in case the dealer decides to end its business activity). We believe the characteristics of our sales network enable us to deliver a uniform message in a cost-efficient way while allowing us to maintain strong visibility and market presence. This creates a consistent approach that drives better perceived service and customer service satisfaction that surpasses the other MNOs.

Well-performing and differentiated mobile platform with further upside potential. Over the past five years, we have gained the largest share of contract net additions, on average taking more than 50% (48% in the three months ended March 31, 2017). Contract net additions, combined with our high share in MNP gross additions (35% in the three months ended March 31, 2017), low contract churn (0.7% in the three months ended March 31, 2017) and strong business-to-business performance has led to a shift toward contract customers (a positive mix shift from prepaid to contract subscribers) and positive ARPU dynamics. For these reasons, we have successfully grown our market share and increased our handset sales.

Lean cost structure designed to provide further cost reduction through increased scale

We believe that we have an efficient, targeted marketing approach. Increased scale has resulted in more efficient IT systems expenditure over the past three years, reducing IT operating and capital expenditures from 2.7% to 2.4% (as a percentage of revenue), from the years ended December 31, 2014 to 2016, respectively. In addition, ongoing optimization of network costs have sustainably supported traffic and increased data usage per subscriber from 853MB to 2,773MB, while simultaneously reducing our network maintenance operating expenditures from 2.4% to 2.0% (as a percentage of revenue) for the years ended December 31, 2014 to 2016, respectively. Play's lean organization, with increasing efficiency in our IT and network expenditures, as a percentage of revenue, has been capable of supporting growth, demonstrated through a growing subscriber base and growing revenues between the years ended December 31, 2014 and 2016.

Network strategy to support future subscriber growth

Efficient network with competitive spectrum positioning to cover network requirements complemented by secure national roaming agreements. In recent years, we have significantly improved our spectrum position with the acquisition of an allocation of one block of 800 MHz and four blocks of 2600 MHz. Our existing technology-neutral spectrum assets in the 900 MHz, 1800 MHz and 2100 MHz bands, give us equal footing with our competitors. In 2013, we acquired an allocation of 2 × 15 MHz of 1800 MHz spectrum, which we purchased for PLN 498 million. In January 2016, we were allocated one frequency block of 800 MHz and

four frequency blocks of 2600 MHz for which we paid a total of PLN 1.7 billion in February 2016. The technology-neutrality of our frequency reservations has given us the flexibility required to accommodate the gradual technology shift in subscriber handsets and other devices from 2G through 3G to 4G LTE devices, allowing us to re-farm spectrum resources, when necessary, from GSM to UMTS and LTE. We believe that our IT infrastructure is fully customizable and allows deployment of a significant number of new offers and processes with a short time-to-market.

Ongoing optimization of network costs sustainably supporting traffic and network expansion. We are currently pursuing the execution of a cost-efficient full nationwide roll-out of our network, mainly in rural areas. We plan to achieve this roll-out with local vendors, placing less reliance on turn-key solutions, driving a faster and more cost-efficient roll-out ultimately expected to make us independent of our national roaming agreements. In the meantime, to support our network coverage while keeping costs low, we also provide mobile voice and data services under national roaming agreements which extend our available network to 99% of the population and provide our subscribers with unmatched network coverage with access to all four major mobile networks in Poland.

Our national roaming agreements secure provision of services to us with attractive commercial terms through a combination of contracts until 2022. We believe each of our national roaming partners is incentivized to continue receiving national roaming revenues from us, as revenues from our national roaming fees represent relatively high conversion to cash-flow for them, given the services are provided on their already existing network.

Return-focused approach to network build-out. We operate an extensive and modern 2G/3G/4G LTE communications network in Poland, with an all-IP and high capacity backbone. In March 2016, we were the first Polish MNO to launch our LTE carrier aggregation 4G LTE Ultra, which covered 79.4% of the Polish population as of March 31, 2017. We have incurred capital expenditures in relation to our communications network (*i.e.,* radio network, core network and network operations center) of PLN 1,241.2 million from January 1, 2014, to March 31, 2017. As of March 31, 2017, approximately 95% of our total network data traffic from our subscribers was served by our network. We believe that we optimally managed the timing of our 4G LTE roll-out, avoiding both the high 4G LTE infrastructure costs and the narrow selection of 4G LTE devices available to the first mover in the Polish market.

Impressive, consistent top-line growth and profitability supported by controlled, efficient capital expenditure leading to rapidly expanding cash flow conversion

Our growing subscriber base and attractive offerings and services, together with our focus on profitability, have historically provided strong revenue and margin growth. Separately, our attractive EBITDA margins coupled with our efficient approach to capital expenditure has led to a sustainable operating free cash flow margin and cash conversion profile. Moving forward, we believe continued increased data usage from our subscriber base, and continued migration of subscribers from prepaid to contract, will drive ARPU growth, sustaining attractive EBITDA margins into the future.

The following table sets forth our operating revenue, Adjusted EBITDA, cash capital expenditures and Adjusted EBITDA less total cash capital expenditures for the years ended December 31, 2014, 2015, and 2016.

	Year ended December 31,		
	2014	2015	2016
		(PLN in millions)	
Operating revenue	4,589.7	5,436.5	6,117.6
% growth	—	*18.5%*	*12.5%*
Adjusted EBITDA	1,435.8	1,785.7	2,035.3
Adjusted EBITDA margin (%)	31.3%	32.8%	33.3%
Total cash capital expenditures[1]	449.2	429.0	485.9
Adjusted EBITDA less total cash capital expenditures[1]	986.6	1,356.7	1,549.4
As % of Adjusted EBITDA	*68.7%*	*76.0%*	*76.1%*
As % of Operating revenue	*21.5%*	*25.0%*	*25.3%*

[1] Excluding cash outflows in relation to frequency reservation acquisition.

Experienced management team with proven track record

Our top management team, with an average telecommunications industry experience of over 20 years, and our founding shareholders combine international industry expertise and local markets knowledge with entrepreneurial drive. Our senior management team has a proven track record which has been acquired in leading international and domestic technology and communications companies. This expertise has led to innovative transformation and growth generation, particularly through the successful launch of new and innovative mobile offerings.

Play's success is also attributable to management fostering an organizational culture that prioritizes shared values, execution speed, strategic alignment and efficiency. This unique culture creates a passionate employee base that drives a shared company mindset to stay close to customers, approach work with a can do attitude, and deliver more for less.

Our Strategy

Our vision is to become the number one mobile company in Poland, in terms of revenues, in order to continue providing returns to our shareholders.

Our strategic objectives are as follows:

We want to continue to be number one in customer value

We want to continue to deliver the leading customer value offering through cost leadership in terms of data proposition, the widest device availability in the market, and by offering the best and unlimited content and VAS package.

We will continue leveraging our market-leading customer satisfaction and seek to continue expanding our market share. We will continue delivering customer value following a consistent and effective strategy that is based on simplicity, value-for-money positioning ("premium experience for the same price"), and our culture of innovation.

Simplicity is at the core of all of our business and consumer offerings. Customers' contract choice is currently based on a process involving only two steps: choice of the number of users and choice of the amount of unlimited services required. We plan to develop future offerings maintaining similar level of simplicity for our subscribers.

We aim to keep our offerings aligned with our value-for-money positioning, providing more value for our customers at stable price points. Moreover, we intend to deliver premium experience by enriching our offer, notably by innovating with partnership models as we have done with our music and video OTT services. We are focused on profitable growth, and do not expect to engage in competition based on lower prices and discounting.

We also believe that our culture of innovation will support the quality of our customer offerings by allowing us not only to take advantage of the changing market environment but also to create the market trends as we have achieved with our highly successful family and duo offerings.

We are aiming to continue being the leading mobile brand in Poland

We believe that our successful brand strategy built on smart advertising and award winning marketing campaigns will allow us to continue being the most chosen and favorite communications brand in Poland. We are one of the most trusted and innovative brands and are aiming to continue to invest in the quality of our brand.

We are aiming to continue delivering the best customer experience

We want to continue being the most recommended and convenient telecom across all touchpoints. We believe that our leading level of customer satisfaction, as measured by our NPS score of 28 (provided by Analysys Mason in 2016), is a key factor in driving additional customers to our offerings. This provides us with strong potential to gain further market share and supports our aspiration to become the market leader in the Polish mobile market by revenue.

We develop our market position in currently underpenetrated segments

Our strategy, in the consumer segment, is to increasingly address “generation X” and rural segments. This strategy is made possible by levering the maturity and visibility of our brand. We expect to achieve success in these segments by designing our targeted marketing campaigns, and by completing our nationwide network roll-out, in rural areas.

Our strategy in the business segment is to grow our presence in the highly attractive very small enterprise/SME segments (business customers with six to 100 employees) through dedicated, account-focused offers and a strong direct sales force. We are also committed to further enlarging our exposure to the SOHO segment (business customers with one to five employees) through a complete offering including voice, internet and fixed line substitution.

The foundations of our strategy are as follows:

Leverage our brand, distribution, and network advantages

Our nationwide store network accounted for approximately 76% of our new gross contract additions for the year ended December 31, 2016, and supports our corporate communications, marketing and promotional strategy. We intend to maintain our focus on our distribution network, making it as effective and efficient as possible, while also maintaining tight control over costs and we will leverage this strong retail platform to continue to grow our business. Our stores share a standardized, distinctive and modular POS design which provides for best-in-class satisfaction and productivity as well as flexibility when modifications are required.

At the same time, we also intend to actively leverage internet and telesales channels to increase the sale and visibility of all of our offerings. According to Gemius Megapanel, as of December 31, 2016, our play.pl website ranked fifth among all corporate websites in Poland in terms of the number of users, with more than

6 million unique users per month on our website and 2.5 million unique users of our online self-service portal and application. In addition to being a sales channel, we believe that our online presence will enhance our brand recognition and the customer experience as it adopts the same look as our retail network, and will also continue to act as the first line of information for our subscribers.

Our well-developed distribution network provides us with wide market presence and visibility to both new and existing subscribers. We aim to continue to deliver what we believe is a best-in-class retail experience, focused on ensuring customer satisfaction.

Focus on the completion of return-driven nationwide network roll-out and efficient use of available spectrum

The nationwide roll-out of our network is at the core of our strategy. Our exceptional capability to execute this ambitious network roll-out are driven by: (i) our track record of return-focused site selection, (ii) our cost-efficient all-IP backbone, (iii) experienced local project management teams allowing us to work directly with subcontractors and (iv) use of standardized and reliable passive and active infrastructure.

We believe that the full ownership of our nationwide network will further allow us to improve our national roaming economics, increase our independence from third party networks and our commercial flexibility for additional product offerings.

We are committed to maintain flexibility in relation to spectrum refarming with the aim of optimizing data traffic and offering the best performance and experience to our customers. Play performs an ongoing evaluation of potential options to acquire spectrum, taking into account business requirements and fit into our existing spectrum mix, auction form, and price, as well as other terms. We plan to make targeted acquisitions of additional spectrum if it is supported by a strong business case.

Focus on simple IT & operations

We have a cutting-edge IT infrastructure aligned with our business needs. We believe our IT infrastructure is prepared for future developments as we have a simple robust architecture, with modern components and no legacy systems, which is combined with our best-in-class industry platforms and in-house customized solutions. Our IT infrastructure is modern and upgraded to maintain market differentiation and support traffic growth. Our business centric approach enables faster time-to-market and management decisions on the back of a lean and cost efficient IT system.

Further enhance profitability and cash flow by maintaining a lean and cost-efficient structure

We are focused on delivering sustainable revenue growth driven by (i) a healthy Polish macro environment, with population, GDP and disposal income growth, (ii) ongoing market share gains, which we have demonstrated year after year, (iii) an improved number of contract subscribers compared to pre-paid subscribers, which has positioned us for greater visibility of future revenues, (iv) rational market competition supporting stable ARPU levels, with limited downside risk as Polish ARPU is very low in the European context, and (v) the increasing up-selling of our existing customer base.

We continuously improve our operational and financial efficiency with a view to managing costs without compromising on high-quality service and delivering a positive customer experience.

We have a lean capital investment model, allowing us to keep network roll-out costs on a low level compared to benchmarks of other operators. We plan to implement our nation-wide roll-out in a fast and cost-efficient

way with local vendors. Ultimately, we believe that these additional capital expenditures will support operational savings and higher cash flow generation and reduce our reliance on national roaming agreements.

Further, we aim to maintain a lean IT cost structure that is based on a mix of customized in-house solutions and prudent vendor selection as well as a disciplined approach to new technology purchases by waiting until the technology has matured and proven its performance and prices are lower than when first introduced. Beyond IT, we apply our simple, cost-efficient approach to non-IT operations (including general headcount, payment terms with suppliers, cost of sales, and debt collection, etc.).

History

In 2005, Netia S.A. ("**Netia**") and Novator formed a joint venture, Netia Mobile Sp. z o.o., to participate in a tender for UMTS frequency reservation. When Netia Mobile Sp. z o.o. won the tender, the joint venture changed its name to "P4 Sp. z o.o." On June 8, 2006, we entered into our first national roaming agreement with Plus, in order to capitalize on the benefits of national roaming. Later that year, through the use of the investment vehicle Tollerton, Olympia became our third largest shareholder through an asset-for-equity swap pursuant to which Olympia contributed over 300 retail stores into the Group. During 2007, the "PLAY" brand was launched commercially. Shortly afterwards, Netia divested its stake in Play to Novator and Olympia.

In 2008 we won a technology-neutral 900 MHz frequency tender. In late 2008 and early 2009, Tollerton made a combined capital injection of EUR 140 million, which increased its interest in Play to 50.3%. By 2009, our network coverage exceeded 80% of the Polish population. A national roaming agreement was entered into with Orange in 2010 and, in 2012, a third national roaming agreement was entered into with T-Mobile.

In February 2013, we won a tender for the 1800 MHz frequency, which was utilized to launch our 4G LTE services as the second operator in Poland with this technology. In July 2013, we reached the milestone of having over ten million subscribers. In December 2013 and September 2014, we further amended our national roaming agreement with T-Mobile, which amendments set out the terms of business conditions for the settlements between the parties until 2020 and the operational procedures, respectively. In November 2013, we launched our 4G LTE service, and due to intensive roll-out we have now extended our 4G LTE coverage to 92.3% of population in Poland as of March 31, 2017. In the three months ended December 31, 2015, we acquired frequency reservations in the 800 MHz and 2600 MHz spectrum for the total price of PLN 1,718.4 million which allowed us to expand to 4G LTE Ultra service in the three months ended March 31, 2016. In the three months ended September 30, of 2014, we exceeded 20% market share of mobile subscriptions in Poland achieving a market share of 27.6% as at March 31, 2017.

Operations

We operate a mobile telecommunications network and provide a wide range of mobile telecommunications services, including voice, messaging, video service (Play NOW) and data transmission services as well as VAS and sales of handsets and other devices, to individual and business customers (collectively our "retail" operations) under our umbrella brand, "PLAY." We also generate revenue from interconnection fees from other telecommunications operators where their voice and messaging traffic terminates on our network.

Our usage revenue, interconnection revenue and sales of goods represented 55.2%, 18.3% and 26.5%, respectively, of our total operating revenue in the three months ended March 31, 2017, and 56.1%, 17.3% and 26.6%, respectively, of our total operating revenue in the year ended December 31, 2016, with the remaining revenues generated primarily from the sale of handsets, USB modems and other devices sold through our distribution network.

Our offering and services are based around a core concept of "value for money," thus providing our subscribers with more content (minutes, SMS, data and video streaming) than our competitors offer for the same price, while keeping our ARPU comparable to that of our competitors. We believe our offerings are simple to use, flexible and easy to understand, and we deliver our offerings alongside high levels of customer service through our exclusive nationwide distribution network.

We offer a wide range of offerings and service packages designed to appeal to different groups of subscribers under various tariff plans, which are described in further detail below.

Retail operations

We provide offerings and services to individual and business subscribers in our retail operations.

Our individual subscribers include both:

- contract subscribers, including individual postpaid contract subscribers, subscribers to our MIX tariff plans and subscribers to our contract mobile broadband tariff plans; and
- prepaid subscribers, including prepaid voice tariff plan subscribers and prepaid mobile broadband subscribers.

Our business subscribers are all contract (and postpaid) subscribers, and include both:

- Small Office/Home Office, or SoHo, subscribers; and
- Small and Medium Enterprises, or SME, subscribers.

We offer a range of standardized tariff plans to our individual and business subscribers. We sell to our subscribers primarily through our stores but also via our website, telesales and business advisors channel.

Within our retail subscriber base, we provided mobile services to approximately 8.7 million contract subscribers (60.5% of our total reported subscribers), of whom 5.8 million were individual subscribers and approximately 2.9 million were business subscribers, and 5.7 million prepaid subscribers (39.5% of our total reported subscribers), as of March 31, 2017.

Contract subscribers accounted for 78.1% and 80.5% of usage revenue in the year ended December 31, 2016, and in the three months ended March 31, 2017, respectively.

Individual subscribers

We offer a range of contract, prepaid and MIX, as well as mobile broadband tariff plans, to our individual (residential) subscribers.

Contract offerings

Our contract offerings for individuals are standardized and include a variety of flat-rate tariff plans. All of our contract tariff plans include unlimited calls within the Play network ("on-net calls"), while our best-selling tariff plan includes unlimited calls to all mobile networks in Poland. We increasingly focus on sales of services such as messaging, data transmission and international roaming as permanent add-ons, which have strong appeal to our subscribers and allow us stability of revenues.

Our contract plans are available either with a handset or other device from our broad range, which we subsidize (except in limited circumstances), or without a handset or other device, in which case the subscriber

pays for the handset or other device separately. All of our contracts have fixed terms: generally 24 months for contracts with a handset.

Individual postpaid contract tariff plans

We offer three types of contract tariffs for individual subscribers, couples and families: FORMUŁA SOLO, FORMUŁA DUET and FORMUŁA RODZINA. All of our tariffs include unlimited calls to every network in Poland, whether to fixed lines or mobile numbers. Additionally the tariff plan includes unlimited SMS to other Play subscribers. Each tariff has three options available for customers, depending on how much "unlimited" is actually needed—Stan Nielimitowany Mini, Stan Nielimitowany or Stan Nielimitowany Dom Wi-Fi. "Stan Nielimitowany Mini" includes the above-mentioned unlimited calls to every mobile and fixed network, SMS to other Play subscribers and a data package. "Stan Nielimitowany" adds unlimited SMS to all mobile networks, unlimited data package, unlimited access to music (TIDAL) and videos (ShowMax). "Stan Nielimitowany Dom Wi-Fi" is dedicated to our most demanding customers. It adds unlimited home internet. All of our tariffs include EU roaming in line with the recently introduced "roam-like-at-home" regulation.

In June 2016, we started with a new tariff for couples called FORMUŁA DUET. Despite the popularity of our "family" offer, FORMUŁA DUET is intended to fill the gap between individual plans ("**SOLO**") and "family" plans ("**RODZINA**"). In January 2017, DUET had the biggest share of our total gross additions at 40%, as compared to 35% of FORMUŁA RODZINA and 25% of FORMUŁA SOLO.

In every tariff plan, subscribers can listen to unlimited music whenever they like, due to our partnership with Tidal. In August 2016, we introduced PLAY NOW; our online video service which offers access to live channels, catch up content and additional functionalities on smartphones, tablets, laptops and, via Google Chromecast, on TV screen, with no additional charge. Entry tier of channels are included in the subscription fee for new and returning Play customers. Additional tiers are available at an extra fee. PLAY NOW also allows subscribers to watch any TV show they have missed up to one week after broadcast and watch movies from our video-on-demand library once every two weeks.

All subscribers to FORMUŁA DUET and FORMUŁA RODZINA receive an extra SIM with home internet as a gift. Subscribers receive unlimited data for three months and after that each subscriber decides if he or she wishes to pay for unlimited data.

MIX tariff plans

Our MIX offers combine the characteristics of a prepaid and contract offer. Our MIX tariffs are contract plans based on a prepaid solution with a subsidized handset, pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires. After the top-up of a minimum monthly value takes place, a monthly package is activated that covers unlimited on-net calls and SMS/MMS messages, off-net calls and a data allowance package. Once the monthly package is used, standard rates apply.

There are two sets of MIX tariff plans: FORMULA MIX and Flexible FORMULA MIX, which differ in how accounts are topped up. FORMULA MIX is based on 24 top-ups at varying prices depending on the option chosen. The minimum monthly top-up value remains the same during the course of a 24 month contract. Flexible FORMULA MIX offers a better smartphone range due to its unique top-up mechanism. The first twelve top-ups required are made depending on the option chosen, while the remaining twelve top-ups are double that price. Our MIX tariff plans have proven popular among our subscribers, particularly with younger subscribers, as a flexible contract allows them to buy a subsidized handset and SIM card with a fixed upfront

cost and monthly cost control. In addition, our MIX tariff plans introduce our subscribers to our "unlimited" use concept, which has also proven popular and encourages migration to postpaid contract tariff plans.

Prepaid offers

Our prepaid offerings include five tariff plans, which the subscribers can complement with additional services from a variety of add-on offerings.

Our prepaid offerings allow subscribers to gain access to our network upon the purchase of a starter pack, which includes a SIM card with a fixed amount of credits to be used for mobile services. There are no monthly subscription fees or obligations to top-up in a prepaid offer. All prepaid tariff plans provide that subscribers can top-up at any time with the use of a prepaid top-up. Top-ups can be done in a number of ways, including using top-up scratch cards, ATMs, other electronic terminals or online. There are no handset subsidies provided (except in limited circumstances, such as one of our offers for children) and so the subscribers must provide their own handsets which can be bought separately at any of our stores as well as at third-party stores.

We believe that our prepaid offers appeal to a broad range of subscribers, and in particular, young users who may not be able to commit to a monthly subscription fee and senior users who may not use mobile services as often as contract subscribers. Our prepaid offerings also provide subscribers with the ability to control their costs; enabling them to decide up-front how much they wish to spend.

We design our prepaid tariff plans to ensure that each one attracts a different subscriber profile. Depending on which prepaid tariff plan is chosen, it may provide, for more demanding users, all-in-one tariff profiles (including unlimited on-net calls, unlimited all-net SMS and data packages for a fixed monthly fee), as well as less complex tariff plans such as free on net voice, SMS or internet after top up, unlimited all net SMS, unlimited on net voice or one year account validity. We believe these offerings also incentivize our prepaid subscribers to migrate to our contract tariff plans because these benefits are also found in our contract offers.

We actively monitor how our prepaid subscribers use our prepaid services and we run targeted up-selling campaigns aimed at increasing prepaid subscriber use and spending.

Prepaid tariff plans

We offer prepaid tariff plans to our customers, each of which is targeted at different types of subscribers. These include

- Play na Kartę (Standard) —including unlimited texts and calls to everyone on the Play network and low rates on calls and texts to other networks.
- Play na Kartę Lubię to!—including large internet packages after top-up targeting young smartphone users.
- FORMUŁA Play na Kartę—including unlimited on-net voice and SMS to appeal to cost-conscious subscribers.
- Play na Kartę odNOWA – featuring unlimited account validity and packages without expiry

Each of our prepaid clients on the above offers can activate additional data on device bundles, both as one time packages and cyclical packages recurring every month.

Mobile broadband

In order to provide a more competitive offering, in March 2016 we introduced a new set of data tariff plans with bigger data bundles and simpler choice for the customer. The price varies by customer preferences on data amounts and if he or she wants a mobile or home Wi-Fi solution.

There is no dedicated set of business data tariffs. This offer is available for both individual and business customers.

In 2016 we also introduced a new internet solution for our customers, called "Elastyczny Internet". This offer was dedicated to customers seeking an inexpensive and elastic internet solution. The concept behind the offering is that if the customer does not use the data, he simply doesn't pay. Additionally there is an option of getting a router for an extra charge.

We offer our contract mobile broadband services as either:

- "Mobile Internet" which refers to offers that are aimed at subscribers seeking a mobile solution and which are primarily sold with a mobile Wi-Fi router or USB dongle modem;
- "Home/office Wi-Fi" which refers to offers that are aimed at subscribers seeking to connect to broadband internet on one or more devices, in one location, and are sold primarily with home or office Wi-Fi routers;
- "Tablet and laptop" which refers to offers that are aimed at subscribers seeking to purchase a subsidized tablet, notebook or laptop, along with a mobile broadband tariff plan;
- "SIM only" comes without any subsidized device; and
- "Elastic Internet" refers to offers to customers who use the internet infrequently and who do not want to sign a long-term contract.

4G LTE Ultra—New LTE frequencies and network rollout

In March 2016, we introduced a new LTE Advanced network ("**4G LTE ULTRA**"): which allowed us to improve the network's performance, extend its coverage and increase its maximum data transfer speed. Within one year we managed to extend our LTE coverage from 78% to 92% and build 4G LTE ULTRA coverage to 79.4% of the population. In June 2016, we acquired an allocation of one block of 800 MHz and four blocks of 2600 MHz which allowed us to further expand our 4G LTE ULTRA offering. As of December 31, 2016, our total 4G LTE coverage reached 98.9% of the urban population in Poland.

Prepaid mobile broadband plans

Our prepaid mobile broadband tariff plan is aimed at customers who need an attractive mobile broadband service but do not wish to commit to a fixed contract and has proven particularly popular with users of tablets and other mobile computing devices primarily connecting to Internet at home using fixed broadband access, but wishing to maintain mobility options. We offer a variety of tariffs based on the amount of data customers desire.

Business subscribers

We offer various business contract solutions to SoHo and SMEs. Our main focus is the SoHo market, which is the largest business segment in Poland and, therefore, provides the largest opportunity to sell our service offerings. We provide standardized solutions rather than customized solutions for each individual business, in line with our strategy to keep our offerings and services simple and clear. The number of our business subscribers has been growing steadily since 2008 when we launched our offerings to business subscribers. As of March 31, 2017, we provided our services to approximately 2.9 million business subscribers. The number of our business subscribers increased by 20% in the twelve months ended March 31, 2017.

As of March 31, 2016, we were present with our offerings for business subscribers in one in three companies in Poland. According to Millward Brown, as of March 2016, at least one Play SIM activation was used by 34% of companies with registered business SIMs.

Business contract tariff plans

We offer one standardized tariff plan Formuła Biznes Box, which we launched in June 16, 2016. This plan provides unlimited voice, fixed, text and data for one monthly fee and it is available in 3 options: namely, single SIM, 2 SIMs and 3+ SIMs. Formuła Biznes Box also offers bundling with other business services such as office internet, fixed voice and digital presence pack (private domain, email, website) that can all be purchased at reduced prices only if it is for a new contract or for an existing contract extension. All tariff plans are standard SIM-only tariffs for 24 months and customers can choose a subsidized handset with a 24-month contract duration for each SIM he or she selects.

Additionally, bigger SME segment clients can have tailor made solutions prepared individually by direct business advisors. All business clients can also use the “two numbers on one SIM” solution, enabling the integration of private and business uses of a company phone and the ability to work on the move as all calls to an office fixed line can be diverted to the subscribers’ mobile phone.

“Fixed” telephony offers

We continue to offer “fixed” telephony for consumer and business subscribers (*i.e.*, mobile offerings with a “fixed” line number) with unlimited calls to Play mobile and Play fixed numbers with attractive discounts for our existing customers. Additionally, we introduced a new full unlimited offer with the best price on the market, targeted mainly to consumers 50 years and older.

Device offerings

We complement our service offerings with a wide selection of mobile phones, smartphones, tablets, netbooks, laptops and data-access devices (dongles, modems, routers) through our stores, telesales and website. We currently offer more than 100 handsets and other devices, including tablets and netbooks. Our device offerings are subject to change depending on trends in supply and demand. Our employees are suitably trained to be able to direct subscribers to choose the handsets which are most suited to their needs while at the same time being the most desirable option to us from a business perspective.

The majority of our handsets are in the PLN 200 to PLN 1,200 wholesale price range. We offer primarily handsets of well-known brands, such as Samsung, LG, Sony, Nokia, HTC, Huawei and other similar brands. We buy handsets from several handset providers to ensure that we do not become over-reliant on a single supplier. While certain handsets will be more attractive to certain demographics of subscribers, it is our aim, particularly with smartphones, to make them available and accessible to all of our subscribers.

Value added services

We provide our subscribers with a variety of basic and optional VAS such as caller-ID, calling line identity restriction, voice mail, call forwarding, call waiting, call barring and conference calling.

In April 2016 we launched a new product, Screen Insurance, that is sold widely in Play points of sale with handset contracts, which now has over 213,000 customers. As phone screen display breakage is relatively common, and its price is low (5 PLN per month), the product is popular with our postpaid subscribers.

In November 2015, we launched a partnership with Tidal to offer unlimited music consumption on smartphones, tablets and computers. As of the date of this Prospectus, this offer has attracted over 1.1 million customers since its launch and has very positive feedback. We intend this offering to support our "value-for-money" brand position and increase customer loyalty.

Moreover, depending on the offer and the devices used, our subscribers may take advantage of the broad selection of more sophisticated VAS which include:

- Multimedia and Mobile Content such as music services, e-books and audiobooks, games, maps and navigation services as well as other applications (each of which is provided by third party content providers);
- "One Invoice" system which allows Google Play application store and from April 2016 also Windows store purchases to be billed via our own billing system; and
- Insurance services of the leading insurance companies—such as mobile device insurance, life insurance, health insurance and others.

International roaming (roaming out)

Within our retail business we provide international roaming out services to our subscribers which allow them to use telecommunications services (voice calls, messaging, data transmission) while abroad and logged onto foreign networks.

The majority of international roaming services used by our subscribers are directed through European networks. In most countries we have multiple partners with respect to international roaming.

The maximum retail prices of our international roaming services are determined by EC regulations. See "*Regulatory Overview—International Roaming on Mobile Networks*" for details on the current retail prices and future prices.

Services to other telecommunications operators

We provide national and international roaming and other telecommunications services to telecommunications operators, such as services to MVNOs. We have 14 major MVNO partners.

The market for mobile termination of calls on the network of MNOs in Poland is regulated by the UKE President. Under the asymmetric MTRs regulations, which applied to us in our capacity as a new market entrant since the commercial launch of our operations in 2007, we were able to benefit from higher MTRs for calls terminated on our network than for calls terminated in competitors' networks until the end of 2012. With effect from January 1, 2013, the asymmetry was abolished, and with effect from July 1, 2013, the UKE President reduced the MTRs further for all operators.

MTRs are currently at historically low levels after significant reductions in the periods under review and we believe will remain constant in the medium term. From inception, asymmetric MTRs helped reduce our net mobile termination costs and historically we have had higher mobile termination revenues than mobile termination costs. From January 2013, due to the end of asymmetry in MTRs, our total mobile termination costs were higher than our mobile termination revenues. The reduction of the underlying MTR level in July 2013 allowed us to reduce overall net mobile interconnection costs. However, due to the low level of MTRs, the resulting net difference has been, and we expect will continue to be, immaterial to our business. The financial impact of the symmetry and gradual reduction in MTRs on our business, financial condition and results of operations will continue to depend on a combination of factors, including the volume of calls made by other operators' subscribers that terminate on our mobile network and the volume of calls by our subscribers which terminate on the networks of other operators.

Interconnections

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to all operators domestically and abroad. Direct interconnection agreements which we concluded with various domestic and foreign operators allow us to offer high quality services in Poland and abroad to our subscribers.

International roaming (roaming in)

We provide roaming in services to foreign mobile operators that allow their subscribers to use telecommunications services (voice calls, messaging and data transmission) while logged onto our network and outside their home network. We have developed our international roaming services by engaging in the sale of roaming services on our network to subscribers of foreign operators visiting Poland. We sell the roaming in service on our network based on discount agreements in exchange for obtaining favorable terms from foreign partners for handling the roaming traffic generated by our subscribers travelling abroad. This translates into a substantial reduction of our wholesale costs in relation to international roaming services, consequently enabling us to offer competitive international roaming services in terms of prices and quality to our subscribers.

Our revenues and costs from international roaming services are affected by the regulations of the EC setting the maximum wholesale rates for international roaming services offered in the territory of the European Union and the European Economic Area countries. EU Regulation 2015/2120 adjusted all roaming charges within the EU to like-home conditions as of June 15, 2017. Until such date, EU Regulation 2015/2120 set out maximum retail prices for roaming mobile services. We have taken the steps required to change our rates in order to comply with the new regulation. Wholesale prices for roaming mobile services has been set by Regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017, amending Regulation (EU) No 531/2012 with regard to rules for wholesale roaming markets. For details see "*Regulatory Overview—International Roaming on Mobile Networks*."

MVNOs

Mobile Virtual Network Operators ("**MVNOs**")/ Mobile Virtual Network Enablers ("**MVNEs**"), are operators that provide mobile voice and data services but do not own frequency reservations nor necessarily have the technical network infrastructure required to provide telecommunications services. Their operation is typically based on the frequency reservations and the infrastructure of existing MNOs. MVNEs mostly possess the billing platform and act as the aggregators for small MVNOs.

Under our MVNO cooperation agreements with various companies, we provide voice services, messaging, data transmission, Premium Rate Services, VAS, international roaming services, hosting services on our billing platform, customer service as well as other services depending on the needs of the MVNO and the scope of services they contract with us to provide. In terms of the technical model of cooperation with MVNOs/MVNEs, usually they are hosted on our core network elements using our billing platform, while their scope of responsibilities include customer care, marketing and sales activities.

MVNOs to whom we provide our services can be split into two categories. The first being companies primarily providing mobile services to the end-users in the prepaid model such as Virgin Mobile Polska Sp. z o.o. and Mobile Vikings (VikingCo Poland Sp. z o.o.). The second being major Polish alternative fixed line, satellite TV and cable TV operators such as Netia, ITI, Multimedia Polska and Vectra, which bundle mobile products with their fixed line or TV services portfolio in a post-paid model.

Our broad scope of services allows us to efficiently cooperate with the MVNOs/MVNEs in various technical models, starting from technologically advanced services for partners who possess their own telecommunications infrastructure (*i.e*., their own core network elements and IT & billing platforms, such as Truphone, Virgin Mobile Polska Sp. Z o.o., and NAKA) to the full range of network, IT and billing services for parties that are not capable of maintaining such operations on their own and would like to focus only on marketing and sales activities.

Marketing and branding

Marketing

Our marketing strategy is characterized by the following objectives: (i) attracting first time subscribers and subscribers of other operators who want to increase their service usage without paying more; (ii) retention of existing subscribers and the migration of these existing subscribers to higher revenue services; and (iii) protection of existing revenue sources. These objectives are achieved through several principles and include: (a) offering value for money; (b) becoming a leader in the 4G LTE subscriber experience; and (c) always remaining simple in our message and delivering to the subscribers exactly what we have promised.

We market our offerings through a mix of television, out of home, press and radio advertising, with the Internet playing an increasingly important role. Our campaigns are geared toward building a clear, simple and consistent brand image. In order to break through the mass of advertising material to which our potential subscribers are exposed, we strive to present our marketing messages in creative, clear and distinctive formats that distinguish us from the rest of the market. We believe the distinctiveness of our award-winning campaigns makes them highly persuasive to a wide audience and builds positive brand recognition.

Branding

The essence of our brand is to offer standard solutions for voice and data services with unlimited freedom. This has contributed to us becoming one of the fastest growing brands in Poland.

In a mature market, such as the Polish mobile market, we believe the purchasing decisions of a majority of subscribers are strongly driven by image and brand loyalty. Therefore, we work to provide a consistent image and high quality subscriber experience in the vital spheres of subscribers' interests, including a range of available offerings, quality, usefulness, usability of customer care service and usability of self-information and self-service channels. We believe that all of these elements have led to our market-leading NPS score of 28 in 2016, according to Analysys Mason.

We have focused our marketing efforts on customer service in order to position our brand as a provider of the best-in-class customer experience. Our brand image is additionally strengthened through the fact that each of our stores, regardless of whether it is our own store or a dealer-operated store, has the same appearance and design. This is important as brand success is correlated with consistent marketing and branding campaigns. Our brand has the highest brand image score of the four major MNOs in Poland as at December 31, 2016, according a Smartscope research.

Sales and distribution

Distribution channels

We believe we have an effective and efficient distribution network comprising of our own-operated and dealer-operated stores that are in desirable locations which substantially cover the entire territory of Poland. Our distribution network is also supported by our specialized business customer advisors (a dedicated team of business advisors who can meet directly with customers in order to create a more personalized service), our website and telesales. For the year ended December 31, 2016, approximately 76% of our new contract additions were generated by stores, with approximately 24% generated by our specialized business customer team, telesales and our website.

We also provide SIM-recharging services indirectly through approximately 60,000 prepaid outlets for our prepaid customers.

Stores

We market our offerings and services primarily through our award-winning nationwide distribution network of over 850 dedicated "PLAY" branded stores as of March 31, 2017, a significant number of which are situated in prime locations across Poland, which we believe is more than all of the branded stores of our other Polish competitors (Orange has approximately 800 stores, Plus has approximately 730 stores, and T-Mobile has approximately 600 stores). In April 2015, we launched a project to redesign all of our branded stores to create a best-in-class retail network which was completed by the end of August 2015, with over 800 shops having been remodeled. These stores provide our offerings on an exclusive basis, similar to the model adopted by the other leading Polish mobile operators, and cover substantially the same geographic area as the distribution networks of the other Polish mobile operators. We are present in substantially all towns and cities in Poland with a population in excess of 20,000. We measure the performance of all of our stores continuously, with daily reporting of footfall and sales conversion to ensure that a desirable level of productivity is achieved, and we rigorously monitor our distribution network to ensure that underperforming locations are improved or discontinued or relocated.

Our stores are designed to impress, while remaining cost-efficient. We have relatively low costs of design and construction per store. We have standardized our furniture, IT solutions and interior design in such a way that ensures that our stores all have a consistent look and feel. This consistent look and feel supports the PLAY brand as customers receive the same high levels of service in familiar surroundings in each of our stores. This also allows our sales force to operate in a similar manner across all of our stores. We can also roll-out refurbishments or new product category introductions cost-efficiently across our store network as the in-store concept is modular and materials and processes required are similar in each location, as we did with one of the product categories in 2016.

We recruit our sales employees based on sales competency and a specified set of attributes which we value in our employees. We provide training focused on in-depth knowledge of our offerings and services, development of sales techniques and efficiency which continues throughout our employees' careers. To

maximize incentives for our sales staff, employees in our own stores receive a bonus which is correlated to the number of contracts which they generate and employees in dealer-operated stores operate on a commission basis which also depends on the number of signed contracts. The employees in both our own-operated and dealer-operated stores are provided with specialist marketing support and branding materials to deliver a high quality service. We closely monitor the implementation of the standards used for training, network management and sales quality, including through the use of mystery shopper programs.

Our device offerings are adjusted depending on trends in supply and demand. Our employees are suitably trained to be able to direct customers to choose the handsets which are most suited to their needs while at the same time being valuable and/or cost effective to us from a business perspective. We operate on a flexible and reactive inventory management system, which means we can react quickly to opportunities in the supply chain (for example, the sudden availability of a number of handsets at a favorable price), bring them into our stores quickly, and train the staff in our stores to promote those handsets. We are able to re-stock our key handsets within 48 hours at each of our locations.

We exercise significant control over our distribution network through a combination of direct ownership of the most valuable high street and shopping mall locations and a number of control measures for dealer-operated locations, which include prudent lease management, incentive schemes, exclusivity and rights of first refusal. This right of first refusal allows us to retain key locations for our stores in case the dealer decides to end its business activity. At our discretion, we may either acquire an enterprise of a given dealer or give the dealer our consent to enter into such transaction with any other third party.

Of our more than 850 stores, we operate approximately 24%. The remaining stores are dealer-operated stores. We pay commission for each sale by our dealer-operated stores which is related to the value of the sale.

Our stores are conducted under dealer agreements under which the dealer is entitled to enter into further sub-deal agreements. The vast majority of both kinds of agreements are concluded for an unspecified period of time and provide very similar terms as to remuneration and right of first refusal. Each dealer's remuneration is calculated depending on contract value and volume of sales they deliver. Different commission rates are applied depending on the offerings or products sold.

Website and telesales

The offers and services on our website are available to all customers. While not currently a core sales channel, we believe our website will increase in importance in the future as customers switch from using traditional distribution channels to the internet. As well as being a sales channel, our website further supports our brand and customer experience by continuing our consistent look and messaging, as well as providing a first line of information for our customers. In the year ended December 31, 2016, our website was visited by approximately 6 million unique visitors each month.

We also generate sales through our telesales department, located in our call centers, which is frequently used to renew the contracts of existing customers. We cooperate with a majority of important external call centers in Poland, expanding our consultant base to a total of approximately 2,400, as of December 31, 2016.

Distribution to business subscribers

Our standardized offerings allow SoHo customers to be serviced at any of our stores, our call centers, and via our website. While SME customers and corporates can be serviced at our stores, we also have a dedicated team of more than 800 active personnel dedicated to business subscribers who can meet directly with them in order to provide a more personalized service.

Customer service and retention

Customer service

Our customer service policy is focused on providing customers with the best experience and standardized high-quality service aimed at reducing churn. Our customer service covers the entire customer life cycle. We strive to provide our customers with our key customer service competencies: availability, competency, first contact resolution and user-friendly service.

The core of our customer service is a call center system that enables us to efficiently respond to customer calls and written requests. We cooperate with several call center sites located in different regions of Poland, which allows us to split and distribute incoming calls and e-mails among those call centers seamlessly, thereby giving customers the impression that our customer service is delivered from one site using standardized and unified processes.

We believe that our call center operations have a high level of effectiveness, despite their large scale: in the year ended December 31, 2016, we served almost 8 million contacts, while average speed of answer was at the level of less than 12 seconds, 81% of incoming calls were answered during the first 20 seconds and 88% of customers' requests were handled during the first contact.

We provide customer service using a multichannel approach. Customers may contact us not only via our contact center or point of sale, but also may send a written request, query or claim using e-mail, letter or self-care solutions, which allow them to self-manage their accounts. These solutions are: PLAY24 (self-care web pages and mobile application), Interactive Voice Response, SMS, USSD codes (Unstructured Supplementary Service Data), or e-mails through Play's website. We also provide customer service online on our Facebook page, Twitter profile or through our corporate blog and forum.

According to Smartscope research, which was conducted in January 2017 and tested customers' satisfaction with quality of telephone customer service, we received the highest evaluation among all leading MNOs in Poland in a variety of service attributes including overall evaluation and customer effort. Forty-eight percent of respondents indicated that PLAY has the best customer service among all leading operators in Poland (Orange—40%, T-Mobile—28%, Plus—37%). However, yearly evaluations prepared by external research agency are not sufficient for us and we also review our service and adapt accordingly based on constant feedback gathered directly from our customers. For instance, we send a SMS messages asking customers about overall satisfaction after they call our call center and ask them to review their experience. In 2016 we received the score of 5.56 on a scale from 2 to 6, where 6 is the best evaluation.

Our customers appreciate our efforts and constant development and we have received numerous consumer awards for customer service quality, for example, a Service Quality Star ten times in a row, which gave us the title of Star of the Decade and we also received, as part of a nationwide customer survey, the Golder Laurel of Customer (*Laur Klienta*) award 6 times in a row.

Retention policy

The key assumptions and objectives of our retention policy are minimizing churn, building value through retention and strengthening our brand image.

To retain customers we emphasize the importance of high quality customer experience through training for both our own employees and those within our dealer-operated stores. Our success in this respect is demonstrated by our recent assessment by Analysys Mason as having the highest net promoter score (a ratio measuring the willingness of subscribers to recommend their current provider based on a holistic customer

experience evaluation) of the four Polish mobile operators as of December 31, 2016. Our efforts are not limited to assisting customers who contact our stores or call centers. We strive to provide high quality customer care through the entire "life cycle" of a customer relationship, starting from activating the customer on our network through to resolving their complaints, collecting payments, handling fraud prevention processes and various other customer retention activities.

In order to further reduce churn, we have established dedicated teams within our call centers who focus on customers with a high propensity to churn. We also cooperate with three external partners mainly in the area of active customer retention process.

We believe that our life cycle management approach ultimately leads to increased ARPU through increased customer responsiveness to up-selling and encouragement of customers towards migrating to contract solutions or higher rate plans.

Credit management and billing

Crediting and billing for contract subscribers

Billing of contract subscribers is done directly on a monthly basis. All post-billing related activities (printing, packaging and posting) are outsourced to external vendors. The standard credit period amounts to 14 days from the date of issuing of the invoice.

Monitoring of payments and debt collection processes are executed in-house and begin after we send a monthly paper or electronic invoice to subscribers, starting from the moment the contract is activated. We also perform credit evaluations on contract subscribers. The main variables for our credit scoring system include the subscriber's payment history, information from credit and economic information bureaus, as well as data available from the credit applications.

The credit control process is a daily process, supported by IT solutions that utilize data related to the most recent payments and usage as well as our online billing system which prevents subscribers from usage that exceeds their credit limit.

We undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections, collections executed in cooperation with third-party specialized collection agencies, sales of overdue receivables and finally by pursuing legal remedies. We maintain a provision for estimated credit losses based on formalized procedures which take into account various factors that determine the probability of a subscriber's ability to pay overdue receivables.

Credit management in distribution network

We cooperate with a network of agents (dealers and distributors), who sell our services (contract, prepaid, data and others) to business clients and individual customers. We bill the dealers and distributors shortly after delivery of the offering which creates credit risk exposure relating to potential defaults. In order to reduce this risk, we collect collateral in the form of banks' guarantees, guarantees (*poręczenie*) or cash deposits from our dealers, the value of which amounted to PLN 28.1 million and PLN 10.4 million respectively, as of March 31, 2017.In addition, we have implemented internal policies and procedures, such as a scoring model, that define the system of credit management for dealers which are classified into four groups of different credit risk categories based on regular tests applied through our credit risk assessment procedure. These procedures include both a liquidity analysis based on the recent financial statements and payment history. The classes of risk applied to the dealers define their eligibility for the credit limit and the level of required collateral.

We maintain a provision for estimated credit losses in our distribution network based on a formalized procedure, which takes into account the outcomes of regular credit risk assessment tests, but also payment history and the value of delivered collateral. As of March 31, 2017, the total amount of our provision for trade receivables from dealers and distributors amounted to PLN 0.2 million.

Network and infrastructure

Overview and network management

We have a modern, fully upgraded and technology-neutral infrastructure through which we offer our mobile voice, messaging, video streaming and data services. Since June 2012, our entire network has been based on an all-IP architecture. We consider our infrastructure to be state-of-the-art with no legacy technology. In recent years, we have made substantial investments, which have resulted in the build-out of our 3G and 4G LTE mobile networks. Our aggregate network capital expenditure (expenditures on radio network, core network and network operations center and also including our spectrum frequency acquisition costs) for the period from January 1, 2014, to March 31, 2017, was PLN 2,959.7 million, with the majority of these expenditures concentrated on improving and maintaining our mobile network. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*."

We manage our network build-out with in-house resources. The team focuses on entrepreneurial execution and maximizing efficiency. Our in-house network build-out department is responsible for radio and transmission planning, project management of contractors performing detailed design, building, as well as installing, our entire radio network with deployment being organized in four regions, namely Warszawa, Katowice, Poznań and Gdańsk.

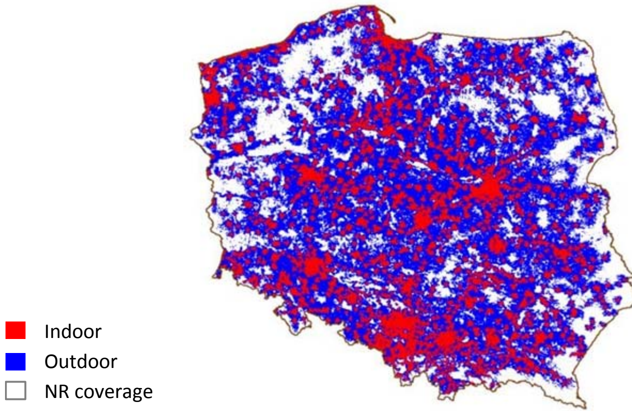
Network equipment supply has been primarily provided under a framework agreement with Huawei, which was originally established in 2006. Play considers this framework agreement, and the terms offered thereunder, which are renegotiated from time to time, to provide attractive contract terms with competitive economics. For systems supplied by Huawei, spare parts are included in support services.

We believe our network roll-out and upkeep systems are very advantageous. Central to our roll-out strategy is the use of modular, standardized and centrally-sourced elements to help reduce overall costs, ensure quality and safety standards, and increase scalability (as the sites can be easily enlarged or equipment from disconnected sites may be used elsewhere). The network deployment process is performed through a combination of our own and subcontracted staff and allows for full control of the process, with no reliance on an expensive turn-key service provider. The design and building of sites is outsourced to a number of small- and medium-sized local subcontractors who are able to rapidly execute at reasonable costs, while our core team manages the sourcing of materials, to keep this cost control centralized. Subcontractors install the standardized elements and as they are not responsible for sourcing the materials, we achieve savings on the cost of materials and allows the subcontractors to focus exclusively on installation. The limited working capital needs for subcontractors in this framework allows us to use a larger number of small- to medium-sized contractors, further reducing costs.

Coverage and capacity

We have followed a "smart follower" strategy of rapidly adopting technologies which prove to be effective and cost efficient in the areas in which we operate.

A map of our network coverage is below:



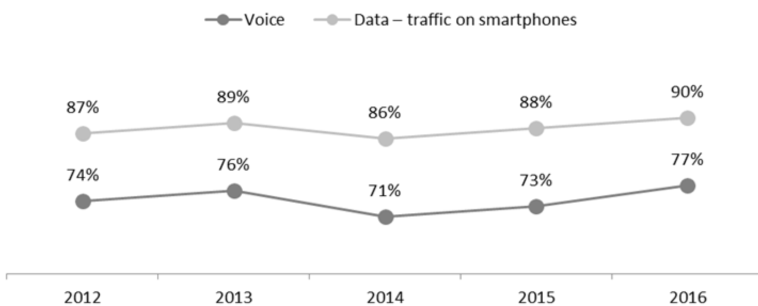
We believe that our own network provides our subscribers with extensive coverage, relatively large download capacity, high speeds and stable connections. As of December 31, 2016, based on our own estimates, our 2G network covered 86.3% of the Polish population while we estimate that our 3G network covered 90.5% of the Polish population, and as of March 31, 2017 our 3G network increased to cover 92.4% of the population. We are quickly increasing our 4G LTE coverage with the addition of 4G LTE equipment to existing physical sites and our estimated population coverage as of March 31, 2017, is approximately 92.3% (4G LTE Ultra population coverage of 79.4%).

Population and Area Network Coverage Estimations Through Own Network by Technology as of December 31, 2016:

Coverage/Technology	2G	3G	4G LTE	4G LTE Ultra
Population	86.3%	90.5%	92.1%	78.8%
Area	60.8%	68.2%	72.4%	41.8%

We service the vast majority of traffic generated by our subscribers on our own network, and particularly so for data traffic. As of March 31, 2017, we served 95% of the total data traffic (including smartphones and mobile broadband) from our subscribers on our own network.

Share of traffic on own network



Source: The Issuer

As of March 31, 2017, based on our own estimates, traffic on our own network represented 78%, 17% and 5% of the traffic for 4G data, 3G data and national roaming, respectively.

Historical network roll-out and national roaming agreements

Our core network is based on "all IP connections" and is located at multiple separate locations which provide backup in case of malfunction at one location.

Our network roll-out strategy has allowed us to steadily increase our own network coverage with competitive roll-out costs that are driven by our intelligent approach to network deployment. Our use of national roaming agreements, as discussed below, has also provided additional insights on traffic and usage patterns which further informs our strategy.

The above strategy has allowed us to maintain low levels of total cash capital expenditures, comprising 9.8%, 7.9% and 7.9% of total operating revenues in the years ended December 31, 2014, 2015 and 2016, respectively.

In addition to our own network, we have national roaming agreements with each of the other three major MNOs in Poland: Plus, Orange and T-Mobile. These agreements provide us with financial and strategic flexibility. They provide our subscribers with network access in primarily rural areas where the deployment of new network sites by us has not been financially viable and our competitors have structurally underutilized networks. Under these agreements, our subscribers have access to the 2G and 3G networks of each host operator, while 4G LTE access is available under our agreement with T-Mobile. Combined with the extensive coverage of our own network, these agreements give our subscribers the most extensive overall network coverage in Poland, covering over 99% of the Polish population. These agreements have allowed us to optimize network costs, while our national roaming partners received income in areas which may traditionally not have led to high expected usage or income. See "*—Material Contracts—National roaming agreements*." Given the advantages offered by national roaming agreements, they are beneficial for our national roaming partners in terms of additional returns on their network investments, while also being relatively low cost for us, with national roaming costs comprising 3.9%, 2.9% and 2.9% of total operating revenues in the years ended December 31, 2014, 2015 and 2016, respectively.

Network performance

We have maintained robust network performance, including through more recent times which have seen significant increases in traffic. For instance, there has been a continuous increase in voice traffic, with 40 billion, 49 billion and 55 billion minutes of use in the years ended years ended December 31, 2014, 2015 and 2016, respectively and an increasing use of data for non-traditional voice services utilizing Voice over Internet Protocol, such as Skype, Facebook, WhatsApp and iPhone/iPad Messenger (also known as OTT applications).

Despite this increase, we have continued to deliver market leading network performance, ranking first among Polish MNOs in both call set up success rate, achieving 99.49%, and 3G/4G availability, achieving 92.8%, while ranking second in dropped call rate, achieving 0.24%.

Our successful performance has supported our ability to offer differentiated, content-oriented and data-heavy offerings, as a successful network encourages users to further utilize the network. Our offerings have kept track with this trend. We have seen a more than 20% increase in download speed following the launch of our 4G LTE Ultra network, reaching an average LTE download speed of 17.6 Mbps in December 2016 compared to 13.8 Mbps in December 2015.

Current nationwide network roll-out

We are currently executing a strategy of a further nationwide roll-out of our own network, which aims to extend our network to areas currently covered by our national roaming agreements. Even though we believe that the existing network (including national roaming) currently more than sufficiently covers the traffic needs of our customers, we are currently executing a strategy of a further nationwide roll-out of our own network. It aims to extend our network to areas currently covered by our national roaming agreements. This decision has been taken due to the growing demand for data services and anticipated timing of future data needs. Thus, we believe that there are now potential attractive returns in a nationwide network build out. In implementing this build-out, we believe we can leverage off (i) our track record of return-focused site selection, (ii) our cost-efficient all-IP backbone, (iii) experienced local project management teams allowing us to work directly with subcontractors and (iv) use of standardized and reliable passive and active infrastructure. We expect that this will allow us to decrease our reliance on national roaming, so that by the end of 2020, we capture all data traffic on our own network, with only 2G traffic still utilizing national roaming.

Our roll-out plan envisages the following timeline:

- 2016 – kick off of network roll-out completion phase;
- 2017 – agree framework agreements and accelerate roll-out;
- 2018 – by the year end, based on our market estimates, this will be the peak usage by Play of national roaming;
- 2019 – finalize Play coverage in rural areas; and
- 2020 – >99% capture rate of all data traffic estimated, or 100% if we no longer use national roaming.

Spectrum

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

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

We believe our current spectrum position is on a par with our competitors and have no renewals until 2022. In addition, no spectrum auctions are expected before 2020. We may apply for the renewal of any of these frequency reservations six to twelve months before the expiry of the present reservation. All of our frequency reservations are technology neutral, *i.e.*, their use with respect to new technologies (so called "refarming")

will not require the payment of any additional reservation fees. Spectrum allocated by these reservations is contiguous, which makes this spectrum suitable for refarming. For further details regarding reservations see "*Regulatory Overview—Frequency reservations*."

We are committed to maintaining flexibility in relation to spectrum refarming with the aim of optimizing data traffic and offering the best performance and experience to our customers. We are focused on refarming the 900 MHz from GSM to UMTS, which will allow us to increase the footprint of our own network, and the 1800/2100 MHz refarming to LTE, to provide additional capacity for future data demand.

The acquisition of the 1800 MHz spectrum gave us an opportunity to move 2G traffic from the 900 MHz layer to part (5MHz) of the 1800 MHz layer and shift 900 MHz main usage to UMTS 900 using 4.2 MHz, while still keeping GSM 900 (0.8 MHz) in rural areas, and enlarge the coverage of our 3G network. This is the reason we cover more of the population with 3G services than 2G services. The acquisition of the 800 MHz and 2600 MHz spectrums has allowed us to expand our 4G LTE and 4G LTE Ultra coverage. We are continuously reviewing various market opportunities for further spectrum acquisitions which would enhance our frequency range.

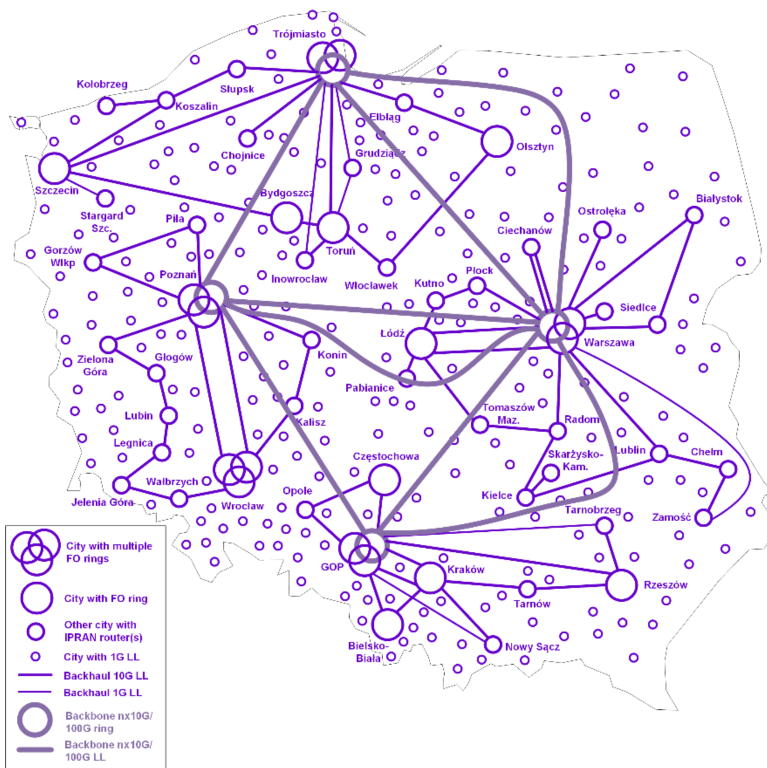
Core, backbone and backhaul network

Our core network is based on "all IP connections" and is located on multiple separate locations to provide backup in case of malfunction at one location.

We possess a full backbone and backhaul transmission network in IP technology, providing a single IP solution to all base stations for all traffic (voice and data). The radio access network is supported by an appropriate transmission network, including a backhaul network (built using IP microwaves, E-band microwaves and fiber optic) and a backbone (mainly fiber optic based on leased n*10 Gbps connections). Our own backhaul and microwave network is composed of approximately 3,700 hybrid and full IP microwaves (supplied by Huawei and NEC) and over 300 IP Routers (supplied by Huawei).

Our optical network includes 996 leased dark fiber connections and 468 Ethernet leased lines (up to 10 Gbps) and we are continuously developing this network.

A map of our backbone and backhaul transmission network is below:



Network maintenance

We continuously upgrade and modernize our network in order to provide technologically advanced services to our customers and to optimize both the technical parameters and the efficiency of the network. Modifications include increases in the capacity of existing network elements, replacement of and/or additions to equipment and continuous optimization achieved through the reconfiguration of network parameters. As our core network has a pool architecture, we can largely ensure the availability of services because each element can act independently.

The services and network are permanently monitored by our central network operations center, as well as by several remote maintenance centers. Traffic distribution, as well as various network and service parameters, are constantly measured and analyzed. This provides input to an optimization process that covers all components of the network, including the access network, transport network, VAS platforms, the core network and all interconnection points.

We operate internal monitoring platforms for alarms, performance measurements and end-to-end active testing. We continuously develop our monitoring platform to provide the most relevant and efficient solutions for proactive and automatic monitoring of the availability and performance of our services.

For systems supplied by Huawei, spare parts are included in support services. For all other network platforms we operate our own spare parts stock which, in combination with well-established maintenance processes and procedures, we believe contributes to high network accessibility and reliability. Network element software is kept up to date to provide bug-free operation and recently available functionality. Upgrades and patching are conducted through framework agreements with suppliers. Strict upgrade procedures, software testing and backup policies help to ensure uninterrupted network operation.

Information technology

Infrastructure

IT systems are critical to our operations. We have a simple robust architecture with state-of-the-art components and reduced numbers of legacy systems, combining best-in-class industry platforms and in-house customized solutions. Our centralized IT infrastructure combines in-house capabilities with carefully selected vendors.

Our IT systems are highly integrated into every aspect of our business, providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental business areas: billing and customer relationship management ("**CRM**"); business support systems area; product lifecycle management; point-of sales support, commissioning, sales force automation; supply chain support and management; subscriber online services for sales and customer care; call center support; data warehousing and business analysis; controlling, finance; accounting and revenue assurance; and human resources.

In-house resources, third party vendors and cost efficiency

Our IT services are delivered predominantly by in-house resources in close cooperation with selected outsourcing partners, especially during the development and testing phase. This IT and sourcing strategy allows us to react in a flexible and efficient way to changing market demands by delivering regular roll-outs of new product developments.

From an in-house perspective, we have a proprietary CRM system that is customized for our internal needs. Due to well-designed architecture, we can quickly customize our systems further enabling us to address and apply unique company processes and specific capabilities. The standardization and integration of our billing and CRM systems helps us keep costs low and these systems fully support our simple and clear offerings and services. In addition, we have developed our own self-care systems and applications to support our services.

Our IT systems are focused on cost efficiency, with IT operating and capital expenditures comprising 2.7%, 2.6% and 2.4% of total operating revenues in the years ended December 31, 2014, 2015 and 2016, respectively. This is achieved through the combination of in-house customized solutions and prudent vendor selection to reduce costs, as described below.

In terms of third party vendors, we have chosen leading vendors for certain mission-critical aspects such as billing (Amdocs), intelligence and analytical platforms (Pivotal, SAS), infrastructure (IBM, EMC, Symantec and Cisco), Enterprise Resource Planning (SAP) and databases (Oracle). We have tended to use multiple small/mid-size local Polish vendors with high levels of expertise and reliability given Poland is a dynamically growing IT market, with a highly-skilled IT workforce and relatively low labor costs.

Upgrades and ongoing initiatives

Since 2014 we have completed a number of IT initiatives, continuously upgrading and modernizing our systems to maintain market leading positon and support traffic growth on our network. We have completed projects relating to capacity expansion, disaster recovery, expansion of CRM to business customers and various implementations of systems and process platforms. We have a track record of successful execution of transformational projects across IT platforms with efficient and competitive economics. We have ensured these are in line with upgrade cycles of all critical platforms to support new services and traffic growth.

As of the date of this Prospectus, we have projects relating to a major hardware upgrade for the billing component of our systems, paperless / digital points of sale and an expansion of our business intelligence disaster recovery systems.

Business intelligence platform

Our IT based business intelligence platform is the backbone of Play's management system and decision making. Our integrated business intelligence platform gathers data from all major IT systems and network components which generates a broad spectrum of detailed statistics and analysis, including usage patterns, profit margins, top up patterns and churn, user experience, location behavior, invoices and payments and call center usage/complaint management. Management receives automated reports setting out various key performance indicators based on the business intelligence systems, which are used as the basis for weekly management board meetings to monitor business progress. This in turn allows other areas of the business to improve performance and target more successful services, offerings and functions that Play offers.

The foregoing has ensured that Play is fast and efficient in launching new offers and responding to regulatory changes. For instance, we attribute our ability to be the first to market "family" offers in Poland to our business intelligence systems, which allowed us to launch our offering a year in advance of our competitors equivalent offers. In addition, our compliance with the ATO Act was supported by our IT systems and lent to the success of registering 89% of our active prepaid base as of February 1, 2017, when the new legislation came into force.

We have invested continuously in our IT infrastructure in the recent years to further improve IT effectiveness and efficiency through increased standardization, centralization, consolidation and virtualization of IT systems. We use carefully selected software systems that increase our efficiency, including internally developed software, open-source software, and third-party commercial software. We only engage with well-established suppliers for hardware and software in order to prevent cost intensive product and design changes.

In the case of natural disaster or an emergency situation, we operate a back-up disaster recovery center to fulfill business continuity requirements. The main IT systems are hosted in the four data centers located in the Warsaw area, separated geographically and operating in active-active or active-standby mode.

Material contracts

National roaming agreements

We entered into a national roaming agreement with each of Plus, Orange and T-Mobile on June 8, 2006, July 14, 2010, and September 20, 2012, respectively. These agreements allow us access to the GSM 900 (2G), GSM 1800 (2G), HSPA+ 900 (3G), HSPA+ 2100 (3G), LTE 800 (4G) when launched by the host operator, LTE 1800 (4G) when launched by the host operator, and LTE 2600 (4G) when launched by the host operator; however not all technologies or frequencies are available from each host operator. Our access to the networks of Plus, Orange and T-Mobile is based on a "non-discrimination" principle, meaning that each of these operators are obliged to offer our customers the same connection quality as their own subscribers.

Our contracts require us to purchase a minimum amount of roaming services from each operator. As of December 31, 2016, our total national roaming traffic under these contracts amounted to approximately 73% for T-Mobile and 27% for Plus. Our contracts with each operator are for indefinite terms (subject to the parties' rights to terminate pursuant to the terms of the applicable contract).

Our contract with T-Mobile cannot be terminated until December 31, 2020, except for circumstances in which we fall behind on our payments or in case of occurrence of selected events specified as a basis of contractual penalties (for example T-Mobile fails to provide services to us pursuant to the agreement); thereafter, such contract may be terminated with 24 months' notice (or twelve months' notice, if we are not obliged to provide T-Mobile with certain traffic forecasts). A change of control at Play (triggered by a sale to a competitor) would also result in a shortened required notice period for termination under our contracts with T-Mobile and Plus.

International roaming agreements

As of May 31, 2017, we have entered into approximately 545 roaming agreements with international mobile network operators pursuant to which we offer voice, text and data services in approximately 195 countries and dependent territories. These roaming agreements regulate, among other things, billing and accounting, settlement procedures, subscriber care, technical aspects of the roaming agreements, testing, security, information on signal interconnection and connectivity. Generally, each roaming agreement provides that the operator hosting the roaming call bills the local operator for the roaming services used by the local operator's subscribers on the host's network. Additionally, in order to prevent fraudulent activity, the roaming agreements provide for the exchange of information on roaming services on a close to real-time basis. The visiting operator pays the host operator directly on a monthly basis and then bills the amount for the provision of roaming services to subscribers. Our roaming agreements generally remain in force unless one of the parties terminates the agreement upon six months' notice or earlier, in the event of a material breach or an insolvency event. The particular terms of each agreement vary by country.

Based on these roaming agreements, these foreign network operators provide roaming services to our subscribers as well as to subscribers of other mobile operators logging onto our network.

Pursuant to the recent amendments to the roaming rules on June 15, 2017, the "roam-like-at-home" legislation allows EU travelers to pay a roaming fee equal to the domestic price with specific limitations defined in the roaming regulation (EU 531/2012, and its amendments). Nevertheless, the abovementioned actions will not affect international roaming agreements we have entered into with international mobile network operators. The Group believes that the new offers effective from June 15, 2017 fulfill the "roam-like-at-home" legislation requirements.

Interconnection agreements

We have entered into a number of interconnection agreements with Polish telecommunications operators including, among others, Plus, Orange, T-Mobile, Exatel, as well as four agreements with some of the largest foreign telecommunications operators, in order to connect our subscribers with the subscribers of these other operators. With regard to interconnection agreements with Polish operators, each party charges the other party for terminating calls according to MTRs, which are set by the UKE President. Our interconnection agreements generally have terms that continue for the duration of the parties' reservations to pursue telecommunications activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings, upon six months' or 30 days' notice, respectively.

Network supply and maintenance agreements

We have entered into a number of agreements for the supply, integration and maintenance of network equipment and reservation software, as well as its further development, with, among others, Huawei, Wavenet, Altaria Solutions and Amdocs Development Limited. These contracts cover our operational requirements which we do not service using our in-house teams. The agreements are usually framework

agreements and specify the terms of delivery for particular supplies (usually on the basis of our orders). In addition, these agreements generally regulate the provision of support services for software and hardware and warranty terms. The agreements are entered into for a definite or indefinite term and have varying termination provisions depending on the supplier.

Financing agreements

The Senior Facilities Agreement

On March 7, 2017, the Issuer and Play entered into senior facilities agreement (the "**Senior Facilities Agreement**") for a committed amount of PLN 7,000 million between, among others, Alior Bank Spółka Akcyjna, Bank Zachodni WBK S.A., BNP Paribas S.A., DNB Bank ASA, DNB Bank Polska S.A., PKO Bank Polski SA, TFI PZU SA (on behalf of PZU FIZ AN BIS 2 and PZU SFIO Universum) and Raiffeisen Bank International AG as mandated lead arrangers and Bank Zachodni WBK S.A. as agent and security agent.

The Senior Facilities Agreement was amended and restated on June 14, 2017, as described below under "—*Amendments to the Senior Facilities Agreement.*"

In this description "Group" refers to the Issuer, Play and their subsidiaries from time to time and a "Change of Control" would occur if (i) the Issuer ceases to hold, directly or indirectly, the share capital of Play, (ii) the Selling Shareholder ceases to own, directly or indirectly, more than 30% of the voting share capital of the Issuer, or (iii) any person or group of persons acting in concert (other than the Selling Shareholder) gains control of more than 30% of the voting share capital of the Issuer. The definitions, terms and methods of calculations used in the Senior Facilities Agreement may differ from the definitions, terms and methods of calculations used in this Prospectus.

Facilities

The facilities under the Senior Facilities Agreement comprise PLN 2,500 million term loan facility A (the "**Facility A**"), PLN 2,800 million term loan facility B (the "**Facility B**"), PLN 1,300 million term loan facility C (the "**Facility C**", and together the "**Senior Term Facilities**") and PLN 400 million revolving credit facility (the "**Revolving Facility**"). With respect to the Senior Term Facilities, the Group drew PLN 6,443.0 million and the remaining amounts were canceled. Each of the foregoing values are the nominal value, rather than the amount reflected on the balance sheet when drawn.

The purpose of the Senior Term Facilities was for the Issuer and Play, *inter alia*, to refinance the Old Notes and cover related fees, costs and expenses.

The purpose of the Revolving Facility was to provide for a multicurrency revolving credit facility which can be utilized by way of loans, letters of credit or other ancillary facilities. The Revolving Facility may be utilized by Play or any future borrower in Polish zloty, euro, U.S. dollars or other currencies agreed by all of the lenders under Revolving Facility and freely convertible into Polish zloty. The Revolving Facility will be used to finance the working capital and general corporate needs of the Group (including towards capital expenditure and permitted acquisitions and related fees, costs and expenses)).

In addition to the Senior Term Facilities and the Revolving Facility, the Senior Facilities Agreement enables both Play and/or the Issuer to add one or more additional facilities under the Senior Facilities Agreement at any time *provided that* certain conditions specified in the Senior Facilities Agreement are complied with, including that the senior secured leverage *pro forma* for the relevant additional facility and tested as at the most recent financial quarter date for which financial statements have been delivered does not exceed 3.75:1.

Borrowers and Guarantors

The Issuer and Play are the original borrowers and guarantors under the Senior Facilities Agreement.

The Senior Facilities Agreement further requires all material companies within the Group to become guarantors under the Senior Facilities Agreement and for a guarantor coverage test to be satisfied on the date falling 21 days after the date of first utilization of the Senior Term Facilities and thereafter within 60 days of any date on which the Group needs to deliver its annual financial statements under the Senior Facilities Agreement and 60 days after any relevant permitted acquisition, permitted disposal or permitted reorganization (as applicable). The aggregate earnings before interest, tax, depreciation and amortization (calculated on the same basis as consolidated EBITDA but taking each entity on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries) of the guarantors must be equal to or exceed 85% of the Consolidated EBITDA of the Group and the aggregate total assets (excluding goodwill) of the guarantors must exceed 85% of the consolidated total assets (excluding goodwill) of the Group. As of the date of this Prospectus the material companies under the Senior Facilities Agreement are Play, the Issuer and Play 3GNS.

The Issuer and/or Play may further request that any of their wholly-owned subsidiaries be added as borrowers and/or guarantors, subject to certain conditions.

Repayments and prepayments

Facility A is to be repaid in installments pursuant to the following repayment schedule:

Facility A Repayment Date	Facility A Repayment Installment
March 31, 2018	8%
September 30, 2018	8%
March 31, 2019	12%
September 30, 2019	12%
March 31, 2020	12%
September 30, 2020	12%
March 31, 2021	12%
September 30, 2021	12%
March 20 and 21, 2022	12%

Facility B and Facility C are not amortizing and are both repayable on the date falling five years and six months after the first utilization under the Senior Facilities Agreement (in case of Facility B) and the date falling six years after the first utilization under the Senior Facilities Agreement (in case of Facility C).

The Revolving Facility will mature on the date falling six years after the first utilization under the Senior Facilities Agreement.

Subject to certain conditions, the borrowers may voluntarily prepay the utilizations and/or permanently cancel all or part of the available commitments under the facilities (in each case in a minimum amount of PLN 25 million).

Any prepayment in respect of Facility B from a new loan made within the first six months after the first utilization under the Senior Facilities Agreement and any prepayment in respect of Facility C from a new loan made within the first twenty four months after the first utilization under the Senior Facilities Agreement are subject to payment of a soft call fee being (i) in respect of Facility B, 1.00% flat on the aggregate principal amount prepaid and (ii) in respect of Facility C:

(a) up to the date falling six months after the first utilization under the Senior Facilities Agreement, 2.00% flat on the aggregate principal amount prepaid;

(b) from the date falling six months after the first utilization under the Senior Facilities Agreement to the date falling twelve months after the first utilization under the Senior Facilities Agreement, 1.50% flat on the aggregate principal amount prepaid;

(c) from the date falling twelve months after the first utilization under the Senior Facilities Agreement to the date falling eighteen months after the first utilization under the Senior Facilities Agreement, 1.00% flat on the aggregate principal amount prepaid; or

(d) from the date falling eighteen months after the first utilization under the Senior Facilities Agreement to the date falling twenty four months after the first utilization under the Senior Facilities Agreement 0.50% on the aggregate principal amount prepaid.

In addition to voluntary prepayments, the Senior Facilities Agreement requires mandatory prepayment in certain circumstances, including prepayment upon the occurrence of a sale of all or substantially all of the assets of the Group and prepayment from disposal, report proceeds and insurance proceeds (with certain exceptions).

Subject to the terms set out in the Senior Facilities Agreement:

(a) upon a Change of Control, a Sale or a Listing (each as defined therein) (a) which results in a Change of Control occurs or if a change is approved by the Majority Lenders (as defined therein) as contemplated in the definition of Relevant Holders but a lender certifies that it cannot achieve the necessary internal approval as regards KYC, concentration limits or other policies of general application, Play shall promptly notify the Agent of such an event and, if a lender so requires and notifies the Agent within 15 business days, the Agent on no less than five business days' notice to Play will cancel all commitments of that lender and declare the participation of that lender in any outstanding loans, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the Senior Facilities Agreement) to be immediately due and payable, whereupon the commitments of that lender will be canceled and all such outstanding amounts will become immediately due and payable; and

(b) upon a Listing which does not result into a Change of Control (both as defined therein) Play shall promptly notify the Agent of such an event and if, on a *pro forma* basis (taking into account prepayments to be made in respect of proceeds of such Listing but otherwise ignoring the *pro forma* effect of such proceeds on cash), the ratio of consolidated total net leverage on the quarter date prior to such Listing for which financial statements are available to consolidated EBITDA for the testing period ending on such date is greater than 3.00:1, 50% of the proceeds of such Listing shall be applied in prepayment of the facilities to the extent required to reduce the *pro forma* ratio of consolidated total net leverage to consolidated EBITDA to 3.00:1.

A waiver of the mandatory prepayment with the proceeds of the Offering of the Shares was obtained as described below under "*—Amendments to the Senior Facilities Agreement.*"

Interest

The facilities initially bear interest at a rate per annum equal to WIBOR (or EURIBOR or LIBOR, as applicable) (in each case subject to zero floor) and an initial margin of:

(a) in relation to any Facility A, 2.50% per annum;

(b) in relation to any Facility B, 3.00% per annum;

(c) in relation to Facility C, 3.75% per annum; and

(d) in relation to Revolving Facility, 2.50% per annum,

provided that if no event of default is continuing and a period of at least two complete financial quarters expired after the first utilization under the Senior Facilities Agreement, the margin will be determined by reference to the total leverage ratio as follows:

Total Leverage Ratio	Facility A	Facility B	Facility C	Revolving Facility
Greater than 4.00:1	2.75%	3.25%	4.25%	2.75%
Equal to or less than 4.00:1 but greater than 3.50:1	2.50%	3.00%	3.75%	2.50%
Equal to or less than 3.50:1 but greater than 2.50:1	2.25%	2.75%	3.25%	2.25%
Equal to or less than 2.50:1 but greater than 1.50:1	2.00%	2.25%	2.50%	2.00%
Equal to or less than 1.50:1	1.50%	1.50%	2.25%	2.00%

Default interest on overdue amounts is set at 1% higher than that which would have applied otherwise.

The borrowers are also required to pay a commitment fee, quarterly in arrears, on the last day of the availability period of the Revolving Facility and on the date on which the Revolving Facility is canceled in full or on the date on which a lender cancels its commitment. Arrangement, agency and letter of credit fees are also payable.

Security

The facilities under the Senior Facilities Agreement are required to be secured (subject to the security principles agreed in the Senior Facilities Agreement) by security including (as applicable for the relevant grantor of security) pledge over the shares in each borrower and guarantor, assignments of intra group receivables, pledges over bank accounts, pledges over assets (including material intellectual property and insurance), and submission to enforcement.

On the date of first utilization of the Senior Term Facilities, such security included a share pledge over the shares in the Issuer, a share pledge over the shares in Play, a financial pledge over bank accounts by Play and the Issuer, a registered pledge over all assets (including material intellectual property and insurance) by Play and, submission to enforcement by Play and the Issuer. The share pledge over the shares in the Issuer has been released as described below under "—*Amendments to the Senior Facilities Agreement.*"

Representations and Warranties

The Senior Facilities Agreement contains customary representations and warranties for a facilities agreement of this type including status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, no filing or stamp taxes, no default, no misleading information and base case model, financial statements, no litigation, consents, filings and laws applicable to operations, taxation, no security/financial indebtedness, *pari passu* ranking, legal and beneficial ownership, shares, intellectual property, group structure, holding companies, pension schemes, center of main interests and establishments, anti-corruption, anti-money laundering laws and sanctions, insolvency, accounting reference date, subject to certain exceptions and qualifications and with certain representations and warranties being repeated at customary times.

Covenants

The Senior Facilities Agreement also contains affirmative and negative covenants customary for a facilities agreement of this type, and three financial covenants (set out in further detail below). Certain covenants under the Senior Facilities Agreement are subject to carve-outs including in respect of breaches which would not impair the ability of an obligor to perform its obligations or are not reasonably likely to have a material adverse effect.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual and quarterly financial statements, an annual budget and compliance certificates (ii) compliance with laws and regulations including sanctions, (iii) maintaining in full force and effect certain authorizations, (iv) the maintenance of *pari passu* ranking, (v) the maintenance of assets necessary in the conduct of business, (vi) due payment of taxes, (vii) various reporting and information obligations (including details of material litigation and notification of defaults), (viii) preservation of material intellectual property, (ix) funding of defined benefit pension schemes and (x) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, with respect to (and subject to certain exceptions), among others: (i) changing the general nature of the business, (ii) creating security interests over its assets, (iii) disposing of assets, (iv) the incurrence of financial indebtedness, (v) effecting any merger, demerger, amalgamation, partial contribution of assets or corporate reconstruction, (vi) making certain acquisitions or investments, (vii) granting of loans or other credit or the granting of guarantees, (viii) entering into treasury transactions and (ix) in certain circumstances, the declaration and payment of dividends and the share redemptions.

The restriction on the incurrence of financial indebtedness, in addition to customary exceptions and limits, permits Play to incur additional debt at any time *provided that* certain conditions specified in the Senior Facilities Agreement are complied with, including that (a) if the additional debt constitutes Senior Liabilities (as defined in the Intercreditor Agreement), the senior secured leverage *pro forma* for the relevant additional debt and tested as at the most recent financial quarter date for which financial statements have been delivered does not exceed 3.75:1 and (b) if the additional debt does not constitute Senior Liabilities (as defined in the Intercreditor Agreement), the total net leverage ratio *pro forma* for the relevant additional debt and tested as at the most recent quarter date for which financial statements have been delivered does not exceed 4.25:1. There is also a general basket of the greater of PLN 400,000,000 and 10% of Consolidated EBITDA.

The restriction on the declaration and payment of dividends permits the Group to pay dividends in certain circumstances including when total net leverage *pro forma* for the relevant payment and tested as at the most recent quarter date for which Financial Statements have been delivered does not exceed 3.50:1 provided no event of default is continuing or would result from such payment. The Issuer believes that these restrictions should still permit the Issuer to pay out dividends in line with the intentions set forth under "*Dividend and Dividend Policy*."

If a Listing occurs which does not constitute a Change of Control and the total net leverage ratio for the period ending on the most recent quarter date for financial statements has been delivered is equal to or less than 3.00:1 and the long-term corporate credit rating of the Group is equal to or better than Baa3/BBB- according to Moody's, Standard & Poor's or Fitch (as applicable), certain of the provisions of the Senior Facilities Agreement shall be amended or shall be suspended and cease to apply including (i) the requirement to make certain mandatory prepayments, (ii) the requirement to deliver an annual budget, (iii) any information

requirement which would not comply with applicable law, regulation or stock exchange requirements or which requires the provision of forward looking information, (iv) the restrictions on joint ventures, acquisitions, change of business and the declaration and payment of dividends and the share redemptions and, in addition, certain of the limitations on indebtedness, guarantees and loans which are set by reference to monetary thresholds shall be increased.

A waiver of the mandatory prepayment with the proceeds of the Offering of the Shares was obtained as described below under "—*Amendments to the Senior Facilities Agreement*."

Financial Covenants

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

(a) 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 set out below, the relevant thresholds being:

Quarter Date	Senior Secured Leverage Ratio
March 31, 2017	4.25:1
June 30, 2017	4.25:1
September 30, 2017	4.25:1
December 31, 2017	4.05:1
March 31, 2018	3.80:1
June 30, 2018 and each Quarter Date thereafter until December 31, 2023	3.75:1

(b) total leverage: the ratio of consolidated total net leverage to consolidated EBITDA shall not exceed certain thresholds on each relevant quarter test date set out below, the relevant thresholds being:

Quarter Date	Total Leverage Ratio
March 31, 2017	5.25:1
June 30, 2017	5.25:1
September 30, 2017	5.25:1
December 31, 2017	5.15:1
March 31, 2018	5.00:1
June 30, 2018	4.80:1
September 30, 2018	4.60:1
December 31, 2018	4.50:1
March 31, 2019	4.35:1
June 30, 2019	4.25:1
September 30, 2019	4.25:1
December 31, 2019	4.25:1
March 31, 2020	4.25:1
June 30, 2020	4.25:1
September 30, 2020	4.25:1
December 31, 2020	4.25:1
March 31, 2021	4.25:1
June 30, 2021	4.25:1
September 30, 2021	4.25:1
December 31, 2021	4.00:1
March 31, 2022	4.00:1
June 30 2022 and each Quarter Date thereafter until December 31, 2023	3.75:1

(c) cashflow cover: the ratio of consolidated cashflow to net debt service shall not be less than 1.0 to 1.0 on each relevant quarter test date on and from June 30, 2017.

Should any such financial covenant not be satisfied, the Senior Facilities Agreement enables Play to remedy such breach by using its equity cure rights. The new shareholder injection reduces debt in the case of the Senior Secured Leverage Ratio and Total Leverage Ratio financial covenants and increases Consolidated Cashflow in the case of the Cashflow Cover financial covenant. Equity cures may not be made on more than 4 occasions and not in consecutive quarter periods. If a financial covenant has been breached but complied with in the next testing period, then the prior breach of financial covenant or event of default arising therefrom shall no longer be outstanding or continuing unless the Agent has taken steps to accelerate the Facilities.

Certain amendments as described below under "*—Amendments to the Senior Facilities Agreement*" were also made to include an interest cover ratio and amend the testing of the cashflow cover.

Events of default

The Senior Facilities Agreement contains various customary events of default, subject to customary materiality qualifications and grace periods, including but not limited to (i) non-payment, (ii) breach of financial covenants, (iii) failure to comply with other obligations under the finance documents, (iv) misrepresentation, (v) invalidity and unlawfulness, (vi) repudiation and rescission of a finance document, (vii) a cross default in relation to any financial indebtedness of a member of the Group (and therefore not the Issuer) in an aggregate amount of PLN 100 million or more (and subject to certain exceptions), (viii) insolvency, (ix) insolvency proceedings, (x) attachment or process, (xi) cessation of business, (xii) compulsory acquisition, (xiii) litigation, (xiv) audit qualification, (xv) breach of intercreditor agreement, (xvi) material adverse change and (xvii) change of ownership. At any time after the occurrence of an event of default the Agent may declare that any outstanding amounts to be immediately repaid.

Governing law

The Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law.

Amendments to the Senior Facilities Agreement

On May 11, 2017, Play requested certain amendments to the Senior Facilities Agreement in anticipation of the offering of the Shares and application for admission to trading on the WSE. These included:

- certain technical amendments in order to facilitate an initial public offering of Shares of the Issuer and consequential amendments to reflect that this had occurred throughout the Senior Facilities Agreement;
- a waiver of a mandatory prepayment with the proceeds of the offering of the Shares;
- certain technical amendments to the information undertakings of the Senior Facilities Agreement in connection with the admission to trading on the WSE;
- an amendment to the financial covenants to include an interest cover ratio and an amendment to the testing of the cashflow cover. Testing of the cashflow cover would be updated so that for any testing period in respect of which consolidated total net leverage is equal to or less than 2.75:1, the interest cover ratio shall be tested and the cashflow cover shall not be tested; and for any testing period in respect of which consolidated total net leverage is greater than 2.75:1, the cashflow cover shall be tested and the interest cover ratio shall not be tested;

- the deletion of certain permitted payments on equity and to shareholders. This included deleting the ability to (i) pay a EUR 5,000,000 monitoring fee each financial year, (ii) a EUR 35,000,000 dividend, return of capital, capital contribution or other distribution in each financial year and (iii) following the initial public offering, the deletion of the ability to pay any fees to each shareholder and/or each service provider named under any management services agreement. There was an additional amendment to permit a one-off deal fee to be paid to certain shareholders in connection with the arrangement and/or implementation of the initial public offering; and
- waivers and amendments to permit the Conversion and actions related thereto (including a release of security over the shares in the Issuer (to facilitate the listing)).

A consent fee will be paid to lenders who consented simultaneously with the closing of the Offering.

Consents for the above amendments were obtained, and the Senior Facilities Agreement was amended and restated on June 14, 2017.

Millennium Revolving Credit Facility

Drawings, purpose, term and interest

Play has a revolving credit line agreement with Bank Millennium S.A. for the amount of PLN 50 million made available under the overdraft facility agreement dated November 13, 2013, amended on November 12, 2014, November 20, 2015, November 22, 2016 and May 15, 2017, governed by Polish laws (the "**Millennium Revolving Credit Facility**"). Drawings on this revolving credit line can be used to finance operating activities. All drawings must be repaid by November 12, 2017. Interest is calculated based on the one-month WIBOR rate plus a margin.

Security and Guarantees

The loan is not secured. A submission to enforcement was provided by Play in favor of Bank Millennium in an amount up to PLN 80 million in connection with the revolving credit facility.

Covenants

The Millennium Revolving Credit Facility agreement contains a *pari passu* clause, under which Play must ensure the equal treatment of the loan with any other obligations of Play arising from unsecured revolving credit line agreements with a repayment term of up to 24 months. For example, Bank Millennium S.A.'s claims cannot be subordinated to any other unsecured financing arrangements. In addition, the margin over one-month WIBOR will increase by one percentage point if Play's monthly collection turnovers, which are held in a bank account with Bank Millennium S.A., fall below PLN 30 million.

Events of default

An event of default occurs under the Bank Millennium S.A. revolving credit facility agreement if, among other things: (i) Play uses the facility for a purpose other than that permitted by the agreement, (ii) claims against Play arising under other facility agreements, to which Play is a party, have been declared due and payable as a result of the Play's default, unless such claims do not exceed PLN 7 million, or (iii) in the event of certain bankruptcy events. Following the occurrence of any event of default, Bank Millennium S.A. is entitled to terminate the agreement on the terms set out in Polish Banking Law and is entitled to accelerate any loans outstanding thereunder.

Bank Zachodni WBK S.A. Overdraft Facility Agreement

Drawings, Purpose, Term and Interest

In March 2015, Play and Bank Zachodni WBK S.A. (the "**Bank**") entered into an overdraft facility agreement, as further amended on November 10, 2015, June 1, 2016, and June 2, 2017, governed by Polish law (the "**Bank Zachodni WBK Overdraft Facility Agreement**"), pursuant to which the Bank made available to Play an overdraft facility (the "**Bank Zachodni WBK Overdraft Facility**") with the purpose of providing working capital to Play. The maximum amount available under the Bank Zachodni WBK Overdraft Facility is PLN 150 million. The repayment date of the Bank Zachodni WBK Overdraft Facility is May 31, 2018.

The applicable interest rate is the one-month WIBOR rate plus a margin.

Security and guarantees

The Bank Zachodni WBK Overdraft Facility Agreement is not secured. A Polish law governed submission to enforcement was executed by Play in favor of the Bank.

Covenants

Play undertook under the Bank Zachodni WBK Overdraft Facility Agreement, *inter alia*, to: (i) comply with certain information obligations (such as delivery of financial statements etc.); (ii) use the overdraft facility in accordance with its purpose; (iii) ensure to maintain the necessary permits and authorizations; (iv) treat its obligations under the Bank Zachodni WBK Overdraft Facility Agreement as at least *pari passu* with all its other unsecured and unprivileged financial obligations arising under other loan agreements with a maturity date up to 24 months, except obligations preferred by mandatory provisions of law; (v) inform the Bank about corporate and organizational changes to its activity, in particular, amendments to its articles of association, to the extent they would be contradictory to the Bank Zachodni WBK Overdraft Facility Agreement or would affect the performance of Play's obligations under the Bank Zachodni WBK Overdraft Facility Agreement; (vi) inform the Bank about changes in the core business activity of Play; and (vii) duly pay and discharge all due taxes and social security contributions.

Events of default

An event of default occurs under the Bank Zachodni WBK Overdraft Facility Agreement if, *inter alia*: (i) the representations and warranties of Play, which were material to the Bank in deciding to make the overdraft facility available to Play, are determined to be untrue; (ii) Play violates any obligations under any other finance documents entered into with the Bank; (iii) the financial condition of Play deteriorates as a result of the loss, disposal or encumbrance of Play's material assets; and this event is likely to result in Play's non-performance of the Bank Zachodni WBK Overdraft Facility Agreement; (iv) Play has lost its ability to perform its due pecuniary obligations under the Bank Zachodni WBK Overdraft Facility Agreement within the meaning of Polish Bankruptcy Law; (v) enforcement proceedings against Play are commenced and the value of the claim being enforced exceeds PLN 500,000 or 0.25% of Play's annual revenue, whichever amount is lower; or (vi) Play proposes to a creditor to conclude a settlement on restructuring or to suspend payments or has suspended payments, unless this does not have any impact on the performance of the Bank Zachodni WBK Overdraft Facility Agreement.

Following the occurrence of an event of default, the Bank is, *inter alia*, entitled to terminate the agreement on the terms set out in Polish Banking Law and is entitled to ask for repayment of any amounts outstanding under the Bank Zachodni WBK Overdraft Facility.

Research and development

As a mobile network operator, the Group conducts no material research and development activity.

Legal proceedings

We are subject to various legal proceedings arising in the ordinary course of business, including various proceedings initiated among others by the UKE or the UOKiK.

As of the date of this Prospectus, we recognized provisions for known and quantifiable risks related to various proceedings in our financial statements, which represent our best estimate of the amounts that are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date.

Below is a description of those pending court and administrative proceedings which we deem to be material because these are out of the ordinary course of business and could materially affect the business of the Group. In addition, we are subject, from time to time, to audits and investigations, some of which may result in proceedings being instituted against us in the future.

Proceedings before the UKE President related to the tender for the 1800 MHz frequency

In March 2013, Sferia, Polkomtel and Polska Izba Radiodyfuzji Cyfrowej ((“**PIRC**”)—a non-governmental organization representing the interests of its member, Emitel) applied to the UKE President for the annulment of the tender for the 1800 MHz frequency in its entirety, claiming the violation of principles of open, transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender that led to the rejection of Sferia’s and Emitel’s bids. In arguing these claims, the respective parties emphasized that the specific requirements to be met by the offerees in the tender as well as the criteria under which the offers were evaluated eliminated certain groups of participants and favored others. The parties also raised procedural claims, including claims that the UKE President failed to observe the procedure of initiation of the tender.

The motions to invalidate the tender initiated administrative proceedings before the UKE President. In May 2013, acting as a party to the proceedings, we filed our response to the claims raised by Sferia, Polkomtel and PIRC and requested that the UKE President dismiss the applications for annulment. The UKE President, in its October 27, 2015, decision, refused to annul the tender. Polkomtel, PIRC and Sferia placed a request for reconsideration of the decision before the UKE President. In May 2016, we filed our response to the claims raised by Sferia, Polkomtel and PIRC and requested that the UKE President dismiss the applications for reconsideration. The UKE President, in its August 3, 2016, decision, upheld the decision refusing to invalidate the 1800 MHz tender. The UKE President’s decision was appealed in the lower administrative court and Polkomtel, PIRC and Sferia have already appealed the UKE President’s decision to the lower administrative court. The appeals were delivered to Play on May 19, 2017 and, on June 21, 2017, Play filed the response to the Sferia, Polkomtel and PIRC appel. The first hearing for all three cases was held on June 29, 2017; the court has postponed the next hearing without determining the date. If the Voivodship Administrative Court renders a judgment, it will be most likely appealed to the Supreme Administrative Court.

In July 2013, in a separate proceeding, Sferia, Polkomtel and Emitel applied for reconsideration of the three decisions relating to the reservation of the 1800 MHz frequency, which included the granting of a frequency reservation to us. Sferia, Polkomtel and Emitel demanded, among other things, that the three decisions be annulled and the reservation proceedings be suspended until the proceedings relating to the tender described

above are finalized. The claimants are of the opinion that, in the course of the process of issuing the decisions relating to the reservation of the 1800 MHz frequency, the UKE President did not observe the administrative procedure rules. As a result of the motions mentioned above, administrative proceedings were initiated before the UKE President. In July 2013, acting as a party to the proceedings, we filed our response to the claims raised by Sferia, Polkomtel and Emitel and requested the UKE President to dismiss the motions for reconsideration of the decisions relating to the reservation of the 1800 MHz frequency. The UKE President, in its October 30, 2015, decisions, upheld the three earlier decisions awarding us the frequencies in the 1800 MHz spectrum. Polkomtel then appealed the UKE President's decisions at the lower administrative court. In March 2016, acting as a party to the proceedings, we filed our response to the Polkomtel motion to withhold the enforceability of the decisions and requested that the court dismiss the motion. In three of the proceedings, the court refused to withhold the enforceability of the decisions. In July 2016, we filed our answers to Polkomtel's appeals against the reservation decisions and requested that the court dismiss the appeals in their entirety. The Voivodship Administrative Court, in judgments on August 25, 2016, August 30, 2016, and September 8, 2016, dismissed Polkomtel's complaints against the three decisions. Polkomtel appealed the judgments to the Supreme Administrative Court and the proceedings are still pending.

Both of the aforementioned cases are related to the 1800 MHz frequency reservation process, but are two separate proceedings, the former relating to the tender process and the latter relating to the process of issuing the reservation decision.

To date, no entity has lost its frequency reservation as a result of the invalidation of a tender; however, if the tender and/or frequency reservation were to be invalidated, another tender will occur and we will not be barred from participating in any such re-tender. If the UKE President has to repeat the tender and issue a new decision as a result of the court proceedings, this decision also may be challenged. At present, we believe that the outcome of both proceedings will be positive as we are not aware of any violation of administrative procedures.

Proceedings before the UKE President related to the auction for the 800 MHz and 2600 MHz frequencies

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

In response to the motions that have been filed, the UKE President may issue an administrative decision by which it invalidates or refuses to invalidate the auction or decision. Dissatisfied participants may at this point file a motion with the UKE President for reconsideration of the case and after the procedure is exhausted, may also appeal the UKE President's decision at the lower administrative court, and then file the relevant appeal documents (cassations) with the Supreme Administrative Court of Poland. If at any point the auction is found to be invalid, the UKE President will be empowered to take measures to remedy the breach of law. Such proceedings could take three to five years.

In February 2016, Polkomtel, T-Mobile and Net Net Sp. z o.o. applied to the UKE President for reconsideration of the decisions on the reservation of the 800 MHz and 2600 MHz frequencies. Polkomtel, T-Mobile and Net Net Sp. z o.o. demanded, *inter alia*, the cancelation of the decision and re-allocation of the 800 MHz block of frequency. The motions initiated administrative proceedings before the President of the UKE. In June 2016, the UKE President issued new decisions on the reservation of the 800 MHz and 2600 MHz frequencies and, in our case, decided to re-allocate our 800 MHz frequency block. Specifically, we were

allocated Block C (801-806 MHz and 842-847 MHz) instead of Block D (806-811 MHz and 847-852 MHz). Polkomtel appealed all new decisions on the reservation of 800/2600 MHz frequencies to the lower administrative court and T-Mobile appealed the new decisions on the reservation of the 800 MHz frequency with regards to Blocks C and E to the lower administrative court. The Voivodship Administrative Court its judgment on January 30, 2017, dismissed Polkomtel's and T-Mobile's complaints against the allocations of frequency to the Group. In April 2017, the judgments of the Voivodship Administrative Court were appealed to the Supreme Administrative Court. The proceedings are still pending.

For additional information regarding the procedure for the annulment of tender/auction for frequency reservations and reconsideration of decisions awarding frequency reservations, see "*Regulatory Overview—Frequency Reservation Process*."

In addition, see "*Risk Factors—Risks Related to Regulatory Matters—Our frequency reservations to provide mobile services have definitive terms and may be revoked or may not be renewed upon expiration on acceptable terms, if at all*."

Proceedings before the UOKiK President and the Competition Court

Info TV FM Proceeding

On September 21, 2010, the UOKiK President commenced antitrust proceedings concerning, among others, our alleged anticompetitive practices with respect to our refusal to enter into what we believe was an unfavorable agreement with Info-TV-FM Sp. z o.o. ("**Info TV FM**"). The case relates to the tender proceedings for the reservation of 470-790 MHz frequencies. Info TV FM won the aforementioned tender. One of Info TV FM's obligations under the reservation decision relating to such tender was to make wholesale offering of media services, including broadcasting radio and TV programs, using the reserved frequencies, to entrepreneurs operating in the telecommunications sector. Info TV FM published such wholesale offer and its update on its website and subsequently sent the update offer to mobile service operators. All of the major mobile service operators, including us, rejected the wholesale offer of Info TV FM. On November 23, 2011, the UOKiK President issued its decision (the "**Decision**") in which it stated that we had participated in a concerted anti-competitive practice in the retail market of mobile telephony in Poland together with Plus, Orange and T-Mobile. According to the UOKiK President's decision (which we are appealing as described below), we breached Polish and European competition laws by coordinating with these operators the relations with Info TV FM, exchanging information as to the evaluation of Info TV FM's wholesale offer for providing DVB-H mobile television services and agreeing to public questioning of that offer. For this alleged behavior, we were imposed with a fine by the UOKiK, in the amount of PLN 10,706,142.70, which equaled 0.43% of our turnover generated in 2010.

We appealed the Decision to the District Court in Warsaw, XVII Division – the Court of Competition and Consumer Protection (the "**Competition Court**") on December 8, 2011 (the "**Appeal**"), in which we requested that the Competition Court annul the Decision in its entirety or, alternatively, to revise it, either by deleting any reference to us from it or by decreasing the amount of the fine imposed on us.

In the Appeal, we argued, among other things, that we were never party to any anti-competitive arrangement with Plus, Orange and T-Mobile and that the evidence obtained by the UOKiK President did not prove otherwise. In particular, we argued that the fact that we and the other MNOs behaved in the same way (*i.e.*, did not conclude a wholesale agreement with Info TV FM) could only be proof of a cartel if there were no other credible and objectively justified reasons for such conduct.

Plus, Orange and T-Mobile were also imposed fines by the UOKiK President and filed similar appeals, which were registered with the Competition Court under three separate numbers (we are named as an interested party in all of them). Until the first hearing on February 27, 2015, there had been four separate court proceedings, each concerning the appeal of a particular operator. All four of the operators have been served with the UOKiK President's responses to their appeals, which were addressed in turn by filing additional pleadings. In proceedings before the Competition Court, we submitted five additional pleadings with further arguments or evidentiary motions.

All four cases were merged into one upon the request of the appellants by way of a resolution of the court dated February 27, 2015, with four appellants acting against the UOKiK President. The Competition Court, in its June 19, 2015, judgment, repealed the Decision. In September 2015, the UOKiK President filed an appeal to the Court of Appeal in Warsaw requesting the court: (i) to repeal the judgment and dismiss the appeals of Play, T-Mobile, Orange and Plus; or, alternatively; (ii) reverse the decision and remand the case for further reconsideration. In October 2015, we filed a response to the appeal of the UOKiK President to the Court of Appeal in Warsaw, requesting that the court to dismiss the appeal. In its judgment dated March 15, 2017, the Court of Appeals in Warsaw dismissed the appeal of the UOKiK President. On June 28, 2017, we received the justification regarding the rationale of the judgment. The UOKiK has two months from receiving the justification to file the appeal documents (cassations) against the judgment with the Supreme Court.

In relation to the above dispute, in September 2013, Magna Polonia S.A. ("**Magna Polonia**") filed an intervention (*i.e.,* a request to be admitted to take part in the proceeding as an interested party), arguing that the alleged anti-competitive behavior caused damage to Magna Polonia in its capacity as a shareholder of Info TV FM. On September 24, 2013, this application to join proceedings was rejected by the court. Magna Polonia subsequently filed an appeal, which was rejected by the Court of Appeal in Warsaw. Separately, in September 2013, Magna also filed a summons for an amicable settlement in the Polish courts, seeking damages of approximately PLN 617.8 million plus interest from the four Polish mobile operators, including us, in relation to their allegations regarding anti-competitive behavior. We believe Magna's claim to be groundless. On November 27, 2013, we have rejected the amicable settlement and thus the above court proceeding is closed. According to one of Magna's public announcements, Magna filed a claim for damages with the District Court in Warsaw on November 26, 2016, however it hasn't been delivered to us yet.

Proceedings relating to infringement of consumer interests

The UOKiK President, in a September 2, 2016 notice, informed us of commencement of proceedings concerning infringement of collective consumer interests with respect to a lack of reimbursement of unused amounts from top-ups after the validity period of the consumer's account has lapsed, which may hinder the possibility of a consumer changing their operator. This proceeding was preceded by an explanatory stage which began at the end of 2014.

The UOKiK President argued that consumers would rather continue to top-up their accounts than to transfer their mobile numbers to a competitor (which would result in the loss of accumulated top-ups). The proceedings are still pending.

Analogous proceedings were brought against other mobile operators. The Polish Chamber of Informatics and Telecommunications intends to file a motion to join the proceedings to support those operators.

The UOKiK President may impose a penalty on us, which in accordance with the Competition Act, in the worst case scenario, may be high as 10% of the Group's turnover in the financial year preceding the decision. Based on our experience, however, penalties in the past have ranged from 0.1% - 1.0% of annual turnover

and, additionally, may be decreased if the decision of the UOKiK President additionally orders remediation of infringement (*e.g.* reimbursement of annulled amounts to consumers).

We expect that a decision of the UOKiK President issued with respect to the payment of penalties and/or an obligation to remediate will not be immediately enforceable. A final decision by the UOKiK President would only become enforceable after two rounds of appeals proceedings before the relevant courts have been exhausted, which may take up to two to three years from the date of the decision.

Discriminatory Pricing Dispute between Play and T-Mobile, Orange and Plus

On June 14, 2015, we brought proceedings against T-Mobile, Orange and Plus, claiming damages in the sum of PLN 315.7 million plus statutory interest from the date the claim was made until the date of payment, to be paid jointly and severally by T-Mobile, Orange and Plus. We claimed that, throughout the period from July 1, 2009 to March 31, 2012, T-Mobile, Orange and Plus (i) inflated retail rates and margins for their own off-net connections to our network (which they did not do in relation to connections to the networks of the two other respective defendants), (ii) excluded voice connections to our network from the "free minutes" plans offered by each defendant to their respective customers (which each defendant did not do in relation to voice connections of the two other respective defendants' customers), (iii) the actions of the defendants were in breach of the Act on Combating Unfair Competition, (iv) each of the defendants knew or should have known that its actions were harming our commercial interests and (v) we suffered a loss as a result of the actions of the defendants.

The first hearing took place on February 15, 2017, and at present, the parties are exchanging briefs. We cannot exclude the possibility of filing additional proceedings for damages relating to activities in subsequent periods.

Environmental matters

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose stringent environmental obligations regarding, among other things, procedures concerning packaging waste, procedures concerning waste electrical and electronic equipment, waste batteries and the protection against electromagnetic fields. We could, therefore, be exposed to certain costs and liabilities.

We are required by law to obtain certain environmental authorizations or to provide prior notifications to the appropriate authorities. For details, see "*Regulatory Overview—Other Regulations—Environmental protection*."

Employees

As of the date of this Prospectus, the Group employed approximately 2,600 employees on both fixed term and indefinite contracts, of which approximately 63% were employed in a commercial/sales function and approximately 37% at our headquarters as well as persons who provide services on a permanent and regular basis based on contracts for the provision of services concluded for an indefinite period. As at the date of the Prospectus no material changes have occurred in the Group's employment structure.

The table below presents the average number of employees (by headcount) of the Group as of March 31, 2017, and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014.

	As of December 31,			As of March 31,
	2014	2015	2016	2017
Total number of employees	2,315	2,424	2,606	2,623

Source: Issuer.

The table below presents the average number of employees (by headcount) in particular categories of the Group for the years ended December 31, 2014, December 31, 2015 and December 31, 2016, and as of March 31, 2017.

	As of December 31,			As of March 31,
	2014	2015	2016	2017
Management / administration	761	807	835	840
Commercial / sales	1,554	1,617	1,771	1,783
Total number of employees	2,315	2,424	2,606	2,623

Source: Issuer.

As at the date of the Prospectus, there are no trade unions in the Group and no collective labor agreements or social agreements are in force.

At present, the Group companies are not party to any material proceedings concerning any employee claims or proceedings related to employment on any basis other than a contract of employment.

The Issuer believes that the Group's labor relations with employees are good.

Remuneration system and additional benefits

We monitor remuneration levels in Poland and respond accordingly in order to attract and retain key personnel.

We are legally required to make pension contributions to the Polish government's retirement benefit scheme at the applicable rate based on gross salary payments (the "**State Plan**"). The State Plan is funded on a pay-as-you-go basis, *i.e.*, we are only obliged to pay contributions as they fall due based upon a percentage of salary, and if we cease to employ personnel who are entitled to benefit from the State Plan, we will have no obligation to pay any additional benefits. During the years ended December 31, 2014, 2015 and 2016, we paid contributions at a rate of up to 9.76% of gross salaries and we were not required to make any contributions in excess of this statutory rate. We have no other employee retirement plans.

We are required to create pension and retirement benefit provisions. The provisions for retirement benefit for the employees amounted to PLN 0.7 million as of December 31, 2014, PLN 0.8 million as of December 31, 2015, and PLN 1.0 million as of December 31, 2016.

We also provide certain retention programs for our key management and employees. See "*Management—Remuneration and Benefits*."

Real property and leases

Our real estate interests are held on a leasehold basis. We have a lease agreement for our headquarters in Warsaw and our base stations and stores which are located all over Poland.

We lease our headquarters in Warsaw, which is located at Taśmowa 7, Marynarska Business Park, with a surface area, including office premises and ancillary space (warehouse, telecommunications purposes and other), of approximately 9,800 square meters and around 318 parking spaces. The lease agreement was entered on December 21, 2007, for a specific term and is due to expire on November 14, 2020. Since 2007, the lease has been amended by the settlement dated May 15, 2008, Annex no. 1 dated May 20, 2008, Annex no. 2 dated July 11, 2012, Annex no. 3 dated March 1, 2013, and Annex No. 4 dated January 23, 2015. The Issuer may lease additional space in the near term.

The lease agreement for our headquarters was entered into by us (as the lessee) and, as successor in interest to Horizon Investment Sp. z o.o, Marynarska Business Center Sp. z o.o. ("**Marynarska**"). Either party has a right of early termination of the lease agreement, as per the terms of the agreement. For example, we may terminate the lease agreement early upon three-months' notice, in the case of the lessor not maintaining the premises for proper use within certain periods or upon one-month's notice in the event of defects in the premises which could threaten human life or health. The lessor may terminate the agreement ten days after submitting a written notification if, *inter alia*, we: (i) have not paid the rent for two payment periods; (ii) breach the terms and conditions of using the premises; or (iii) sublease the premises without the written consent of the lessor. In such cases, we may be required to pay compensation of up to 18 months' rent.

As of the date of this Prospectus, we also lease approximately 5,000 properties or parts of properties (*e.g.*, roof spaces) for base stations and the development of other telecommunications infrastructure (*e.g.*, telecommunications towers and cabinets). The duration of such lease agreements is typically ten years, and often has an option of automatic extension for five years. The rent of these leases vary according to each location, however in most cases it is payable in zloty and indexed annually, in line with the CSO index of consumer prices. Typically, each party has the right of early termination of such a lease.

As of the date of this Prospectus, we lease approximately 350 premises for stores, which are located throughout the country. These lease agreements are typically entered into for a five-year period, often with an extension option.

Other than minor disputes in the ordinary course of business, there are no current, pending or threatened material claims, disputes or liabilities in relation to our real estate.

Our leasehold interests are not subject to any encumbrances granted in favor of third parties, other than customary rights in favor of the property owner.

Intellectual property

We use a number of trademarks in our corporate and marketing activities on which we are dependent and which we use in our day-to-day activities. As of May 31, 2017, we held trademark protection for over 250 trademarks relating to corporate identity and our offerings, including rights to our material corporate identity logos and the "PLAY" trade name and we have applied for registration of 47 additional trademarks. We also hold protection over two industrial designs registered with the European Union Intellectual Property Office.

Since May 26, 2014 Play 3GNS has been responsible for the management of all trademarks, designs and copyrights owned by the Group. On May 27, 2014, Play entered into a full and non-exclusive license agreement with Play 3GNS, in order to be able to use the trademarks, industrial designs and other trademarks and graphic elements owned by Play 3GNS.

Our registered trademarks are also licensed to third parties, mainly authorized vendors and agents, however, solely for performing rights and obligations under particular contracts entered into therewith. We have also entered into agreements regarding the use of registered trademarks of third parties.

Additionally, as of the date of this Prospectus, we use approximately 400 registered internet domains, of which the most important for our business operations is the "play.pl" domain name under which our website is located. The domain names have been active since April 5, 2002, and have been paid up until April 4, 2018.

Insurance

We maintain insurance coverage that we believe is in line with the standards adopted by telecommunications companies in Poland, which includes: insurance protection against material damage to our business assets and against loss of profits due to business interruption, insurance protection against acts of terror, insurance protection against civil liability for personal damage and/or damage to property arising in connection with the conducted business or property, vehicle insurance, civil liability insurance for the members of Play's Management Board and the Issuer's Board and group life and accident insurance for employees.

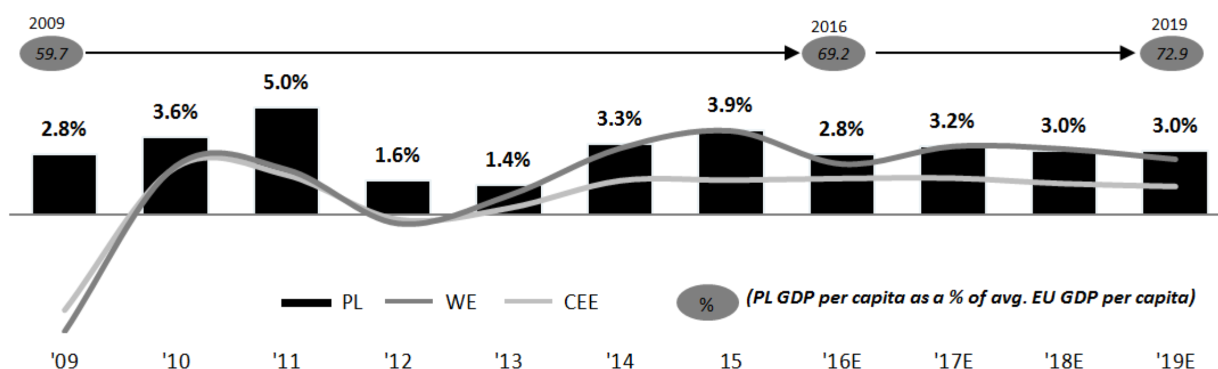
INDUSTRY AND MARKET OVERVIEW

Macroeconomic overview

Poland is the sixth largest country in the European Union with a population of 38.4 million as of December 31, 2016, according to the Polish Central Statistical Office ("**CSO**") and occupies a total area of approximately 313,000 square kilometers according to the CIA Factbook. According to Eurostat, Poland is the largest economy in CEE with a total GDP of EUR 424 billion in 2016 and ranks sixth in the European Union in terms of total GDP. Poland has been one of the fastest growing European Union economies and the only country in Europe to avoid a recession in the last eight years (2009-2016). In 2016, Poland's real GDP grew by 2.8% compared to an average 1.7% increase for the Western Europe. According to EIU data, in years 2017, 2018 and 2019 Poland's real GDP is forecasted to increase by 3.2%,3.0% and 3.0% respectively, compared to an average growth forecast of 1.7%, 1.4% and 1.3%, respectively, for the Western Europe. The graph below presents the real GDP growth rates for Poland, the average for CEE countries represented by Czech Republic, Hungary and Slovakia and the average for the Western Europe represented by France, Germany, Italy, Spain and UK.

Real GDP Growth (2009-2019E)

(YoY % Change)



Source: EIU.
WE (Western Europe) represents average of France, Germany, Italy, Spain and UK; CEE (Central and Eastern Europe) represents average of Czech Republic, Hungary and Slovakia.

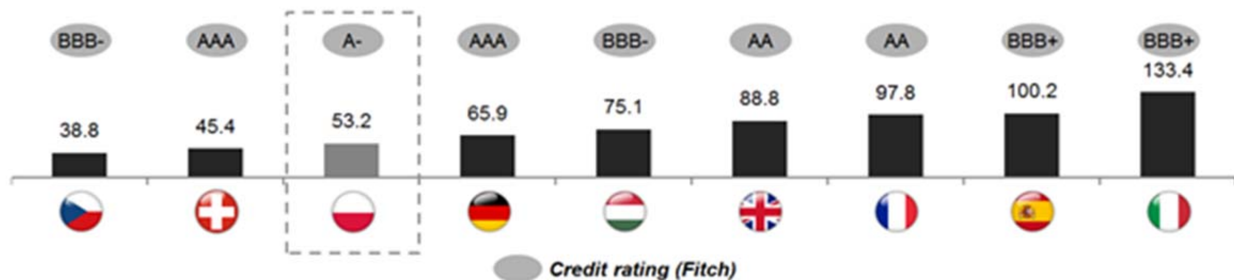
With a stable population and a growing economy, Poland's GDP per capita steadily increased converging to the average of the EU countries. In 2016 it amounted to approximately $27,730 on a purchasing power parity basis which is 69.2% of the average of $40,080 for all 28 European Union countries. Although it is still substantially lower, this gap has narrowed by approximately 9.5 percentage points between 2009 and 2016, according to EIU. EIU expects that this gap will narrow further to approximately 72.9% in 2019 as the Polish economy continues to grow (a decrease in the gap by approximately 3.7 percentage points), resulting in an increasing disposable income for goods and services such as mobile telecommunications services.

The Polish economy benefits from strong and stable domestic demand with lower exposure to international trade than other countries in CEE. According to OECD export of goods and services as a percentage of total GDP amounts to 52% of GDP, while import accounts for 48% of GDP. Additionally, unlike the economies of several other countries in Europe, it is less reliant on borrowing. Poland's total government debt as a percentage of nominal GDP amounted to approximately 53.2% in 2016 compared with the Western Europe average of approximately 97.2%, according to IMF. As of the date of this Prospectus, Moody's rated Poland

"A2" with a "stable" outlook, Standard & Poor's rated Poland Local Currency Long Term "A-" with a "stable" outlook (Foreign Currency Long Term "BBB+" with a "stable" outlook), Fitch credit rating for Poland stands at "A " with a "stable" outlook.

Government Debt; 2016

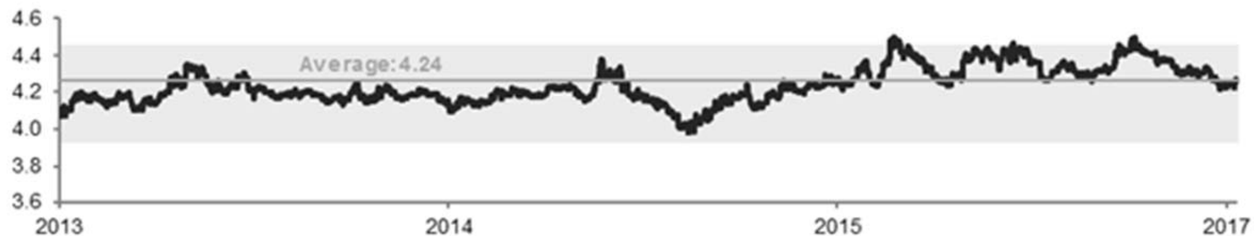
(% of GDP)



Source: IMF, Fitch as of 2017-05-09

These investment grade credit ratings, together with stable monetary policy with interest rates unchanged since 2015 as well as low single digit inflation, confirm the strong fundamentals of the Polish economy. Poland reported an inflation rate of (0.20)% in 2016, in comparison to an average inflation rate of 0.25% for all 28 EU countries according to the Harmonized Indices of Consumer Prices. Additionally, as the below chart shows the exchange rate between the Zloty and Euro has remained stable since 2013, varying in a range of approximately 5% around an average of 4.24 Zloty per Euro.

EURPLN Foreign Exchange

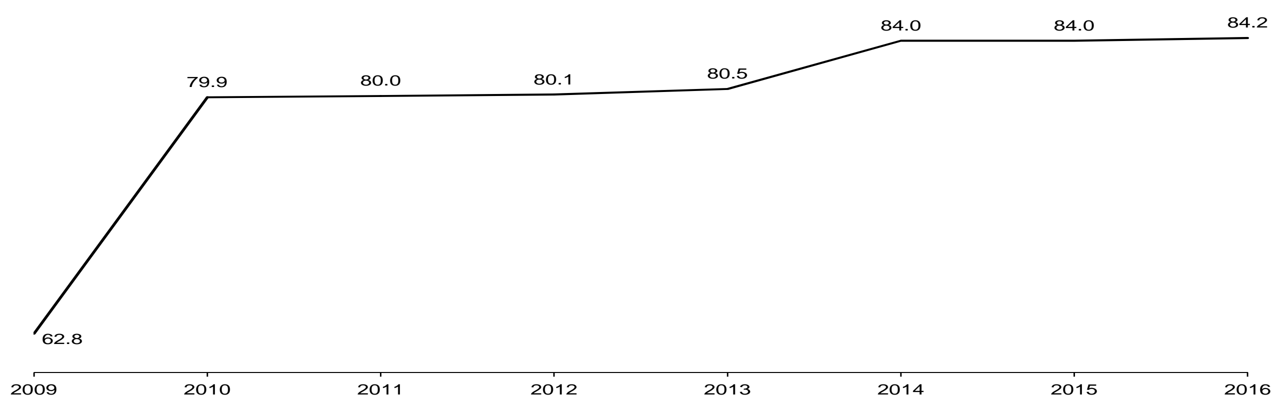


Source: Harmonized Indices of Consumer Prices

The business environment in Poland is gradually improving as evidenced by the Doing Business ranking prepared by the World Bank. Between 2009 and 2016 the Doing Business Index for Poland has been higher every year and grew from 62.8 to 84.2. The positive effects of the Polish business environment are also visible in a growing number of small and medium enterprises (SMEs). According to the CSO, there were approximately 1.9 million SMEs in Poland in 2015, approximately 241,000 more than in 2009.

Friendly Business Conditions (2009-2016)

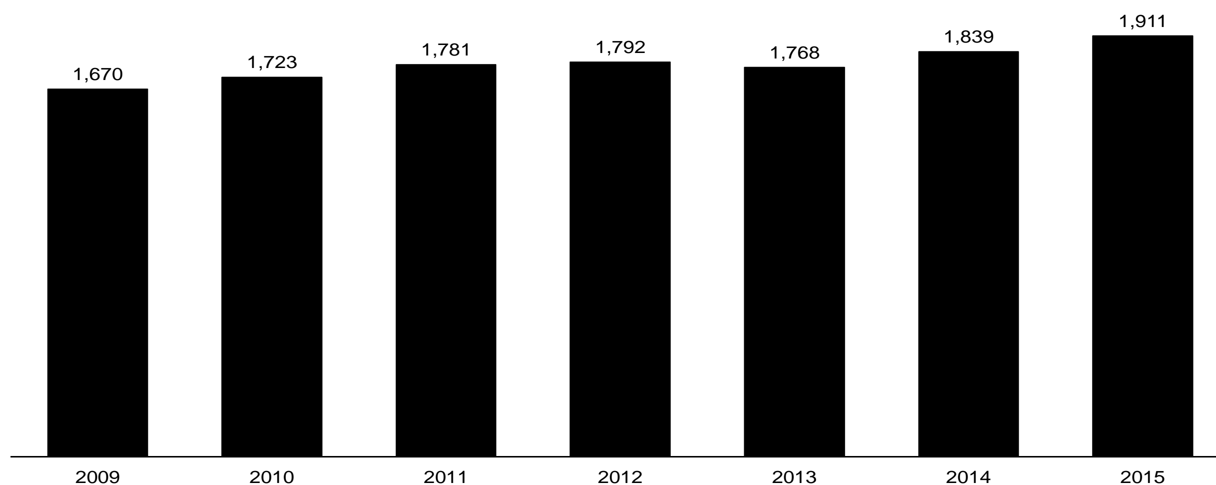
(Doing Business Index)



Source: World Bank - based on "Distance to Frontier" Score that benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each Doing Business indicator.

Number of SMEs (2009-2015)

(000s)

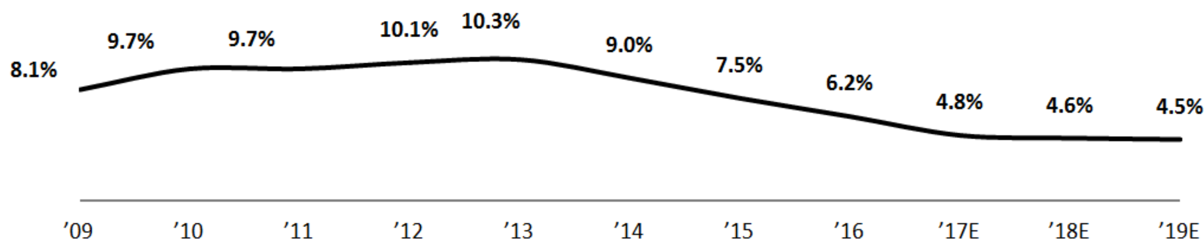


Source: SME according to Central Statistical Office of Poland definition (<249 FTEs); the latest data available for 2015; excludes selected industries (agriculture, banking and insurance and public administration)

The Polish labor market also benefits from the favorable macroeconomic situation and healthy business environment. Poland reported a harmonized unemployment rate of 6.2% in 2016, which is below the average unemployment rate of 8.5% for all 28 EU countries, according to Eurostat. The unemployment rate is expected to further decline to 4.5% by 2019 according to EIU.

Unemployment Rate (2009-2019E)

(%)

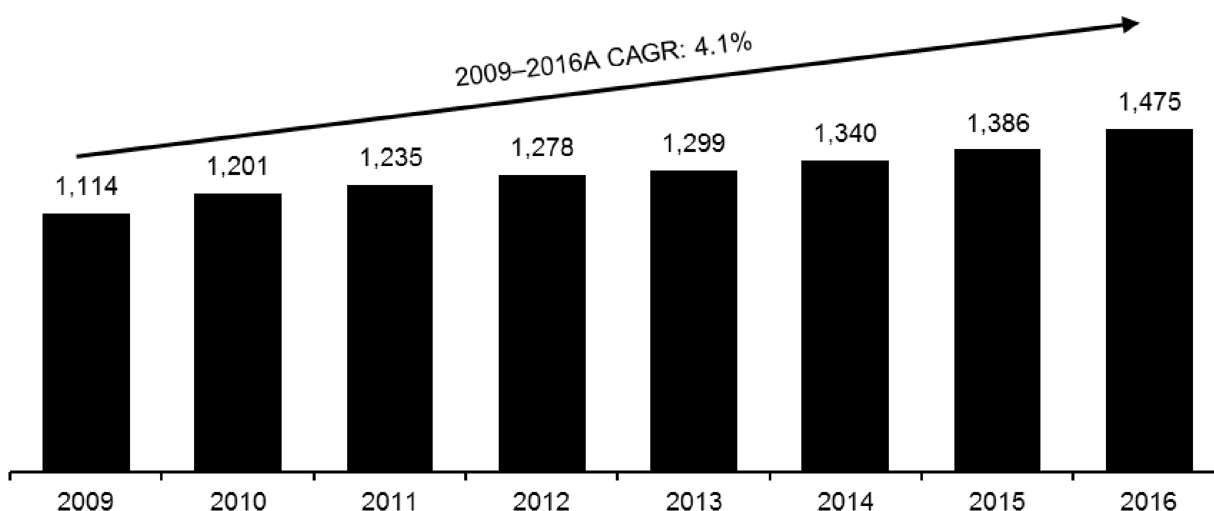


Source: EIU

The positive macroeconomic environment has led to a consistent growth of disposable income for the Polish households. In years 2009-2016, disposable income per capita grew at the CAGR of 4.1%. Furthermore, households benefit from fiscal stimulus provided by the government-funded social programs like the 500+ program. According to this program the monthly support for a second and every next child was set at PLN 500 per month. The increase in social benefits (over PLN 20 billion transferred to families in 2016) translates into an increase in consumer spending.

Disposable Income per Capita per Month (2009-2016)

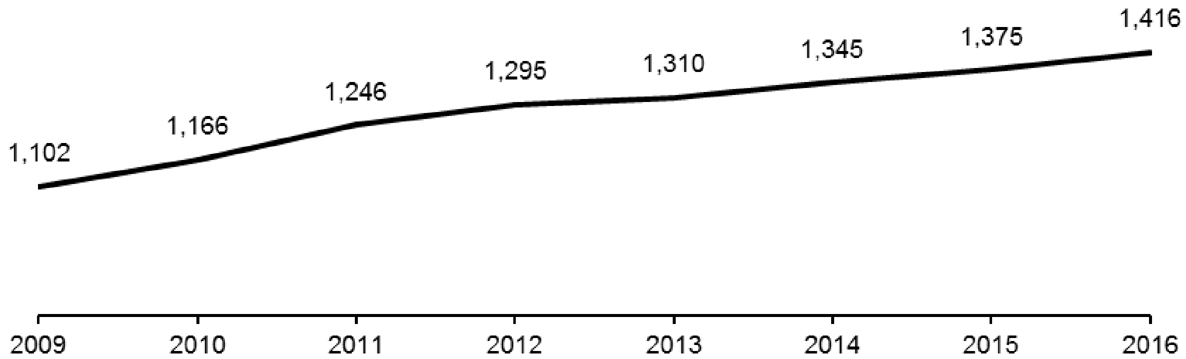
(PLN)



Source: Central Statistical Office of Poland

Consumption Expenditure (2009-2016)

(PLN billions)



Source: Final consumption expenditure (Central Statistical Office of Poland)

Overall, Polish households appear to be increasingly confident about their situation and more willing to make major purchases. The telecommunications sector is expected to be one of the beneficiaries of increased consumption expenditures.

Polish mobile market

Polish mobile market overview

Poland is one of the largest telecommunications services markets in CEE in terms of annual revenues. According to the UKE Report, the telecommunications industry generated PLN 39.5 billion of revenues in 2015, which was an increase of approximately 0.7% from the previous year.

The mobile market is the largest contributor of revenues in the telecommunications industry. Based on publically reported revenues of four major MNOs, which include mobile broadband revenues, the Polish mobile market generated revenues of approximately PLN 26.3 billion in 2016. This is approximately 5 times more than revenues generated broadband market in 2015, according to UKE.

Furthermore, the mobile market remains an attractive area of the telecommunications market with the UKE expecting future growth to be underpinned by the increasing use of mobile broadband services and mobile data consumption.

Total Polish Mobile and Broadband Market Value, 2016

(PLN BN)

Notes: BuddeComm, 2015 total broadband market revenue. PMR, including MVNO's and all types of revenue generated by telecommunications, including handset sales and other services not directly connected with mobile services

The fixed line telephony market has been characterized by a steady fall in the number of subscribers and revenues. The declining popularity of fixed telephony services has been driven by the substitution of mobile telephony offers and, to some extent, the development of internet telephony.

Polish mobile market

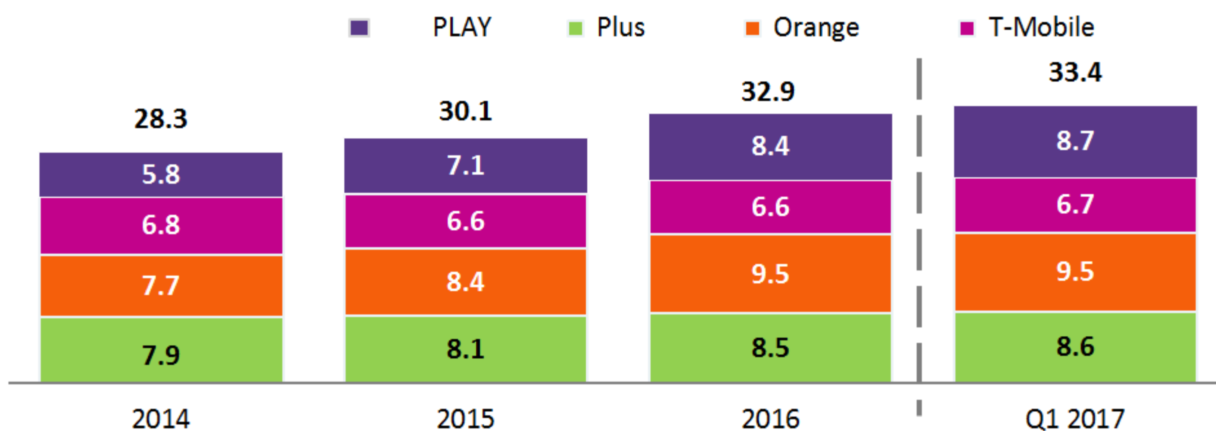
Overall, the Polish mobile market is a structurally attractive telecommunications market. It is balanced among four players and presents favorable competitive dynamics.

Customer Base

The contract subscribers market is significantly larger than the prepaid market, both in terms of subscribers and value. According to the UKE, the four MNOs derive approximately 80% of their revenues from contract subscribers. The typical length of the subscribers contract is 24 months for newly acquired subscribers and up to 36 months for retained subscribers. The number of contract subscribers has been constantly growing in years 2014 to 2016 (from approximately 28 million to 33 million).

Contract Subscribers (2014-Q1 2017)

(millions)

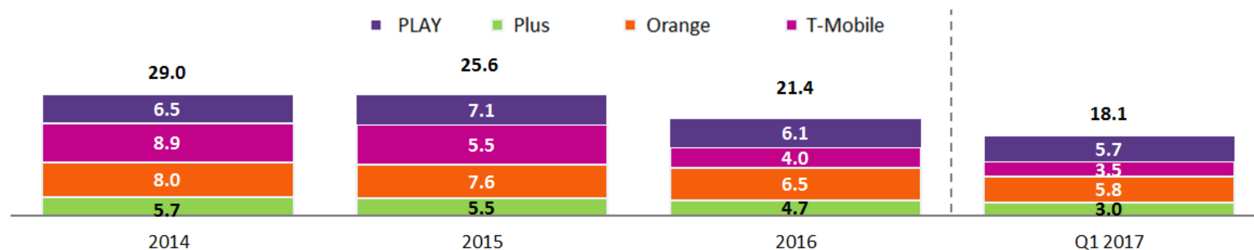


Source: Information from companies' public filings

The number of prepaid customers has decreased in years 2014-2016 by approximately 7.6 million SIM cards. The decline is attributable mainly to continuous migration from prepaid to contract, T-Mobile which churned 3.6 million of inactive SIM cards in 2015 as well as a prepaid registration obligation under the ATO Act, which resulted in further reduction of prepaid SIM cards by approximately 4 million in 2016.

Prepaid Subscribers (2014-Q1 2017)

(millions)

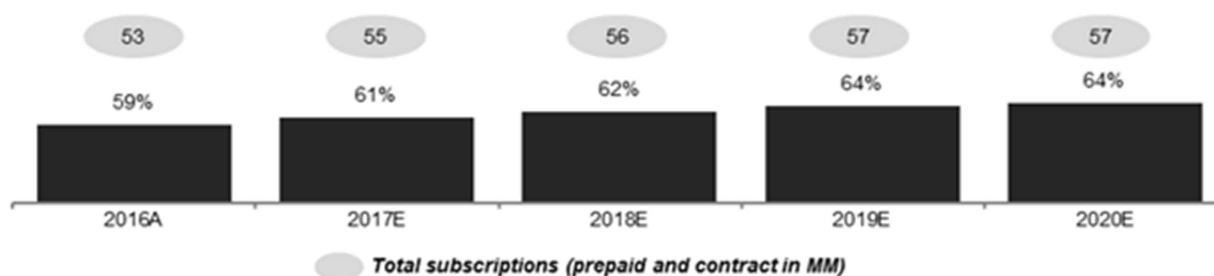


Source: Information from companies' public filings

The migration trend from prepaid to contract is expected to continue in the future. The share of contract subscribers in the total subscriber base is expected to increase from 59% in 2016 to 64% in 2020, according to Analysys Mason.

Evolution of Contract Share in Total Subscriptions (2016-2020E)

(%, millions)

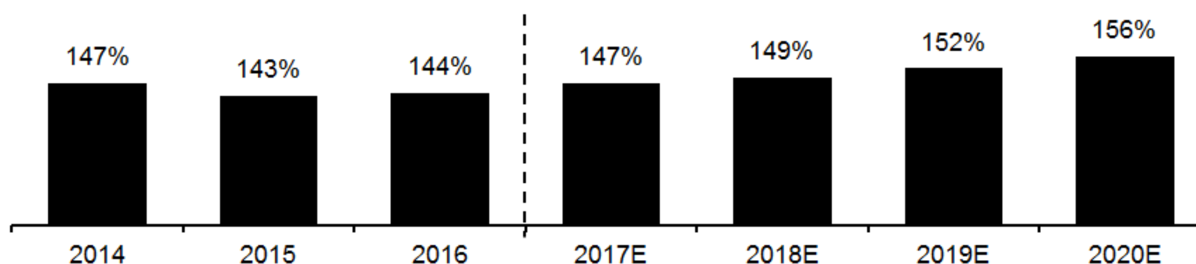


Source: Analysys Mason (based on the contract share in total market, excluding M2M)
OVUM; note that OVUM has different methodology that can differ from Play's information

In addition to a continued shift to contract subscribers, the penetration rate of SIM cards is expected to grow in the coming years. At the end of 2016 there were approximately 54.7 million reported SIM cards in Poland, including MVNOs, which resulted in a penetration rate of 142%, according to CSO. The number of SIM cards reduced by 1.4 million, or 2.4%, from December 31, 2014 to December 31, 2016, mainly due to the decline in the number of prepaid cards. The penetration rate is expected to grow and reach 156% in 2020, which is an increase by approximately 12% percentage points over the 2016 value. These growth assumptions are supported by, among others, the continued attractiveness of mobile broadband for Polish consumers.

Number of Mobile Subscribers Per 100 People (2014-2020E)

(%)



Source: EIU

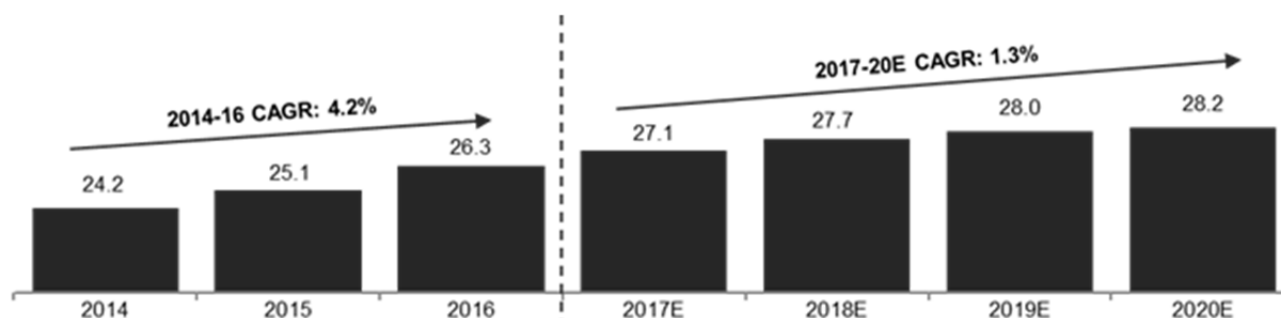
Market Value

The Polish mobile market is expected to exhibit an attractive growth path over the coming years.

According to PMR, as of December 31, 2016, the Polish mobile market reached PLN 26.3 billion, and is expected to grow at a CAGR of 1.4% in years 2017-2020 and reach PLN 28.2 billion in 2020.

Total Polish Mobile Market Value (2014-2020E)

(PLN billions)



Notes: PMR, including MVNO's and all types of revenue generated by telecommunications, including handset sales and other services not directly connected with mobile services

Operators

MNOs

As of the date of this Prospectus, there are four main MNOs in the Polish market, with their own frequency allocation and the infrastructure required to operate an independent mobile network: Play, Plus, Orange and T-Mobile. According to the companies' public filings and Play's estimates, the four main MNOs' mobile market operators' share in the reported subscribers was approximately 99.1% as of December 31, 2016. Prior to the entry of Play in the market, the three largest MNOs have had stable and very similar market shares and were operating in a very similar manner. The three other MNOs are described below:

- **Polkomtel**: a mobile operator beneficially owned by Cyfrowy Polsat S.A., which operates the Plus, Plush and A2 Mobile brands. According to the operator's data and Play's estimates, as of March 31, 2017, Cyfrowy Polsat, controlled by Mr. Solorz-Żak, had approximately 11.6 million reported

subscribers and a mobile market share of 22.3% (versus 24.1% and 24.2% as of December 31, 2015 and 2016, respectively). Polkomtel results are reported in consolidated reports of Cyfrowy Polsat. Hence, it is impossible to separate Polkomtel results from the rest of the Group. For the year ended December 31, 2016, Cyfrowy Polsat's total revenue amounted to PLN 9.7 billion and EBITDA was PLN 3.6 billion implying a 37.4% margin. Since November 9, 2011, Polkomtel has been wholly owned by Spartan Capital, an entity controlled by Mr. Solorz-Żak. On May 7, 2014, Cyfrowy Polsat, completed the acquisition of Metelem Holdings (the entity controlling a 100% stake in Polkomtel at the time of transaction announcement) for PLN 16.4 billion. In addition, in April 2016, Cyfrowy Polsat acquired the mobile infrastructure firm NFI Midas S.A., which operates Centernet and Aero 2 and owns reservations in the 800 MHz, 900 MHz and 1800 MHz spectrum. As of the date of this Prospectus, Zygmunt Solorz-Żak has a 57.9% in Cyfrowy Polsat's share capital and voting preferred shares which gives him 63.8% in Cyfrowy Polsat in Shareholders Meetings.

- **Orange**: Orange is the incumbent fixed-line operator and operates the Orange and nju.mobile mobile brands in Poland. According to the operator's data, as of March 31, 2017, Orange had approximately 15.3 million reported subscribers and a mobile market share of 29.4% (compared to 28.3% and 29.2% as of December 31, 2015 and 2016, respectively). For the year ended December 31, 2016, Orange's total revenue amounted to PLN 11.5 billion (Orange reports mobile revenues which for the year ended December 31, 2016, amounted to PLN 6.4 billion) and adjusted EBITDA was PLN 3.2 billion implying a 27.4% margin. As of the date of this Prospectus, France Telecom via Orange S.A. has a 50.67% ownership interest in Orange Polska S.A. Orange Polska S.A. is listed on the Warsaw Stock Exchange.

- **T-Mobile**: T-Mobile operates the following mobile brands in Poland: T-Mobile, Heyah, Blueconnect and Tu Biedronka. According to the operator's data, as of March 31, 2017, T-Mobile operating in Poland (T-Mobile Polska S.A.) had approximately 10.2 million reported subscribers and a mobile market share of 19.7% (versus 21.4% and 19.4% as of December 31, 2015 and 2016, respectively). As of December 31, 2016, total revenue of the Polish T-Mobile branch amounted to PLN 6.5 billion, EBITDA of PLN 2.1 billion, implying a 32.4% margin. T-Mobile Polska S.A. is wholly owned by the Deutsche Telekom Group.

All four major MNOs offer contract and prepaid mobile solutions, voice and data-only offers as well as subsidized handset and SIM-only solutions.

MVNOs

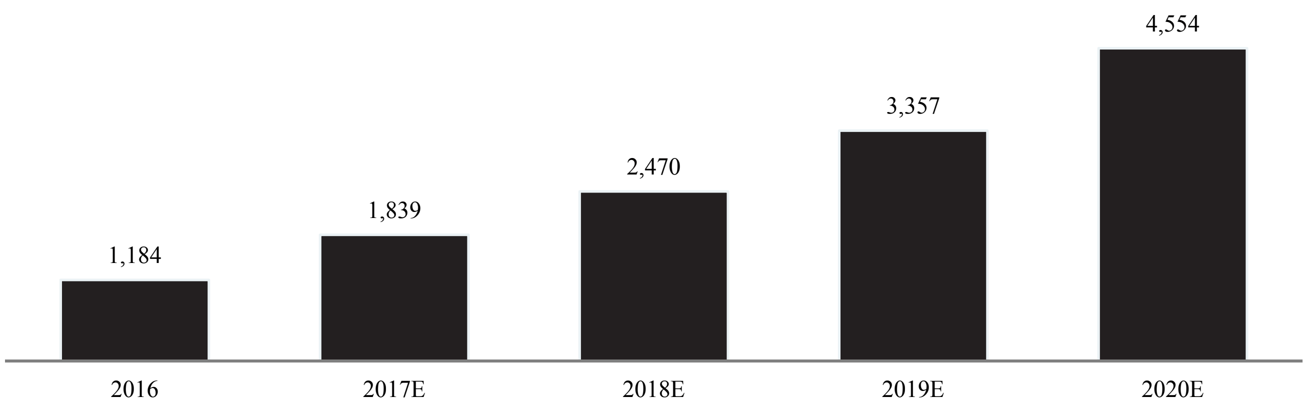
The secondary group of market participants with a combined market share of approximately 1% as of December 31, 2016, according to Play's estimates, are MVNOs, which operate, and are branded independently, from the MNOs, but deliver their services by utilizing the networks of the MNOs pursuant to contractual agreements. Under the MVNO business model, existing MNOs provide access to their telecommunications services on a wholesale basis, to the MVNOs for further reselling to retail subscribers. Despite there being a number of MVNOs, none holds a meaningful share of the mobile market, which is dominated by the four main MNOs.

MVNOs have not been a major feature of the telecommunications market, despite some high-profile entries under well-known brands (*e.g.*, Virgin Mobile, Mobile Vikings and others), and we do not expect them to gain substantial market share in the future in comparison to MNOs. Low retail margins create an unfavorable environment for MVNOs as they leave less room for discounted offers. In addition, given the exclusivity of most mobile dealers, there are few opportunities to gain physical marketing presence for contract offerings.

Smartphones and Data usage

Following other mobile markets, the increasing use of smartphones and tablets in Poland is expected to continue to be a driver of data consumption that creates new opportunities, premium offers and related revenues. According to Analysys Mason, in 2016 the average data consumption in Poland was 1,184 MB per SIM per month, which is expected to almost quadruple to reach 4,554 MB per SIM per month by 2020. Mobile subscribers are increasingly using data and internet services on their devices. This trend has been advanced by the growing popularity of internet packages, either included in the subscription or purchased as add ons, and improved networks offering better services.

The below graph presents data consumption (MB per SIM per month) in Poland from 2016 until 2020:



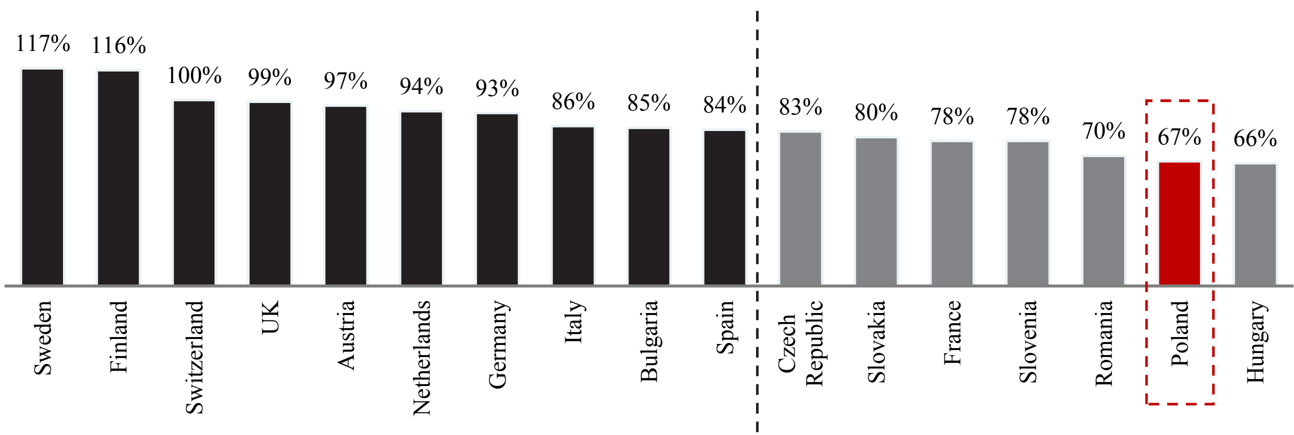
Source: Analysys Mason (based on usage on 3G and 4G phones)

As per Analysys Mason, in 2016, the smartphone penetration in Poland stood at 67% implying a smartphone user base of approximately 25 million. The smartphone penetration in Poland was below the levels seen in both the more developed Western European countries and some Eastern European countries such as the Czech Republic (83%), Slovakia (80%) and Romania (70%).

The below graph compares the smartphone penetration in Poland to some other European countries:

Smartphone Penetration

(2016; %)



Source: Analysys Mason

Pricing and Profitability of Polish Mobile Market

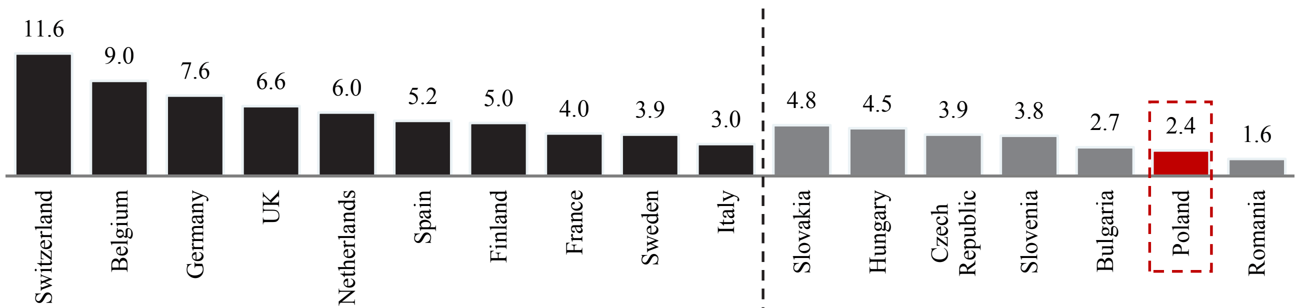
According to Analysys Mason (Polish Telecom Market Report 2017), mobile ARPU in Poland decreased from PLN 39.65 (EUR 9.49) per month in 2012 to PLN 29.43 (EUR 6.75) per month as of September 30, 2016. The decline was mainly as a result of competition and regulatory changes. However, based on information publically reported by our main competitors, we believe that underlying ARPU trends have remained relatively stable since 2012 which is represented by stable levels of outbound retail ARPU (a metric that excludes the impact of falling MTRs) and indicates the rational approach of MNOs to pricing.

The above mentioned regulatory changes involved MTR reductions introduced by the UKE—the MTR of Plus, Orange and T-Mobile decreased from approximately PLN 0.40 per minute in May 2007 to approximately PLN 0.04 per minute as of the date of this Prospectus. As a result, MTRs in Poland remain below the average MTR in Europe. Since 2007, Poland experienced the sixth largest average revenue per minute ("**ARPM**") erosion in Europe according to data compiled from Analysys Mason.

In January 2013, the UKE introduced termination rates at a uniform level for all mobile telephony networks at PLN 0.0826. Subsequently, in July 2013, the UKE reduced MTRs further to PLN 0.0429 for all operators, which reached the lower end of the European Union recommended target and consequently Polish MTRs are expected to remain stable going forward.

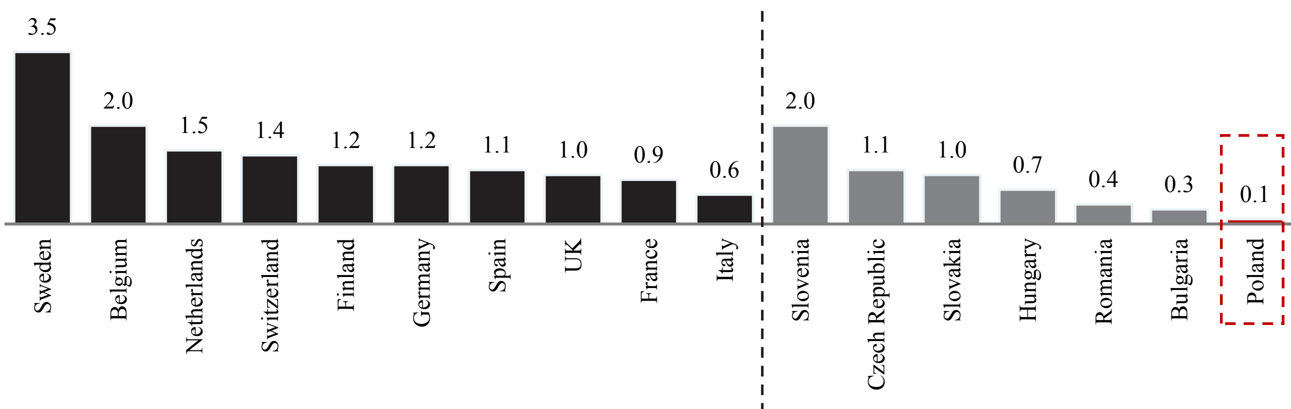
The graphs below compare the ARPM and average revenue per MB ("**ARPB**") levels in Poland and some European countries:

Average Revenue Per Mobile Minute (2016, EUR cents)



Source: Analysys Mason

Average Revenue Per MB (2016; EUR cents)



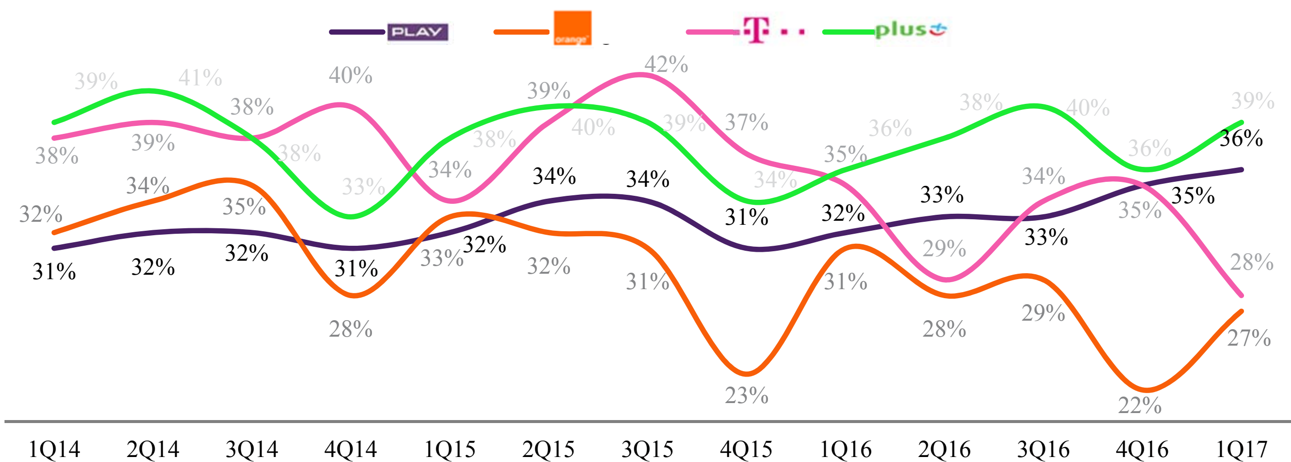
Source: Analysys Mason

Polish voice ARPMs are among the lowest in Europe, implying lower downside risk. Recent EU regulations are expected to narrow price variances to the EU average in the future (*e.g.*, EU roaming regulations).

Both voice and data pricing in Poland are at a significant discount to Western European countries. Despite the low price environment, Polish mobile market development over the past years can be characterized by favorable competitive dynamics, which allowed Play to implement a controlled growth strategy. Thus growing our subscriber base and market share at the expense of all competitors evenly, as opposed to a disproportionate share from one or two competitors. Plus and Orange's EBITDA margins have remained relatively stable or have been trending upwards, while T-Mobile has seen its profitability and subscriber base decrease. Over the same period, our Adjusted EBITDA margin has grown on a quarterly basis from 32.2% to 32.4% to 35.7% for the three months ended March 31, 2015, 2016 and 2017, respectively. Similarly, on annual basis, our Adjusted EBITDA margin has grown from 32.8% to 33.3% for the years ended December 31, 2015 and 2016, respectively, thereby tightening the gap with the two largest MNOs.

EBITDA margin[1]

(%)



Source: The Issuer

1. Play figures including early adoption of IFRS 15 and 16; Reported EBITDA margin for Cyfrowy Polsat (including the Plus brand), Orange Polska Group and T-Mobile Polska and Adjusted EBITDA margin for Play.

Polish broadband market

Market overview

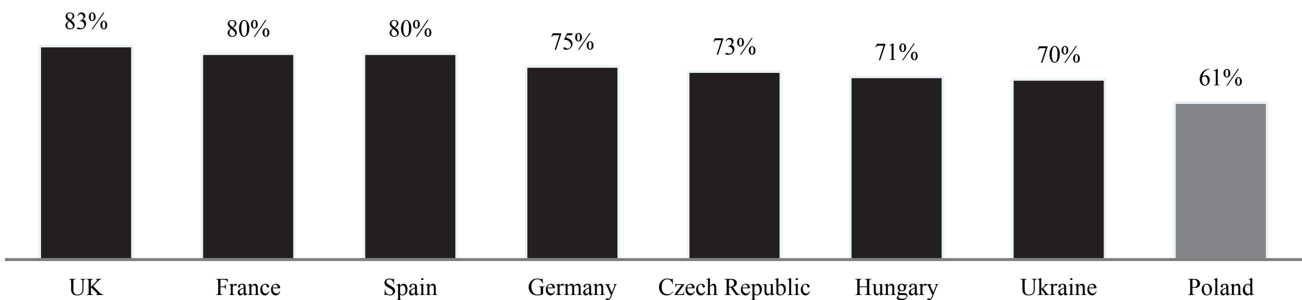
Broadband Internet connections can be established via various access technologies, including xDSL, cable modem, LAN-Ethernet, WLAN, FTTH or mobile modem (including UMTS, HSDPA, EDGE and LTE technologies). According to the UKE, the value of the broadband market in Poland amounted to PLN 5.1 billion in 2015. According to the PMR, there were a total of 16.3 million internet subscribers in Poland in 2016 of which 8.9 million used the mobile broadband technology.

In Poland, approximately 60% of the population lives in urban areas. A relatively high percentage of the population living in rural areas, where investment in new fixed-line infrastructure is not viable and coverage of fixed-line broadband services can be limited, is one of the drivers behind the low fixed line penetration in Poland.

The graph below presents a comparison of the urban population as a percentage of the total population in select European Union countries:

Population Living in Urban Areas

(%)



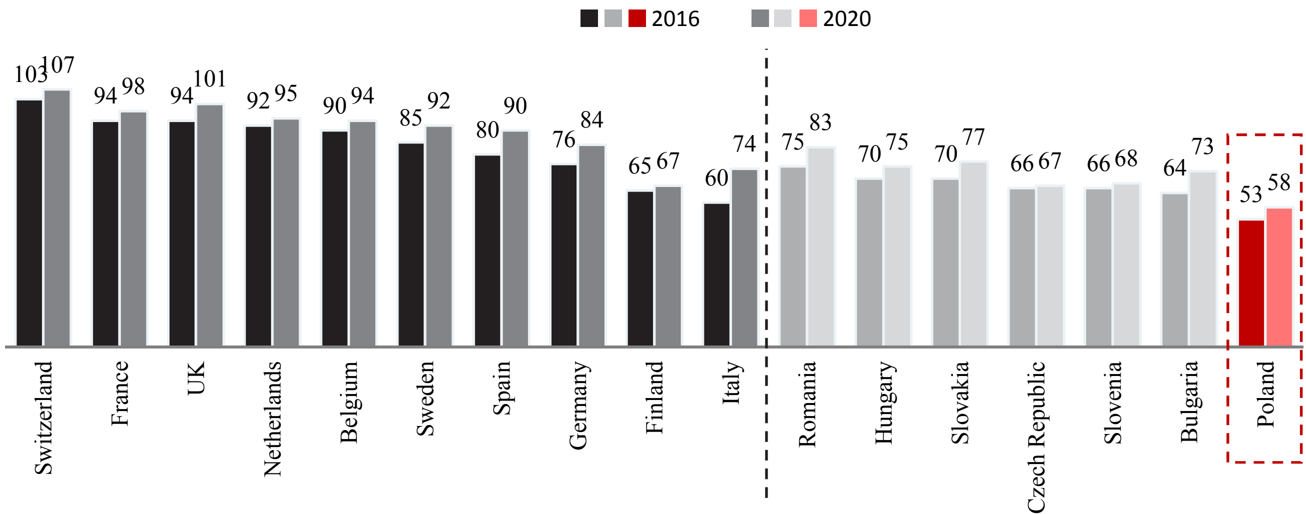
Source: World Bank, 2015 data

Fixed-line Broadband

According to Analysys Mason, Poland's fixed-line broadband household penetration was 53% in 2016, which is amongst the lowest in Europe.

Fixed Broadband Household Penetration

(%)



Source: Analysys Mason

Fixed-line broadband in Poland is available to a majority of the population in urban areas. In non-urban areas, there has been limited availability of fixed line broadband services as a result of the non-viability of fixed line network investment.

Mobile Broadband

In comparison to other European Union countries, mobile broadband offers an attractive solution to fixed broadband in Poland. The key reasons for this include: (i) low urbanization and low population density leading to underinvestments in fixed-line infrastructure, (ii) slow fixed-line infrastructure and (iii) prevalence of high speed mobile connections as an alternative to fixed-line broadband.

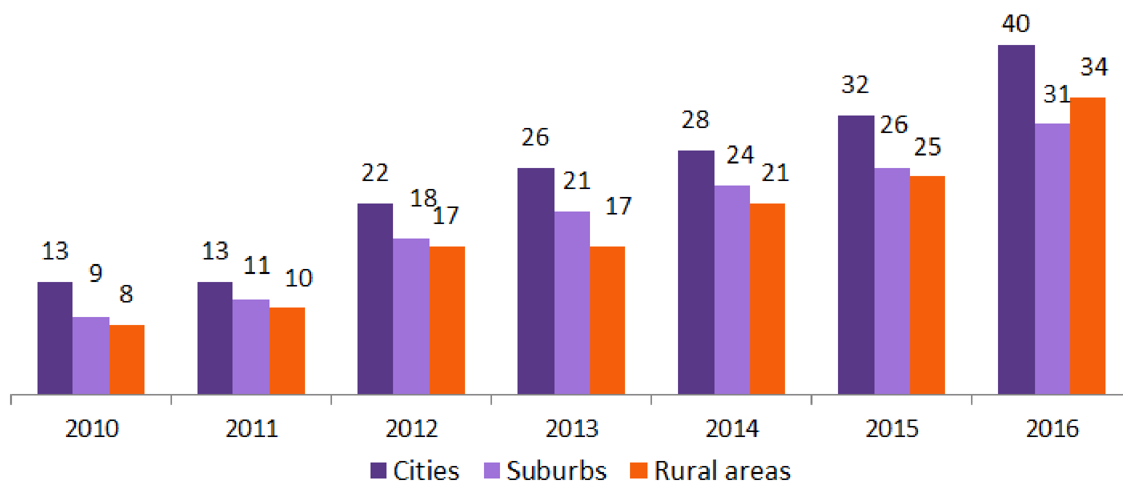
Mobile access to the Internet via mobile modems was the fastest growing area of the Polish broadband market. This is shown by the increasing uptake that mobile broadband has had over the past three years.

Poland's mobile broadband penetration has been steadily growing over time due to the low level of urbanization, underinvestment in the fixed-line infrastructure and attractive pricing of mobile broadband when compared to fixed-line broadband. According to Eurostat, approximately 40% of Polish households in cities used mobile broadband in 2016 as compared to only 13% in 2010. The adverse conditions for development of fixed-line broadband have created demand for mobile broadband technologies in Poland and has resulted in Poland's mobile broadband penetration being above the EU average. We expect mobile broadband penetration in Poland to continue to grow and to become an important segment of broadband connectivity in Poland.

The graph below presents the evolution of mobile broadband penetration from 2010 to 2016 in Polish cities, suburbs and rural areas.

Percentage of Households with Mobile Broadband[1]

(%)

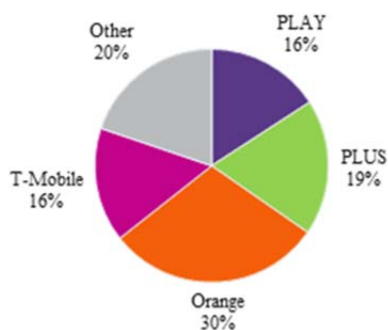


1 Eurostat; cities defined as areas with at least 500 inhabitants/km^2; suburbs defined as areas with 100 and 499 inhabitants/km2; rural areas defined as areas with less than 100 inhabitants/km^2

The mobile broadband market in Poland is highly concentrated with the four largest mobile telecommunications operators holding approximately 80% market share as of December 31, 2015, according to the UKE Report.

Mobile Modem User Market Share

(2015)



Source: the UKE Telecommunications Market Report, 2015

Fixed-Mobile Convergence (FMC) and Bundling

Orange is the only operator which offers full quadruple play on own fixed-mobile platform infrastructure, while other players are more limited in their ability to provide full bundling:

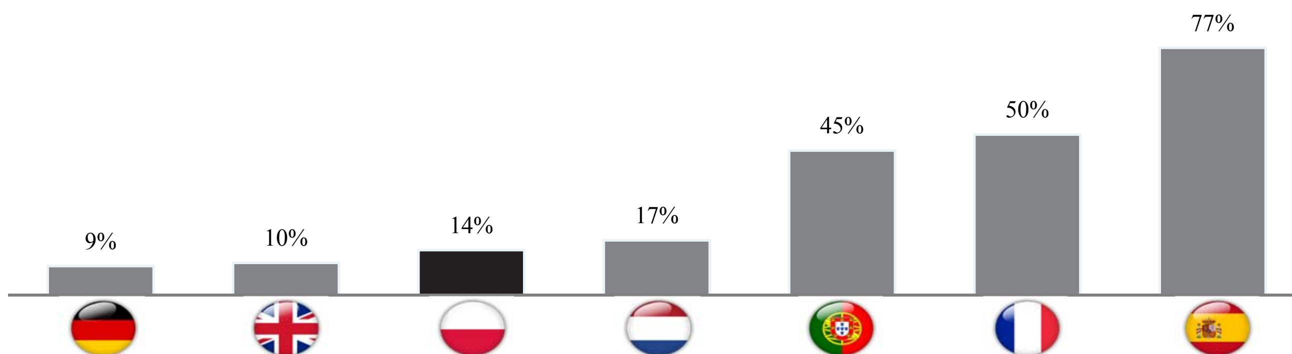
- Plus (mobile + satellite TV) are the multi-platform bundlers; and
- T-Mobile and Play, mobile service platform bundlers.

While bundling has been prevalent since 2013, current pricing and market structure support mobile platform bundling, while fixed-mobile bundling uptake has been historically limited in Poland.

Historically, fixed-mobile bundling has not been very successful in the Polish market due to low price levels limiting the ability to offer further in-bundle discounts, low speed infrastructure (due to topography that is more favorable to mobile over fixed-line technology) and a fragmented landscape of fixed-line broadband and cable players (while mobile operators cover more than 99% of the population, the fixed-line broadband market in Poland is fragmented, covering only 53% of Polish households with quality broadband access).

FMC Penetration[1]

(%)

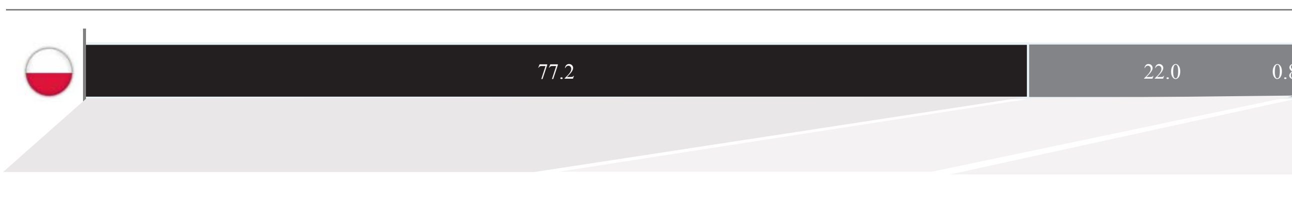


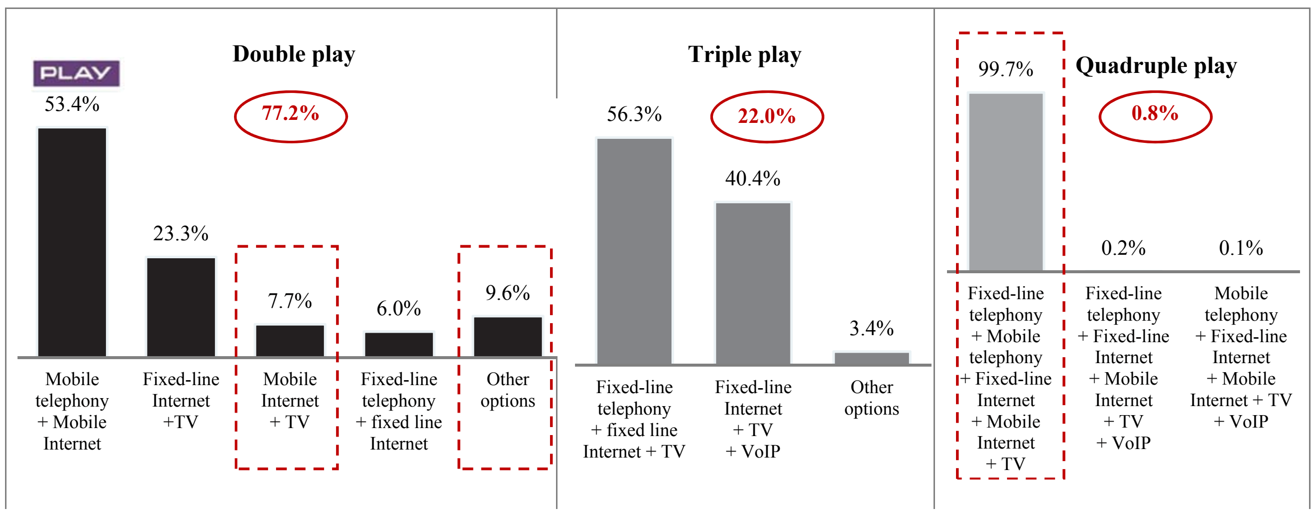
1 Analysys Mason (2016 estimate as of Q2 2016), percentage of fixed broadband households (including business-to-business) with FMC bundles

Even within the small bundling universe, over 77% of customers subscribed to double play services (predominately mobile services), with triple play services accounting for 22%. Quadruple play offerings amount to less than 1% in the market.

Share of Bundled Products 2015

(Year, %)



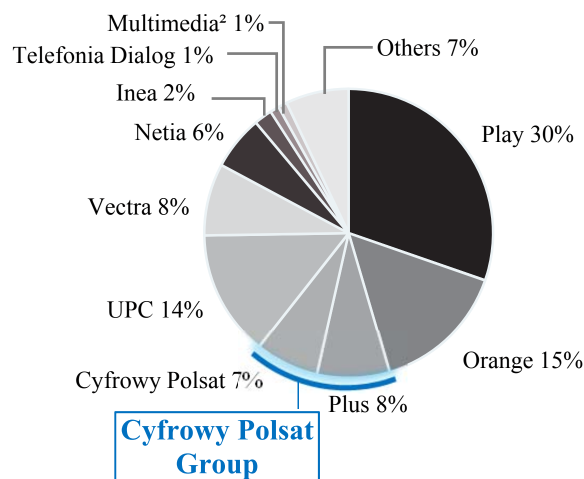


Note: Dotted red box denotes fixed-mobile bundling platforms
Source: the UKE

The most popular bundle in Poland is mobile telephony and mobile internet; and therefore, Play has the leading market share with 30%, followed by Orange and Cyfrowy Polsat (each with 15%).

Share of bundle services

(2015, %)



Source: Office of Electronic Communications

REGULATORY OVERVIEW

Telecommunications activities conducted in Poland are heavily regulated and companies undertaking such activities must be registered with the UKE President in the Register of Telecommunications Undertakings (the "**Register**"). We are registered in the Register under number 92.

Key legal acts

At the national level, telecommunications activities are primarily regulated by the Telecommunications Law of July 16, 2004 (Dz. U. of 2016 item 1489, as amended) (the "**Telecommunications Law**").

At the European level, telecommunications activities are regulated by the following EU directives and regulations:

- the directives of the European Parliament and of the Council of March 7, 2002, comprising; Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services (the "**Framework Directive**"), Directive 2002/20/EC on the authorization of electronic communications networks and services (the "**Authorization Directive**"), Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (the "**Universal Service Directive**") and Directive 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities (the "**Access Directive**") (as amended);

- Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "**Privacy and Electronic Communications Directive**");

- Directive 2009/136/EC of the European Parliament and of the Council of November 25, 2009 which amended the Universal Service Directive, the Privacy and Electronic Communications Directive and Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws;

- Directive 2009/140/EC of the European Parliament and of the Council of November 25, 2009 which amended the Framework Directive, the Access Directive and the Authorization Directive;

- Regulation of the European Parliament and of the Council (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (the "**General Data Protection Regulation**");

- Regulation (EC) No. 544/2009 of the European Parliament and of the Council of June 18, 2009 which amended Regulation (EC) No 717/2007 on roaming on public mobile telephone networks within the Community and the Framework Directive ("**Regulation No. 544/2009**");

- Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the Union amended by Regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017 (the "**Roaming Regulation**");

- Regulation (EC) No. 2015/2120 of the European Parliament and of the Council of 25 November 2015, laying down measures concerning open internet access and amending the Universal Service Directive and the Roaming Regulation ("**Regulation No. 2015/2120**"); and

- Regulation (EC) No 1211/2009 of the European Parliament and of the Council of November 25, 2009 establishing the Body of European Regulators for Electronic Communications (“**BEREC**”) and the Office.

Telecommunications regulations in Poland are, to a large extent, based on EC regulations and EU directives, but their application is often determined at the national level and such application reflects the characteristics of the Polish telecommunications market and the UKE President’s regulatory policy.

The primary telecommunications legislation in Poland is the Telecommunications Law and its implementing secondary legislation. In 2004 the Telecommunications Law was substantially amended to reflect Poland’s accession to the European Union and to address various technological developments. These amendments set out a framework for the future development of competition in the Polish telecommunications industry and strengthened consumer protection. The framework introduced identifies the types of telecommunications providers subject to the Telecommunications Law and imposes an obligation on such providers to allow their competitors access to their telecommunications infrastructure. In January 2013, a further significant amendment to the Telecommunications Law came into force which, among others, (i) introduced an obligation on telecommunications providers to inform consumers who exceed their data transmission limit, (ii) imposed a one day maximum on the time taken to transfer a telephone number to an alternative provider, (iii) reduced the permitted data retention period to twelve months, (iv) introduced new regulations on access to telecommunications infrastructure and (v) advocated the effective management of radio spectrum resources.

Telecommunications market supervision

Pursuant to the Telecommunications Law, the Minister of Digital Affairs and the UKE President are responsible for the administration of the communications sector in Poland. These authorities work with telecommunications undertakings, focusing in particular on; (i) supporting competition to improve the quality of telecommunications services, (ii) representing consumer interests, (iii) promoting investment in new technology and infrastructure, (iv) improving the safety and security of the telecommunications system and (iv) fostering cooperation in the telecommunications sector at the European level.

Minister of Digital Affairs

The powers of the Minister of Digital Affairs under the Telecommunications Law include, most notably, the power to draft secondary legislation. This secondary legislation may relate to, among other things, tenders, auctions and contests for the reservation of frequencies, the domestic numbering plan, charges for using the numbering resource, the telecommunications charge, specific requirements for the provision of telecommunications access, regulatory accounting and the calculation of the cost of services, as well as the quality of telecommunications services and the related complaints procedure.

The UKE President

Under the Telecommunications Law, the UKE President has broad authority to regulate and inspect the telecommunications services markets. He, or she, is responsible for radio frequency spectrum management, orbital resources and numbering. The UKE President also has the right to monitor telecommunications undertakings’ compliance with electromagnetic compatibility requirements, to oversee the development of draft legislation proposed by the minister competent for communications, to analyze and evaluate the functioning of the telecommunications services markets and to intervene in matters related to the functioning of these markets (including resolving disputes between telecommunications operators).

The UKE President is also authorized to commence and conduct inspections to ascertain the compliance of telecommunications undertakings with relevant telecommunications laws, regulations, decisions and statements, as well as to inspect any telecommunications equipment being traded or used.

In the event that any telecommunications undertaking does not fulfil the obligations imposed on it by the Telecommunications Law, or a decision issued by a regulatory authority, the UKE President may, after conducting an investigation, issue recommendations instructing the relevant undertaking to either remedy any irregularities or to explain, within a specified period of time, why it has failed to remedy such irregularities. If a telecommunications undertaking fails to remedy an irregularity, or if the explanation it provides is insufficient, the UKE President may order such undertaking to remedy an irregularity. In these circumstances the UKE President may dictate how such irregularity should be remedied, specify the time limit within which the irregularity must be remedied, impose a financial penalty (up to 3% of the previous calendar year revenue of the undertaking being penalized) and in certain circumstances, impose a fine on the principal manager of the undertaking (up to 300% of that manager's monthly salary, using the calculation in place to determine the manager's pay equivalent for unused paid holiday entitlement). If a telecommunications undertaking does not comply with a decision of the UKE President, and if the identified irregularity is recurring and is of a serious nature, the UKE President may ban the undertaking from performing telecommunications activities.

European Commission

Under Article 7 of the Framework Directive, the EC has certain powers to limit the power of the UKE President in the event that a measure taken by the UKE President could affect trade between member states. Pursuant to these powers, the EC may require the UKE President to withdraw a draft measure. The EC has in the past exercised this right, rejecting draft decisions concerning Former Markets 1-2 and requiring the incorporation of its comments to the draft decisions concerning Former Markets 9, 13, 14 and 16(7).

The UKE President market analysis

Pursuant to the Framework Directive and the Competition Act, the EC has attempted to reduce *ex ante* sector specific rules in the telecommunications market. The EC will, by the issuance of recommendations, identify any specific markets for products and services in the electronic communications sector in which *ex ante* regulation may be warranted. In a recommendation dated February 11, 2003 (Commission Recommendation of February 11, 2003 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communication networks and services (2003/311/EC), referred to as the "**2003/311 Recommendation**") the EC identified eighteen such markets; seven retail and eleven wholesale. On December 17, 2007 this recommendation was replaced with recommendation 2007/879/EC, which reduced the number of markets susceptible to *ex ante* regulation from 18 to seven: one retail market and six wholesale markets. Of these seven, only one market related to mobile networks remains subject to *ex ante* regulation, namely, the wholesale market for call termination in mobile networks.

The UKE President is required to analyze certain markets in the Polish telecommunications sector and to review each operator's position in those markets to determine whether competition is sufficient. If competition is deemed to be insufficient, the UKE President may designate one or more telecommunications providers as a provider with SMP and impose on such provider(s) certain regulatory obligations. If the UKE President deems that the regulatory steps imposed have been unsuccessful, an operator with SMP may be required to adjust its prices in accordance with the UKE President's decision. Price tariffs may require prior approval, or prices may be determined by the UKE President on the operator's behalf. Should subsequent market analysis show

that an entity no longer has SMP, or that competition in the respective market is sufficient, the UKE President will repeal the imposed regulatory obligations. As mentioned above, only the wholesale market for call termination in mobile networks is currently subject to this *ex ante* regulatory procedure.

In 2012, the UKE President determined that Play had SMP in the call termination in mobile networks market. As an operator that is deemed to have SMP, Play must comply with certain obligations imposed by the UKE President, which include non-discrimination, meeting reasonable requests for telecommunications access, making available to the public information relating to the provision of telecommunications access, as well as with respect to technical specifications for telecommunications networks and equipment, network characteristics, terms and conditions for the provision of services and use of networks, as well as fees and charges and the determination of prices on an effective operator model basis (for voice calls).

MTRs

Over the years the UKE President has issued decisions that reduce inter-operator rates for certain services or introduce other modifications in relation to existing interconnection agreements between telecommunications companies operating in Poland. The current system of symmetrical MTRs results from an SMP decision of the UKE President issued on December 14, 2012.

The UKE President is responsible for determining MTRs between telecommunications operators. The UKE President can use the determination of these rates to support emerging businesses by allowing them to charge higher fees for calls terminating on their own networks. As a new market entrant, we were provided with asymmetric MTRs, which we were allowed to charge all other operators, both domestic and international. As a result, we were able to benefit from higher MTRs for calls terminated on our network from the commercial launch of our operations in 2007 until the end of 2012.

The table below shows the gradual decline of our voice MTR asymmetry as described above and the MTRs which our competitors charged in the same period:

(PLN per minute)	Plus, Orange and T-Mobile voice MTR(1)	Play voice MTR(2)
Period		
January 1, 2010 to June 30, 2010	0.1677	0.3790
July 1, 2010 to December 31, 2010	0.1677	0.3522
January 1, 2011 to June 30, 2011	0.1677	0.3253
July 1, 2011 to December 31, 2011	0.1520	0.2721
January 1, 2012 to June 30, 2012	0.1520	0.2478
July 1, 2012 to December 31, 2012	0.1223	0.1798
From January 1, 2013 to June 30, 2013	0.0826	0.0826
From July 1, 2013	0.0429	0.0429

(1) Amount Play paid to Plus, Orange and T-Mobile under MTR regime.

(2) Amount Plus, Orange and T-Mobile paid to Play under MTR regime.

MTRs are currently at historically low levels (reaching EUR 1.0062 per minute for all Polish MNOs in January 2016) after significant reductions over the past three years.

MTRs imposed between operators directly impact revenue from call termination fees, one of the major services provided by us and all other operators who provide wholesale services. We receive revenues from other operators for calls terminated to our subscribers on our network (regardless of whether our subscriber is actually on our network or roaming) and we are required to pay interconnection fees to other operators for

calls terminated to their subscribers. Currently MTRs are based on the cost model of an efficient operator developed by the UKE President.

On January 31, 2017, the UKE President issued administrative decision DART.SMP.6041.5.2016.26 deregulating the market for the termination of short text messages (SMS) on mobile networks.

International roaming on mobile networks

In 2007, European Regulation (EC) No 717/2007 of the European Parliament and the Council of June 27, 2007 on roaming on public mobile telephone networks within the European Community (the "**EC**"), which amended the Framework Directive, came into effect and, in 2009, that regulation was amended by Regulation No 544/2009. These regulations (No 717/2007 and No 544/2009) provided for a steady reduction in mobile retail and wholesale prices for voice calls, SMS and data. On June 13, 2012, however, the aforementioned Regulation (EC) No 544/2009 was repealed by Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012, on roaming on public mobile communications networks within the European Union. Pursuant to the latter regulation, the maximum retail prices and average wholesale prices for roaming mobile services (calls, data transmission and SMS) were lowered on July 1, 2013, and were reduced further on July 1, 2014. Additionally, a "decoupling regime" has been introduced to increase competition in the international roaming market with the aim of reducing international roaming retail prices to below the regulatory caps. This "decoupling regime" came into effect on July 1, 2014, and proposed the introduction of Local Break-Out ("**LBO**") services, *i.e.,* allowing foreign MNOs to target our outbound roaming customers to directly offer them data-only services on their networks. Such services would be paid directly by roaming customers to the visited roaming network. On June 15, 2016, the EC issued a proposal for a regulation amending Regulation (EU) No 531/2012 in respect of the wholesale roaming markets. The Regulation (EU) 2017/920 of the European Parliament and of the Council of May 17, 2017 amended Regulation (EU) No 531/2012 in respect of the rules for wholesale roaming market. This amendment was necessary to allow for the creation of "roam-like-at-home" legislation which was developed through tripartite negotiations between the EC, European Parliament and European Council and which has resulted in the implementation of regulated wholesale roaming data charges of EUR 7.7 per 1000 megabytes (as of June 15, 2017), decreasing to EUR 6 as of January 1, 2018. The fees will further decrease to EUR 4.50 per gigabyte in 2019, EUR 3.50 in 2020, EUR 3 in 2021 and then to EUR 2.50 in 2022. Voice (originated) calls wholesale rates are agreed at EUR 0.032 per minute and SMS (originated) at EUR 0.01 per message.

We do not expect a reduction in the prices we can charge for mobile roaming services, as well as the introduction of LBO services (if any), to have a material effect on our results of operations over the short to medium term.

Frequency reservation process

The national strategy for frequency usage is developed by the UKE President, taking into account national and social need as well as international agreements. Interested entities must apply for frequency reservations.

If only one entity applies for a certain frequency, the UKE President, upon receiving the application, initiates and conducts the frequency reservation award process. At the end of this process, the UKE President is likely to award the frequency reservation if the frequency applied for: (i) is available; (ii) has been allocated in the national strategy; (iii) can be protected against harmful interference; (iv) can be used by radio equipment without causing harmful electromagnetic disturbance or collisions with frequency reservations already granted to other entities, or radio reservations; (v) can be efficiently used; and (vi) has been agreed on an international level. The awarding decision is issued within six weeks from the date of filling an application with the UKE

President. Immediately after the issuance of such a decision, the UKE President will publish an announcement to that effect on the UKE website in the Public Information Bulletin.

If there are more applicants than available frequencies, the successful applicant (i.e. the applicant to whom a frequency is awarded) should the selected by way of tender, auction or contest. The UKE President shall specify, in the relevant documentation, the conditions for participation in the tender, auction or contest, as well as the requirements to be met by the applicants and the criteria to be used to evaluate applications. The UKE President may specify a qualifying minimum for the tender, auction or contest in the relevant documentation.

The criteria for evaluating offers in a tender are: (i) maintaining competition; (ii) the participant's bid; and (iii) any other objective criteria if listed in the relevant tender documentation. In the event of an auction, the evaluation criteria is simply the value of the bid declared by an auction participant, while for a contest the criteria are: (i) compliance with the rules of competition, and (ii) other objective criteria listed in the relevant contest documentation.

A successful applicant shall be the participant in a tender, auction or contest, which: (i) met the eligibility requirements for participation, (ii) reached the qualifying minimum specified in the documentation, and (iii) ranked top in the list of participants or, where a tender or an auction concerns more than one frequency reservation, those participants which acquired a ranking not lower than the number of frequency reservations available in that tender or auction.

The results of a tender, auction or contest are announced at the UKE office and on the UKE website in the Public Information Bulletin. Where a tender, auction or contest covers different frequency ranges, the UKE President will draw up a separate list of results for each frequency range, and carry out a separate reservation process for each such frequency range.

The parties to the reservation proceeding are the participants of a tender, an auction or a contest, who choose to submit appropriate requests (motions) for a frequency reservation within seven days of the day on which the results of a tender, an auction or a contest were announced. Consequently the UKE President initiates and conducts the frequency reservation awarding proceeding, at the end of which it is likely to award frequency reservations to those entities who meet the criteria set out on the Telecommunications Law (same as those described above in case of only one applying entity). The frequency reservation decision is issued to applying entities within six weeks from the day the result of the relevant tender, an auction or a contest is announced. Immediately after the issuance of frequency reservation decision, the UKE President is required to publish such information on the UKE website in the Public Information Bulletin.

If any participant is dissatisfied with the result of a tender, auction or contest, it has a right to file an invalidation motion with the UKE President. In response to such a motion, the UKE President shall issue an administrative decision by which it either (i) invalidates or (ii) refuses to invalidate the tender, auction or contest. The dissatisfied participant may at this point file with the UKE President a motion for the reconsideration of the case, and, after that procedure is exhausted, may appeal the UKE President's decision at the lower administrative court. There are two possible outcomes of the administrative court proceedings: (i) the lower court concludes that the tender, auction or contest was conducted defectively and as a result, the UKE President is required to invalidate the tender; or (ii) the lower court recognizes the tender, auction or contest as valid and overrules the complaint. Judgments of the lower courts may be appealed (either by claimants or defendants) by the filing of appeal documents (cessations) with the Supreme Administrative Court, which usually examines such appeals within approximately 12 to 18 months. The Supreme Administrative Court may (i) overrule the lower court's judgment, in which case the lower administrative

court re-examines the case and, following such re-examination, upholds or overrules the UKE President's decision; or (ii) uphold the lower court's judgment.

If at any point the tender, auction or contest is found to be invalid, and it is possible for the UKE President to take measures to remedy the breach which caused such invalidity, the President of the UKE shall be obliged to take such remedial measures. In these circumstances, the UKE President should consult the UOKiK President with respect to the offers. However, if the invalidity of a tender, auction or contest leads to a change of that tender, auction or contest's result, the proceedings related to the grant of such frequency reservation shall be reopened.

Frequency reservation proceedings should not be reopened where 10 years have passed from the date on which the results of a tender, auction or contest were announced. Similarly, frequency reservation decisions should not be revoked where 10 years have passed from the date on which the decision was served or announced.

A tender, auction, or contest is considered unsuccessful if no entity decided to participate in that tender, auction, or contest within the time limit specified in the relevant documentation. An announcement that the tender, auction or contest has been unsuccessful should be published on the UKE website in the Public Information Bulletin.

A frequency reservation may be amended or withdrawn if, among other things, the entity holding the frequency reservation does not fulfil its commitments under the reservation, alters its use of the frequency band, or fails to utilize the frequency band within six months of the date of allocation or for any continuous six month period. In the event that a frequency reservation is withdrawn due to unpaid frequency reservation fees, the entity holding the frequency reservation may not apply for another frequency reservation within three years of the withdrawal date.

Currently, frequency reservations are awarded for a specified term of no longer than 15 years (historically, frequency reservations have been usually awarded for 15 years, but the term has varied), and the telecommunications operators may apply, 12 to six months before the expiry of the initial term, for the renewal of their frequency reservation for a further period. The UKE President may renew the frequency reservation without following the tender proceedings described above, *provided that* the UKE President knows that the demand for available frequency resources is greater than the available frequency resources. The UKE President, in agreement with the UOKiK President, may refuse the extension of a frequency reservation if such refusal is justified by the need to ensure effective frequency usage, in particular in a situation where granting an extension for a subsequent period could lead to spectrum hoarding by a given entity or a capital group, within the meaning of the Competition Act.

In addition, the use of radio equipment in general requires radio permission, which is issued for set periods of time. The permission may be changed or withdrawn for certain reasons, including, for example, if the use of the permitted radio equipment interferes with the operation of other equipment or telecommunications networks or if the beneficiary fails to use the frequencies covered by a separate frequency reservation within twelve months of the specified date.

Frequency reservations

We hold the following material telecommunications frequency reservations, all of which cover the territory of Poland:

Frequency	Range	Term	Obligations
800 MHz...........................	801 - 806 MHz frequency and 842 - 847 MHz frequency	until June 23, 2031	Obligation to commence provision of commercial services within 12 months of receiving the frequency reservation. Obligation to execute various investments in the telecommunications network in order to cover between 83% to 90% of the territory specified in the decision, within 24-48 months of receiving the frequency reservation.
900 MHz...........................	880.1 - 885.1 MHz, and 925.1 - 930.1 MHz	until December 31, 2023	Obligation to cover 80% of the territory of Poland, at the same time covering 650 local communities that have less than 50,000 inhabitants in 250 districts, by the end of 2012. Obligation to provide, on an equal and transparent basis, wholesale offering of telecommunications services for the benefit of other telecommunications undertakings.
1800 MHz.........................	1729.9 - 1734.9 MHz, and 1824.9 - 1829.9 MHz 1734.9 - 1739.9 MHz, and 1829.9 - 1834.9 MHz 1739.9 - 1744.9 MHz, and 1834.9 - 1839.9 MHz	until December 31, 2027	Obligation to execute a specified investment pertaining to construction of base stations or the modernization of existing base stations, within 24 months of receiving the frequency reservation. Obligation to conduct at least 50% of the above mentioned investment in rural and urban areas with less than 100.000 inhabitants within 24 months of receiving the frequency reservation.
2100 MHz.........................	1964.9 - 1979.7 MHz and 2154.9 - 2169.7 MHz (3 FDD channels) and 1900.1 - 1905.1 MHz (1 TDD channel)	until December 31, 2022	Obligation to cover 4.20% of the territory and 50.1% of the population of Poland in 2008.
2600 MHz.........................	2550 - 2555 MHz frequency and 2670 - 2675 MHz frequency; 2555 - 2560 MHz frequency and 2675 - 2680 MHz frequency; 2560 - 2565 MHz frequency and 2680 - 2685 MHz frequency; and 2565 - 2570 MHz frequency and 2685 - 2690 MHz frequency	until January 25, 2031	Obligation to commence provision of the commercial services within 36 months of receiving the frequency reservation.

The net book value of the reservations listed above, as of December 31, 2016, was approximately PLN 2,222.1 million. We also hold numerous radio reservations for radio equipment which form the backhaul transmission part of our network.

There have been certain legal proceedings in relation to the reservations which we own which have resulted in further proceedings at the administrative courts. See "*Business—Legal Proceedings—Proceedings before the UKE President related to the tender for the 1800 MHz frequency*" and "*Business—Legal Proceedings—Proceedings before the UKE President related to the auction for the 800 MHz and 2600 MHz frequencies.*"

Numbering

The decision to assign numbering is made by the UKE President. Applications for the assignment of numbering may be refused if less than 75% of previously assigned numbering has been used. Assignments may be withdrawn or changed if numbering is not used in accordance with the relevant terms and conditions, if changes in national numbering have been made or if the applicant does not pay the specified fees. Mobile operators are also required to allow subscribers to transfer their numbers to another mobile network operator within one working day.

A single emergency services number, 112, has been established for all operators in Poland, while numbers beginning with 116 are reserved for the provision of services of social value, and 116000 for reporting cases of missing children. Operators are required, when requested, to provide information on the geographic position of emergency number users to the emergency services.

Universal service

Universal services are a limited set of telecommunications services, including special facilities for disabled users, which include the provision of services such as: domestic and international calls, fax and Internet connections sufficient to use certain applications which are widely used on an everyday basis, in particular electronic mail or payment applications, and public pay phones or other access points that support voice communications. The UKE President evaluates the availability, quality, and affordability of universal services. Their findings are published on the UKE website in the Public Information Bulletin in order to allow consultations with interested parties - in particular subscribers, consumers and telecommunications undertakings. If the findings of the evaluation and consultations indicate that universal services are not available or are not provided at the specified quality level and at an affordable price, the UKE President will launch a competitive selection process to select a universal service provider or, if there are no interested providers, the UKE President will designate a provider. The UKE President also has the power to set the terms and conditions of these services.

A universal service provider is entitled to subsidies granted by the UKE President. Other telecommunications providers, whose turnover exceeds PLN 4.0 million in the calendar year for which the subsidy is due, are required to contribute to the subsidy up to a maximum of 1% of each such provider's annual revenue.

On May 5, 2006 the UKE President designated Orange as the universal service provider in Poland for the period May 8, 2006 to May 8, 2011. Orange filed for compensation for the period from May 8, 2006 to December 31, 2009 in the amount of PLN 803.7 million as consideration for the universal services it provided. The UKE President has issued a decision awarding Orange subsidies of PLN 67.0 million for that period and Orange filed an appeal against that decision, which was dismissed by the Administrative Court in Warsaw. On June 30, 2011, Orange filed for compensation for the year 2010 in the amount of PLN 269.4 million, and on June 29, 2012 for compensation for the period of January 1 to May 8, 2011 in an amount of PLN 33.8 million. The UKE President, awarded subsidies amounting to PLN 55.1 million and PLN 14.9 million respectively for those periods. In December 2016, on January 18, 2017, and on February 2, 2017, the UKE President issued decisions detailing the list of operators who would contribute to the universal service subsidy and setting the level of their contribution to the universal service for the years 2007, 2008, 2009 and 2010. On April 14, 2017, the UKE President issued a decision relating to a request for

reconsideration of the case and set the list of subsidizing undertakings and the level of their contribution to the universal service for the year 2008. On March 30, 2017, the UKE President issued a decision determining the exact amount of Play's contribution to the universal services subsidy for 2007, which was PLN 6,493.10. This contribution is in line with the provisions recognized in the consolidated financial statements. On May 25, 2017, the UKE President commenced proceedings to determine the exact amount of Play's contribution for the year 2008. Decisions relating to Play's contribution to universal service for subsequent years are expected in the second half of 2017.

The Group's provision in the Financial Statements for Play's share in the universal service contributions has been based on the UKE decisions and on estimates prepared for the years 2008, 2009, 2010 and 2011.

In the current regulatory framework, contributions to the universal services subsidy are applicable to fixed network operators only.

Reporting and disclosure obligations

All telecommunications undertakings have to submit certain information to the UKE President by March 31 of each year, including information on the type and scope of services offered by the relevant undertaking and their sales volumes. Entities whose turnover exceeded PLN 4.0 million in the previous year are also required to submit annual financial statements. This information is used by the UKE President to prepare reports on the telecommunications market in Poland, and may also be provided to other regulatory bodies. Although operators may specify that certain information is confidential, the UKE President may still decide to disclose this information.

In addition, the UKE President has the right to demand all information necessary for the performance of his tasks and duties. As such additional requests for information may be forthcoming from the UKE President.

National defense, security and public safety and order

We, along with other telecommunications undertakings, are required to perform tasks and obligations related to national defense, security and public safety and order, within the scope and under the terms specified in the Telecommunications Law and secondary legislation. In particular, we are required to keep up-to-date and agreed emergency action plans and to grant access to our telecommunications infrastructure as is necessary to carry out rescue operations. In addition, we are required to prepare and maintain the telecommunications network to meet the needs of the national security management system, primarily by ensuring adequate technical and organizational conditions for access as well as providing for the retention of telecommunications messages and data. The Telecommunications Law defines certain data which must be retained, stored and properly protected for a period of twelve months by an operator of a public telecommunications network, and by providers of publicly available telecommunications, services at their own cost. These requirements were introduced at the European level by Directive 2006/24/EC of the European Parliament and of the Council of March 15, 2006 on the retention of data generated or processed in connection with the provision of publicly-available electronic communications services or of public communications networks and amending Directive 2002/58/EC (the "**Data Retention Directive**"). The annulment of the Data Retention Directive by the European Union Court of Justice on 8 April 2014 does not directly affect the national legislation implementing it. Operators should therefore continue to comply with the provisions of national law until such provisions are repealed or changed by a competent Polish legislative authority.

Recent developments

Administrative decision deregulating the market for termination of short text messages

On January 31, 2017, the UKE President issued administrative decision DART.SMP.6041.5.2016.26 deregulating the market for termination of short text messages (SMS) on mobile networks.

Network neutrality

Regulation (EU) 2015/2120 of the European Parliament and of the Council of 25 November 2015 laying down measures concerning open internet access and amending the Universal Service Directive and Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the EU took effect in Poland on 1 January 2017 (later than in the European Union, due to derogation). This regulation prohibits operators from blocking or slowing down internet traffic except where such action is necessary. The provisions also enshrine in European Union law a user's right to be "free to access and distribute information and content, run applications and use services of their choice". Operators are required to include specific provisions regarding, *inter alia*, applied and declared mobile traffic management measurements and estimated maximum speeds in their terms and conditions.

New European strategy goals 2025

In September 2016, the EC proposed a revision of certain EU regulations and outlined proposed new initiatives to meet the growing needs of European citizens. The aim of these proposals is to stimulate investment in high-speed networks and accelerate the dissemination of public access to Wi-Fi.

The EC presented three strategic objectives to be achieved by 2025:

(i) access to connections allowing users to upload or download data at 1 Gb/s for all major entities promoting (i) socio-economic development (for example schools, universities, research centers and transport hubs); (ii) all providers of public services (for example hospitals and administrative offices); and (iii) enterprises based on digital technologies;

(ii) access to a minimum 100 Mb/s connection, that can be increased further, to 1 Gb/s, for all households in Europe in both urban and rural areas;

(iii) uninterrupted 5G mobile network coverage for all urban areas, as well as major roads and railways.

This new strategy also envisages a transitional target for implementation (ahead of the 2025 target) by aiming to have a 5G range commercially available in at least one major European city in each Member State before 2020.

Radio spectrum policy

On March 14, 2012, Decision No. 243/2012/EU of the European Parliament and of the Council of 14 March 2012 establishing a multi-annual radio spectrum policy program was adopted (the "**RSPP Decision**"). Member states are required to have applied the policy set out in the RSPP Decision by July 1, 2015. The RSPP Decision aims to improve "strategic planning and harmonization of the use of spectrum to ensure the functioning of the internal market." One of its main goals is to make radio spectrum available for wireless broadband services. It also set goals for member states to ensure that all Europeans had access to basic broadband by 2013 and at speeds of 30 Mbps or above by 2020. Also by 2020, half of all European households should be subscribed to broadband connections of 100 Mbps or above.

Act on Anti-terrorist Operations

The ATO Act came into force in Poland in July 2016. The ATO Act amended the Telecommunications Law and required the de-anonymization of prepaid phone cards. A subscriber of prepaid services in a public telecommunications network is now obliged to provide personal data to the relevant service provider. Prepaid service subscribers with contracts dated before July 25, 2016 had until February 1, 2017 to provide the required data or, where the data had previously been provided, to have it verified. After February 1, 2017, subscribers that failed to meet the new de-anonymization requirements had their SIM-cards blocked and, going forward, all customers must register their personal data in order to access prepaid services.

Protection of competition and consumers

The protection of competition is monitored at the European level by the EC and at the domestic level by the UOKiK President. Pursuant to the Telecommunications Law, the UKE President is required to co-operate with the UOKiK President in observing the rights of entities using postal and telecommunications services, as well as in counteracting anti-competitive practices and anti-competitive concentrations of postal operators and telecommunications undertakings. The UKE President is required to notify the UOKiK President of the initiation of consultation proceedings. The UKE President must also seek the opinion of the UOKiK President when issuing a decision rejecting the extension of a frequency reservation if such rejection is supported by the need to ensure competition or to affect a material increase of the effectiveness of the utilization of a frequency, especially if such frequency reservation may result in the reservation of too high a concentration of frequencies by one entity or its capital group.

Furthermore, the Telecommunications Law does not exclude the application of the Competition Act which applies to all matters relating to counteracting anti-competitive practices and anti-competitive concentrations of business entities.

The UOKiK is empowered under the Competition Act to conduct proceedings regarding anti-competitive practices, the infringement of the collective interests of consumers, intended concentrations (including proceedings regarding failure to notify an intention to concentrate) as well as proceedings concerning fines for the infringement of the Competition Act. The UOKiK may also declare a given clause used in a standard contract template to be abusive. These proceedings may be conducted by the UOKiK President as: (i) explanatory proceedings; (ii) anti-monopoly proceedings regarding concentrations; (iii) anti-monopoly proceedings regarding practices restricting competition (i.e. entering into agreements restricting competition and abuse of a dominant position); (iv) proceedings regarding the infringement of collective consumers' interests; (v) proceedings regarding the declaration of a given clause used in a standard contract template as being abusive; and (vi) proceedings regarding the imposition of fines. Explanatory proceedings may precede the other types of proceedings listed under points (ii)-(v) above and aim to initially determine whether an infringement of either the provisions of the Competition Act or Articles 101 and 102 of the Treaty on Functioning of the European Union has occurred.

If the UOKiK President finds, during the course of the proceedings outlined in points (iii)-(v) above, that a company has engaged in prohibited practices, the UOKiK President may declare that the given company has engaged in specified practices infringing the Competition Act and, inter alia and depending on the type of the practice: (i) order the cessation of the practice in question or declare its cessation, or prohibit the utilization of a given clause; (ii) impose on the company a fine of up to 10% of the company's turnover in the preceding financial year or (iii) order the remedy of the effects of any infringement. In the abovementioned proceedings the UOKiK President may also issue commitment decisions, in cases where: (i) it has been rendered plausible that the company infringed the Competition Act; and (ii) the company has undertaken to take or discontinue

certain actions aimed at ending those practices and/or remedy any breach. In such a case, the UOKiK will not impose any fines for engagement in prohibited practices, but – in the case of proceedings regarding the declaration of a given clause utilized in a standard contract template as being abusive - it will still declare that such clause is abusive and order that it no longer be used. A fine of up to 10% of the turnover of the company in the financial year preceding the year of the fine may be also imposed if the company performed a concentration without the required prior consent of the UOKiK President. In the event that a company enters into an unauthorized concentration the UOKiK President may also, in certain cases, order the division of such company or ask the competent court to declare the agreement which caused such concentration invalid or to return the company to its pre-concentration state. The President of UOKiK may, in all proceedings, impose on a company a fine of up to EUR 50 million for any failure to provide information, for providing false or misleading information of for a lack of cooperation during any inspection or search conducted by the UOKiK in connection with the proceedings.

For the purpose of protecting the interests of individual consumers, the UOKiK President co-operates with local consumer ombudsmen and state-financed non-government organizations (*e.g.*, the Federation of Consumers and the Association of Polish Consumers) which provide free-of-charge legal advice in relation to individual consumer cases.

Due to the nature of our business, which involves entering into agreements with other entities as well as distribution and dealing agreements with consumers, we may be subject to both proceedings on practices restricting competition and proceedings regarding the infringement of the collective interests of consumers.

See "*Business—Legal Proceedings—Proceedings before the UOKiK President and the Competition Court.*"

Protection of personal data and telecommunications secrets

As of March 31, 2017, we had more than 14.3 million subscribers, a significant proportion of whom subscribe for services pursuant to fixed term contracts. We therefore collect, process and store a significant amount of basic personal data and are thus subject to European Union and Polish data protection laws (including, but not limited to, the Telecommunications Law).

The Telecommunications Law provides a protection regime for what are referred to as 'telecommunications secrets'. These comprise: (i) user data; (ii) the content of individual messages; (iii) transmission data; (iv) location data; and (v) data relating to call attempts.

The requirement to retain connection data, introduced at European Union level by the Data Retention Directive and implemented in Poland in 2009 by an amendment to the Telecommunications Law, applies to several data categories which are needed to establish a connection to/from our network: (i) the source of the connection; (ii) the recipient; (iii) the date and time; (v) the duration; (vi) which telecommunications terminal equipment was used; and (vii) the location at which the connection was made. The required period of data retention ranges, across European Union member states, from six months to two years. Polish law provides that such data be retained for a period of 12 months.

We have confirmed that we have robust internal data protection policies and procedures in place to ensure that: (i) we are in compliance with all applicable data protection legislation; (ii) there has been no historic material breach of any relevant data protection laws or regulations; and (iii) there is no ongoing material breach of any relevant data protection laws or regulations.

In May 2016, a new Regulation on the Protection of Personal Data (Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the

processing of personal data, and on the free movement of such data, and repealing Directive 95/46/EC, General Data Protection Regulation) (the "**GDPR**") came into force and instigated a two-year preparatory period during which we will need to comply with new data processing requirements. Amongst other provisions, in the event of our non-compliance, the GDPR will enable the Inspector General for the Protection of Personal Data to impose financial penalties of up to 4% of our global revenue for the previous year. As a result we need to adapt our: (i) filing systems for personal data within the Group; (ii) business processes, in which personal data are processed; (iii) IT systems used in the Group for processing personal data; (iv) contracts with business partners of the Group entrusted with processing personal data; (v) documentation and internal regulations. We will also need to adopt new consents to the processing of personal data, and comply with new information obligations to customers.

Environmental protection

Polish mobile operators are required to comply with environmental regulations in respect of certain of their operations, in particular concerning:

- packaging waste;
- obligations concerning batteries;
- obligations concerning WEEE waste electrical and electronic equipment ("**WEEE**"); and
- protecting against electromagnetic fields ("**EMFs**").

Requirements for proceeding with waste electrical and electronic equipment

EU legislation promoting the collection and recycling of WEEE, Directive 2012/19/EU of the European Parliament and of the Council of July 4, 2012 on waste electrical and electronic equipment (the "**WEEE Directive**"), has been in force since February 2014. In Poland, the WEEE Directive was implemented by the Waste Electrical and Electronic Equipment Act dated September 11, 2015 (the "**WEEE Act**"), which sets forth certain obligations of companies introducing electrical or electronic equipment to the Polish market. These requirements include a requirement to organize and finance (i) collections from WEEE collection points, and (ii) the processing of electronic waste. This obligation may be fulfilled by a company entering into an agreement with a WEEE recovery organization which performs the aforementioned duties for that company. However, the company continues to be liable for the performance of such duties.

The Act on Packaging Management and Packaging Waste dated June 13, 2013 sets forth packaging waste recovery and recycling rates. These include a 61% packaging waste recovery rate and a 56% recycling rate to be attained by companies annually. Failure to achieve the minimum recovery or recycling rate for packaging waste in a given year triggers an obligation to pay a product fee. Since handsets and accessories are sold in cardboard packaging, the packaging waste recovery and recycling obligations described above are directly applicable to our operations.

The Batteries and Accumulators Act (dated April 24, 2009) also sets out certain obligations on the marketing and recycling of batteries and accumulators. Companies marketing batteries and accumulators in Poland are obliged to organize and finance the collection, treatment, recycling and disposal of waste batteries and accumulators. These obligations may be achieved by the execution of agreements relating to the collection and processing of waste portable batteries or accumulators and a minimum 45% collection rate applies. Moreover, before marketing batteries in Poland, a company must be entered in the relevant register maintained by the Marshall of the Voivodship (*marszałek województwa*). Furthermore, a retail seller whose sales area exceeds 25m^2 is obliged to accept waste portable batteries and accumulators without any charge and

is required to transfer the collected batteries and accumulators to an entity responsible for collecting such waste.

Since we sell handsets, batteries and accessories, the provisions of the WEEE Act as well as the other acts mentioned above, apply to our operations and we are required to attain a 75% recovery rate and 65% recycling rate for handsets. Any failure to attain these rates triggers an obligation to pay a product fee. In order to comply with the obligations imposed on us by these acts, we have entered into agreements with waste collection organizations (Biosystem Elektrorecykling Organizacja Odzysku Sprzętu Elektrycznego i Elektronicznego S.A. and Biosystem Organizacja Odzysku Opakowań S.A.).

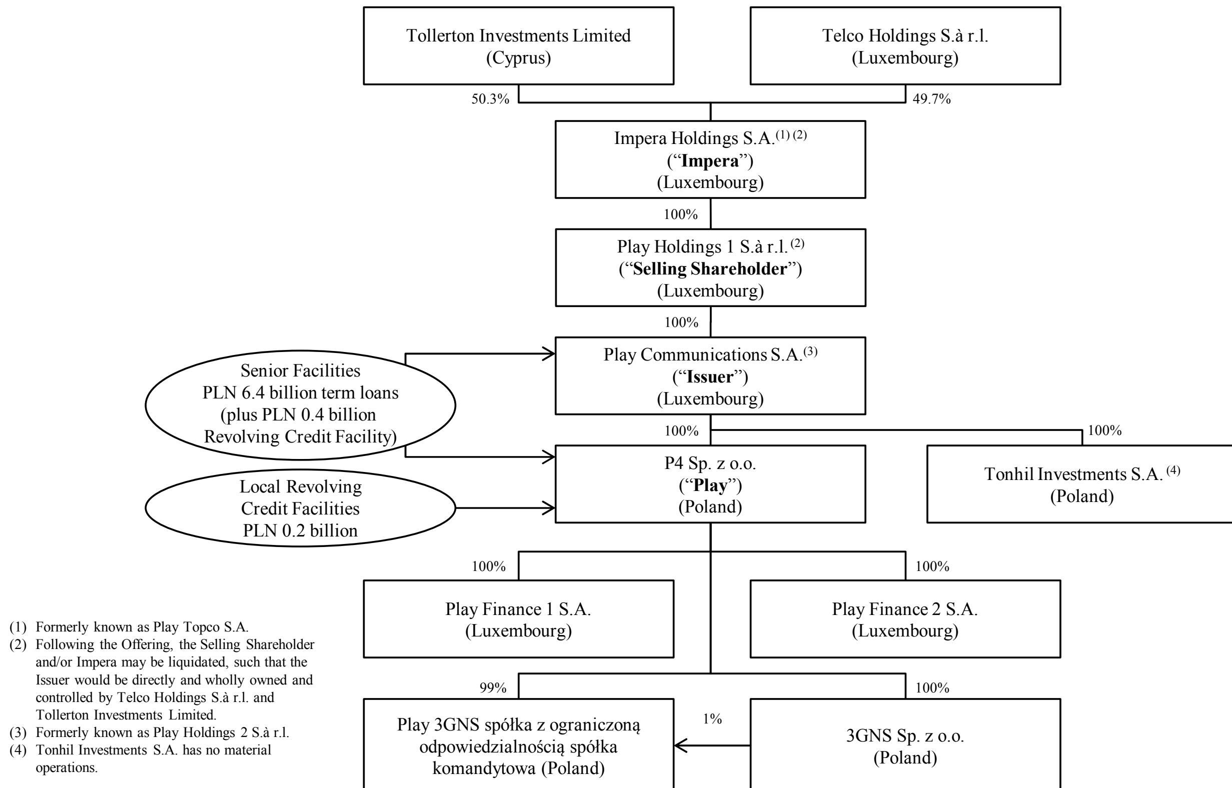
Protection against electromagnetic fields

Environmental protection rules concerning EMFs are mainly governed by the Environmental Law dated April 27, 2001. The protection rules require the protection of environmental conditions by keeping the actual levels of EMFs below the maximum permissible levels or at least at the reference levels. The Regulation of the Minister of the Environment dated October 30, 2003 set out maximum permissible electromagnetic field exposure levels in the environment and the methods to be used to determine compliance with these levels. The regulation specifies different levels for land intended for housing development and areas accessible for people, as well as the range of EMF frequencies for which physical parameters are determined to assess the EMFs impact on the environment.

Compliance with the maximum permissible EMF exposure levels in the environment is assessed in the vicinity of the installations emitting such fields both directly after such installation becomes operational and following each change in the operations of the installation, if such change may affect the EMFs permissible levels and if the administrative authorities receive complaints regarding the operation of certain installations.

GENERAL INFORMATION ON THE GROUP

The chart below presents the structure of the Group, plus its direct parent the Selling Shareholder whose direct parent is Impera, and its direct shareholders, as of the date of this Prospectus. For the shareholding structure following the completion of the Offering see “*The Selling Shareholder—Shareholding Structure Following the Offering*” and “*Dilution*.”



Source: the Issuer

Information on the Issuer

The Issuer was incorporated as a private limited liability company (*société à responsabilité limitée*) in the Grand Duchy of Luxembourg on January 10, 2014, and was converted into a *société anonyme* (public limited liability company) on June 21, 2017. The Issuer changed its name from Play Holdings 2 S.à r.l. to Play Communications S.A. on June 21, 2017. The Issuer is registered with the Luxembourg Trade and Companies Register under number B 183803, having its registered office at 4/6, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg. The telephone number of the Issuer’s registered office is +352 20 600 231.

The issued share capital of the Issuer is EUR 30,000 represented by two hundred fifty million (250,000,000) bearer shares with a nominal value of EUR 0.00012 each.

Information on the significant subsidiaries of the Issuer

The significant subsidiaries of the Issuer have the following corporate information:

- Play is a company with limited liability incorporated under the laws of Poland. The issued share capital of Play amounts to PLN 48,856,500 divided into 97,713 shares with a par value of PLN 500 each. The registered office of Play is at Taśmowa 7, Warsaw, Poland. Play is registered with the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register, under the number KRS 0000217207. Play's business purpose is to operate and provide mobile telecommunications services and equipment and other related telecommunications services, including broadband. Play is a direct subsidiary of the Issuer and is wholly owned by the Issuer.
- Play 3GNS is a limited partnership incorporated under the laws of Poland. The sum of the limited partnership interests is PLN 9,900.00. The registered office of Play 3GNS is at Taśmowa 7, 02-677 Warsaw. Play 3GNS is registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register, under number KRS 0000335214. Play 3GNS's business purpose relates to holding the Group's trademarks. Play 3GNS is a direct subsidiary of Play and is 99.0% owned by Play, and 1% owned by 3GNS Sp. z o.o.

Information on Tonhil

On December 6, 2016, an extraordinary general meeting of Tonhil Investments spółka akcyjna ("**Tonhil**") adopted a resolution increasing the share capital of Tonhil by the issuance of new series B shares by way of a private placement and offered all such new shares to the Issuer. The planned increase of the share capital amounted to PLN 11,807,000,000.00. The subscription for the new shares was intended to occur in exchange for an in-kind contribution of 100% of the shares that the Issuer held in Play. As a result, Tonhil would have become the sole shareholder of Play. However, on January 3, 2017, Tonhil applied for the suspension of the registration proceedings, and on June 21, 2017, Tonhil filed for the definite withdrawal of the application for the registration of the share capital increase. On June 22, 2017 the court issued a decision on discontinuance of the registration proceedings pursuant to the motion submitted by Tonhil. Even though a share subscription agreement was executed between Tonhil and the Issuer, the title to the shares in Play has not and will not be transferred based on the executed agreement as the six-month term for the registration of the resolution of the extraordinary general meeting of Tonhil on the increase of the share capital has expired. As of the date of the Prospectus, the sole shareholder of Play is the Issuer and no proceedings leading to the change of this shareholding are pending.

Tonhil has no material operations.

Information on Impera

As at the date of this Prospectus, Impera is directly and wholly owned and controlled by Telco Holdings S.à r.l. and Tollerton Investments Limited which hold 49.7% and 50.3% of Impera's shares, respectively. Following the Offering, the Selling Shareholder and/or its parent, Impera, may be liquidated, such that the Selling Shareholders' share ownership in the Issuer would be directly held by Telco Holdings S.à r.l. and Tollerton Investments Limited. Any such liquidation, if implemented, would not result in a change in control of the Issuer.

Information on Holdings

There are no undertakings in which the Issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

MANAGEMENT

The Issuer

The registered office of the Issuer is 4/6, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.

As the Issuer is a holding company for all of its subsidiaries, including Play, after the completion of the Offering, the Issuer's Board will perform the supervisory functions to its operating company Play. The Management Board of Play will manage the day-to-day management functions of the Group's operations. In order to achieve this result, the Issuer and Play underwent a restructuring prior to the consummation of the Offering with certain actions already completed. Upon completion of the Offering, the Group will have a two-tier corporate governance structure across two legal entities. The supervisory function will sit at the Issuer level and no day-to-day management functions of Play as the operating company will exist at the Issuer level. The Issuer's management functions will be limited primarily to typical holding company functions. The management functions of Play as the operating company (i.e., the employment of all of the senior managers) will be carried out entirely at the level of Play. The Articles of Association of each of the Issuer and of Play have been amended as needed to reflect this structure, which in effect creates a customary two-tier corporate governance structure. The Group will provide directors and officers with customary insurance cover.

Set forth below are the directors who are members of the Issuer's Board.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the directors of the Issuer.

Name	Age	Year appointed for the current term at Issuer's level	Year term expires	Representing
Andrzej Klesyk	53	2017	2020	Independent
Andrzej Olechowski	69	2017	2020	Independent
Graham Bruce McInroy	56	2017	2020	Novator
Serdar Çetin	40	2017	2020	Novator
Patrick Tillieux	60	2017	2020	Novator
Ioannis Karagiannis	56	2017	2020	Tollerton
Vassilios Billis	49	2017	2020	Tollerton
Georgios Xirouchakis	44	2017	2020	Tollerton

In addition to the above, the Issuer intends to appoint 2 (two) further non-executive independent directors after the Offering.

Andrzej Klesyk

Andrzej Klesyk has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He is currently CEO of KIPF, a supervisory board member of Best S.A. and a non-executive director of Billon. He has also served as CEO of Powszechny Zaklad Ubespieczen SA in 2007-2015. He is a former partner of Boston Consulting Group, Warsaw, CEO of Bank Inteligo, Warsaw and a partner of McKinsey & Co, London. Between 1989 and 1990 he worked in the Ministry of Economic Reform. In 1991, he left for the U.S. and worked for Kidder, Peabody, Coopers & Lybrand in New York. He received an MBA from Harvard Business School and a masters degree in Economics from Katolicki Uniwersytet Lubelski, Poland. He is a member of the Harvard Business School European Advisory Board, a member of the Geneva Association, on the Board of Trustees of the National Museum, Warsaw and on the Program Board of the Institute of Public Affairs

Andrzej Olechowski

Andrzej Olechowski has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. Dr. Olechowski is also Chairman of the supervisory board of Bank Handlowy and has been a Director of Euronet since 2002. He also sits on the International Advisory Boards of Macquarie European Infrastructure Funds. Since November 29, 2016, he has served as a Member of the Board of Trustees of the ECFR (European Council on Foreign Relations). He is a former Minister of Foreign Affairs from 1993 to 1995 and Minister of Finance in 1992 and was a candidate in the 2000 and 2010 Presidential elections in Poland. Dr. Olechowski studied at the Central School of Planning and Statistics where he received a Ph.D in economics and he has been a professor at Vistula University since 2011 and has authored of a number of publications on international trade and foreign policy.

Bruce McInroy

Bruce McInroy has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has been with the Group since its inception in 2005, serving on the Play supervisory board as Deputy Chairman, and acting as Chairman of the Audit Committee. He has also served as a member of the supervisory board of 3GNS sp. z o.o. since 2008. He is a partner of Novator Partners LLP, a London based investment advisory firm, which he joined in 2004. His primary role is sourcing and deal execution, both entries and exits, as well as active involvement in portfolio companies. He has significant investment experience, including Novator's investment in Tradus (formerly QXL), which owned Allegro, the leading internet auction business in Poland, acting as board member, member of the Audit Committee, and Chairman in 2006/07. He is a director of WOM Chile (formerly Nextel Chile), the fast growing mobile operator in Chile, and a supervisory board member of AASA Polska, a consumer lending business based on big data analysis, and a board member of various Aasa group companies. Previously, he has been a board director of Netia (Poland), Bulgarian Telecoms Company (now Vivacom), Forthnet (Greece), Turknet (formerly NetOne, Turkey), and Be* Unlimited (UK). Prior to joining Novator, he gained wide ranging telecommunications experience: in industry with BT, in equities research with ABN Hoare Govett and latterly in investment banking with Deutsche Bank and with Merrill Lynch. Bruce received an MA degree in Computer Sciences from Trinity College, Cambridge.

Serdar Çetin

Serdar Çetin has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has been with the Group since its inception initially serving on the Management Board of Play between July 2005 and October 2006 and on the Supervisory Board of Play since July 2007 and 3GNS sp. z o.o. since October 2008. In addition, he is a member of Play's audit committee since its inception. He is a Partner at Novator and is responsible for sourcing, managing and exiting investments at Novator. He is a director of WOM Chile (formerly Nextel Chile), the fast-growing mobile operator in Chile, and a supervisory board member of AASA Polska, a consumer lending business based on big data analysis, and a board member of various Aasa group companies. He has advised on telecommunications investments in a number of countries including Greece, Turkey, Poland and the United Kingdom. He was a board member at Turk.net, a Turkish altnet from February 2007 until April 2013. Prior to joining Novator in 2004 Mr. Çetin worked at Merrill Lynch investment banking and BNP Paribas. Mr. Çetin holds an Msc in Management (*Grande Ecole*) from HEC School of Management in Paris and BSc in civil engineering from Middle East Technical University in Ankara. He is fluent in English, Turkish and French.

Patrick Tillieux

Patrick Tillieux has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He is the managing partner of his own asset management company Pambridge Ltd, London. He has worked in the television industry for more than 25 years. He is the former CEO and board member of broadcast technology company Red Bee Media in London. He also served as COO of ProSiebenSat.1 Media AG in Munich from 2007 to 2009 and CEO of SBS Broadcasting Europe in Amsterdam, which he joined in 2001. Before that he served as Managing Director of Canal+ in the Netherlands and CFO of RTL Netherlands. He started his career at Bouygues SA in Paris in 1981 and held senior positions in its broadcast operation TF1 and Eurosport, which he helped set up. Mr. Tillieux is also member of the supervisory boards of České Radiokomunikace in Czech Republic, Towercom in Slovakia and Brussels Airport in Belgium. He holds a MSc of Civil Engineering and a MSc of Industrial Administration both from Catholic University of Louvain, Belgium.

Ioannis Karagiannis

Ioannis Karagiannis has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has been working for companies in the Tollerton group since 1994, and has served as a manager there since January 2010. He also serves as a member of the supervisory board of 3GNS Sp. z o.o. which is part of the Group. He also serves as Chairman of the Board for Retail World S.A. and Olympia Group S.A. Prior to that, he served as CEO of the Germanos Group from December 2001 to December 2010. He received a degree in Chemical Engineering from the National Technical University of Athens and an MBA from the University of Bradford.

Vasileios Billis

Vasileios Billis has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has also served as a member of the supervisory board of 3GNS Sp. z o.o. which is part of the Group. Since April 2013, Mr. Billis has served as the Chief Executive Officer at Systems Sunlight S.A., a company in the Olympia group. Prior to holding that position, he served as a director and board member for Olympia. He received an MBA from INSEAD (France) and a Master's Degree in Electrical Engineering from the University of Southampton.

George Xirouchakis

Georgios (George) Xirouchakis has been appointed a member of the Issuer's Board on June 21, 2017. He was formerly a member of the supervisory board of Play. He has also served as a member of the supervisory board of 3GNS Sp. z o.o. which is part of the Group. He has served as an in-house lawyer for the Panos Germanos Group of Companies since 2002 and has acted as General Counsel—Head of Group Legal Department for this group since 2008. Additionally, Mr. Xirouchakis has substantial professional experience in commercial law. He received a Bachelor's Degree in Economics from the University of Crete (School of Social Sciences, Dept. of Economics), a Bachelor's Degree in Law Studies from the National University of Athens (Law School) and a Master's Degree in Business Administration from the University of Leicester (Management Center).

Management Board of Play

Set forth below are the management board members of Play (the "**Management Board**") who are responsible for the day-to-day management of the Group. Currently, there are six members of the Management Board. The office address for all of them is: Taśmowa 7, Warsaw, Poland.

The table below sets out the name, age, position, year of appointment and the year in which the current term expires for each of the executive directors of Play:

Name	Age	Year appointed for the current term at Play's level	Year term expires	Position
Jørgen Bang-Jensen	61	2015	2020	Chief Executive Officer
Holger Püchert	51	2017	2020	Chief Financial Officer
Michał Wawrzynowicz	45	2015	2020	Chief Commercial Officer
Bartosz Dobrzyński	46	2015	2020	Chief Marketing Officer
Jacek Niewęgłowski	48	2015	2020	Chief Strategy Officer
Hans Cronberg	54	2015	2020	Chief Technology Officer

Source: The Issuer

Jørgen Bang-Jensen

Jørgen Bang-Jensen has been a member of the Management Board of Play since May 2009. He also performs the function of Chief Executive Officer and the president of the Management Board. He is also a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. In the past, he has served as CEO and Chairman of the Management Board of ONE GmbH, Austria, as CEO of TDC Mobile A/S, Denmark, and as CEO of AD&D edb-konsulenter A/S. He has also held supervisory board positions in Telenor Mobil, Belgacom Mobile, Fullrate A/S from May 2008 to April 2009 and Butlernetworks A/S (Denmark) from March 2008 to April 2009. Mr. Bang-Jensen holds a MBA degree from Ashridge Business School (UK).

Holger Püchert

Holger Püchert has been a member of the Management Board of Play since March 2017. He is Play's Chief Financial Officer. He is also a member of the Management Board of 3GNS Sp. z o.o., which is a part of the Group. Mr. Püchert is an experienced chief financial officer in the telecommunications sector in Europe. Before joining the Group, Mr. Püchert was the Chief Financial Officer of Versatel, Berlin / Düsseldorf for nearly three years, and served as CFO of Kabel BW GmbH, CFO of Orange Austria Telecommunications GmbH (formerly ONE GmbH) and Vice President for M&A Projects at E.ON AG. Mr. Püchert is a graduate of the University of Karlsruhe where he studied Business Engineering (Diplom-Wirtschaftsingenieur), following his apprenticeship at Deutsche Bank in Düsseldorf. He also earned a doctorate in Economics from the University of Karlsruhe (KIT), where he worked as a research assistant.

On March 9, 2017, Mr. Püchert joined Play as its new CFO and worked closely with Play's former CFO, Robert Bowker, who remained with the Group in an advisory capacity until the end of March, 2017.

Michał Wawrzynowicz

Michał Wawrzynowicz has been a member of the Management Board since June 2007. He is the Chief Commercial Officer. He is also a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. Prior to joining the management, Mr. Wawrzynowicz worked as General Manager of the Germanos Group in Poland. He was also General Manager of GTI Sp. z o.o., the biggest Orange dealer in Poland and the Commercial Director of Germanos Polska Sp. z o.o., formerly known as "Era," the largest T-Mobile dealer. Prior to becoming their Commercial Director, he had held the position of Sales Director and that of Marketing Director. Mr. Wawrzynowicz received an MBA from Koźminski University and a Master of Science degree from Warsaw Technical University.

Bartosz Dobrzyński

Bartosz Dobrzyński has been a member of the Management Board of Play since 2009. He is Play's Chief Marketing Officer. Since 2009, he has also served as a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. Mr. Dobrzyński is an experienced marketing manager in the telecommunications sector in Poland. He started his professional career in the telecommunications industry in 1998 as a loyalty and retention manager at Plus. For the next seven years he worked as a manager of mobile offers for individual subscribers at Orange. Mr. Dobrzyński received an MA in International Relations and an MBA from Warsaw University MBA program.

Jacek Niewęgłowski

Jacek Niewęgłowski has been a member of the Management Board of Play since December 2005. He is also Play's Chief Strategy Officer. Since 2006, he has also served as a member of the Management Board of 3GNS Sp. z o.o. which is part of the Group and as a member of the Management Board of Glenmore Investments, a former subsidiary of the Issuer. In addition, he is a member of the Board of the European Competitive Telecommunications Association.

Prior to joining Play, Mr. Niewęgłowski served as a member of the supervisory board of PTC, now known as T-Mobile Polska, a member of the Management Board of Aster City Cable, a leading Polish CaTV operator, Chairman of the Supervisory Board of Comtica Sp. z o.o., a member of the Management Board of Elektrim Telekomunikacja, the Polish subsidiary of Vivendi Universal, and has previously held the position of CEO of numerous telecommunications companies. He is currently a member of the boards of Fundacja, *Dorastaj z. Nami* and Krajowa Izba Gospodarcza Elektroniki i Telekomunikacji and is a 5% shareholder of Pomerania Brokers Sp. z o.o. Additionally, Mr. Niewęgłowski has over 23 years of managerial experience and a professional track record within the mobile industry. Jacek Niewęgłowski received an Executive MBA degree from London Business School, a PhD and M.Sc degree from Tampere University of Technology in Finland.

Hans Cronberg

Hans Cronberg has been a member of the Management Board of Play since September 2005. He is Play's Chief Technology Officer. He is also a member of the Management Board of 3GNS Sp. z o.o., which is part of the Group. Prior to joining the Group, Mr. Cronberg worked for the Deutsche Telekom Group where he was the Director of Procurement & Logistics at T-Mobile Croatia and the Director of 3G Technologies and Value Added Platforms at Polska Telefonia Cyfrowa sp z o.o. (now known as T-Mobile). Between 1990 and 2001, Mr. Cronberg worked at the Ericsson Group in Sweden, Poland and Israel, where he held positions in Product Management, Product Marketing and Sales & Key Account Management. Mr. Cronberg received a degree in Physics from Freie Universitaet Berlin, Germany.

Positions held by the Issuer's Board and Management Board members in other companies and partnerships

The table below presents information on other companies and partnerships in which, during the last five years, members of the Issuer's Board and Management Board: (i) held positions in management or supervisory bodies; (ii) held shares (in the case of companies listed on the WSE or on any other regulated market in Poland or abroad, and in a number representing more than 1% of the votes at the general meeting of such company); or (iii) were partners.

Name	Name of Company	Position	Does the Member continue to serve in this capacity?
Jørgen Bang-Jensen	1. Fullrate A/S (Denmark) 2. Butlernetworks A/S (Denmark) 3. Actics Ltd. (UK) 4. Ethical Economy (UK) 5. Glenmore Investments Sp. z o.o. 6. 3GNS Sp. z o.o.	1. Supervisory Board Member 2. Supervisory Board Member 3. Supervisory Board Member 4. Supervisory Board Member 5. Management Board Member 6. Management Board Member	1.No 2. No 3.No 4. No 5. No 6. Yes
Holger Püchert	1. Versatel Telecommunications GmbH, Düsseldorf and several of its affiliates 2. Versatel GmbH, Berlin and several of its affiliates 3. Kabel BW GmbH, Heidelberg and several of its affiliates 4. 3GNS Sp. z o.o.	1. Managing Director and CFO 2. Managing Director and CFO 3. Managing Director and CFO 4. Management Board Member	1. No 2. No 3. No 4 Yes
Michał Wawrzynowicz	1. 3GNS Sp. z o.o.	1. Management Board Member	1. Yes
Bartosz Dobrzyński	1. Glenmore Investments Sp. z o.o. 2. Play Brand Management Limited 3. 3GNS Sp. z o.o 4. Nowy Kapitał Ziemski Sp z o.o. 5. Miedzynarodowe Stowarzyszenie Reklamy w Polsce (International Advertising Associacion)	1. Management Board Member 2. Director 3. Management Board Member 4. Supervisory Board Member 5. Vice-President of the Management Board	1. No 2. No 3. Yes 4. Yes 5. Yes
Jacek Niewęgłowski	1. ECTA 2. Fundacja Dorastaj z Nami 3. Krajowa Izba Gospodarcza Elektroniki i Telekomunikacji 4. Pomerania Brokers Sp. z o.o. 5. Glenmore Investments Sp. z o.o. 6. 3GNS Sp. z o.o.	1. Board Member 2. Board Member (*Członek Rady Fundacji*) 3. Board Member (Członek Rady) 4. Shareholder (5% of shares) 5. Management Board Member 6. Management Board Member	1. Yes 2. Yes 3. Yes 4. Yes 5. No 6. Yes
Hans Cronberg	1. 3GNS Sp. z o.o.	1. Management Board Member	1. Yes

Name	Name of Company	Position	Does the Member continue to serve in this capacity?
Andrzej Klesyk	1. Powszechny Zaklad Ubezpieczen SA 2. Best S.A. 3. KIPF Sp. z o.o. 4. Billon 5. P4 Sp. z o.o.	1. Chief Executive Officer 2. Supervisory Board Member 3. Chief Executive Officer 4. Non-executive director 5. Supervisory Board Member	1. No 2. Yes 3. Yes 4. No 5. No
Andrzej Olechowski	1. Vistula University 2. Euronet, USA 3. Bank Handlowy w Warszawie SA 4. Macquire European Infrastructure Funds 5. ECFR (European Council on Foreign Relations) 6. P4 Sp. z o.o.	1. Professor 2. Director 3. Supervisory Board Member and Chairman 4. Member of the advisory panel 5. Member, Board of Trustees 6. Supervisory Board Member	1. Yes 2. Yes 3. Yes 4. Yes 5. Yes 6. No
Graham Bruce McInroy	1. Novator Partners LLP 2. Turknet AS. Altnet telco 3. Mobile Decision Holdings 4. Wom Chile S.A. 5. AASA Polska S.A. 6. 3GNS Sp. z o.o. 7. P4 Sp. z o.o. 8. Aasa Global AS 9. AS Big Data Scoring	1. Partner 2. Director 3. Director 4. Director 5. Supervisory Board Member 6. Supervisory Board Member 7. Supervisory Board Member 8. Director 9. Director	1. Yes 2. No 3. Yes 4. Yes 5. Yes 6. Yes 7. No 8. Yes 9. Yes
Serdar Çetin	1. Novator Partners LLP 2. Turknet Iletisim Hizmetleri A.S. 3. NetOne Holdings S.à r.l. 4. Wom Chile 5. AASA Polska S.A. 6. Aasa Global AS 7. 3GNS Sp. z o.o. 8. P4 Sp. z o.o. 9. AS Big Data Scoring	1. Partner 2. Board member 3. Board member 4. Director 5. Supervisory Board Member 6. Board Member 7. Supervisory Board Member 8. Supervisory Board Member 9. Director	1. Yes 2. No 3. No 4. Yes 5. Yes 6. Yes 7. Yes 8. No 9. Yes
Patrick Tillieux	1. Euronews (France), 2. pay-tv OSN (Dubai) 3. CRA (Czech Republic) 4. Towercom (Slovakia) 5. Brussels Airport (Belgium) 6. EVS (Belgium) 7. BTI Studios (Sweden) 8. Red Bee (Great Britain) 9. 3GNS Sp. z o.o. 10. P4 Sp. z o.o.	1. Non-executive director 2. Non-executive director 3. Non-executive director 4. Non-executive director 5. Non-executive director 6. Chairman 7. Chairman 8. CEO 9. Supervisory Board Member 10. Supervisory Board Member	1. Yes 2. Yes 3. Yes 4. Yes 5. Yes 6. Yes 7. Yes 8. No 9. Yes 10. No
Ioannis Karagiannis	1. Germanos Group 2. Olympia Group S.A. 3. Retail World SA 4. Westnet Distribution S.A. 5. Softone Technologies S.A. 6. Trucibel Limited 7. Paramonte Holdings Limited 8. 3GNS Sp. z o.o. 9. P4 Sp. z o.o.	1. Chairman 2. Supervisory Board Member 3. Board Member 4. Board Member 5. Director 6. Director 7. Director 8. Supervisory Board Member 9. Supervisory Board Member	1. No 2. Yes 3. Yes 4. Yes 5. Yes 6. Yes 7. Yes 8. Yes 9. No

Name	Name of Company	Position	Does the Member continue to serve in this capacity?
Vasileios Billis	1. Sunlight Systems S.A. 2. Olympia Group S.A. 3. 3GNS Sp. z o.o. 4. P4 Sp. z o.o.	1. Chief Executive 2. Director, Board Member 3. Supervisory Board Member 4. Supervisory Board Member	1. Yes 2. Yes 3. Yes 4. No
Georgios Xirouchakis	1. Olympia Group S.A. 2. Tonhil Investments S.A. 3. Impera Holdings S.à r l. 4. 3GNS Sp. z o.o. 5. P4 Sp. z o.o.	1. General Counsel – Board Member 2. Supervisory Board Member 3. Board Member 4. Supervisory Board Member 5. Supervisory Board Member	1. Yes 2. Yes 3. Yes 4. Yes 5. No

Special committees

Before or as soon as reasonably practicable after the completion of the Offering, the Issuer will have the following committees: (i) an audit committee (the "**Audit Committee**"), (ii) an operational and investment committee (the "**Operational and Investment Committee**"), and (iii) a remuneration and nomination committee (the "**Remuneration and Nomination Committee**").

Audit Committee

The tasks of the Audit Committee include financial controls (supervision of internal and external auditing, monitoring of financial reporting) as well as supervision of persons entrusted with the management of the Group (internal control system). In particular, its duties and responsibilities include: (i) the determination of the audit plan for a period of several years as well as the scope of the internal and external audits, (ii) discussion of the audit reports with the internal and external auditors as well as with the management, and the monitoring of their implementation; (iii) the assessment of the performance of the internal and external auditors as well as their cooperation with one another and support of the Issuer's Board in the nomination of the external auditors to be proposed to the shareholders' meeting for election, (iv) checking the independence of the internal audit department from the Group and the units to be audited as well as the approval of the guidelines for the work of the internal audit department, (v) the assessment of the consolidated financial statements, the statutory financial statements and the management report of the Issuer as well as the decision whether they can be recommended to the Issuer's Board for submission to the shareholders' meeting, and (vi) the assessment and further development of the internal control system.

At the completion of the Offering, the Audit Committee will consist of Bruce McInroy, Serdar Çetin, Ioannis Karagiannis, Vasileios Billis and Andrzej Klesyk (who will serve as chairman of the Audit Committee).

Operational and Investment Committee

The tasks of the Operational and Investment Committee consist of: (i) preparation of detailed financial analysis of the operations of the Issuer, (ii) supervision over the preparation and performance of the budget of the Issuer, (iii) supervision over strategic and investment projects of the Issuer, including in particular capital structure changes, and (iv) review of the Issuer's long term business plan.

At the completion of the Offering, the Operational and Investment Committee will consist of Bruce McInroy, Serdar Çetin, Ioannis Karagiannis and Vasileios Billis.

Remuneration and Nomination Committee

The tasks of the Remuneration and Nomination Committee consist of (a) the preparation and periodical review of the Group's compensation policy and principles and the performance criteria related to compensation and the periodical review of their implementation as well as the submission of proposals and recommendations to the Issuer's Board, and (b) the preparation of all relevant decisions of the Issuer's Board in relation to the nomination of the members of the Issuer's Board and of the Management Board as well as submission of proposals and recommendations to the Issuer's Board. The Issuer's Board may delegate further powers and duties to the Remuneration and Nomination Committee. The chief executive officer and/or the chief financial officer of Play may be invited as an observer from time to time.

At the completion of the Offering, the Remuneration and Nomination Committee will consist of Bruce McInroy, Serdar Çetin, Ioannis Karagiannis, Vasileios Billis and Andrzej Olechowski.

Remuneration and Benefits

Costs of remuneration (including accrued bonuses) of members of management boards of Group entities incurred for the three months ended March 31, 2017, amounted to PLN 2.4 million (PLN 2.4 million for the three months ended March 31, 2016, PLN 8.7 million for the year ended December 31, 2016, PLN 10.0 million for the year ended December 31, 2015 and PLN 9.2 million for the year ended December 31, 2014).

Costs of remuneration for non-executive directors incurred during the three months ended March 31, 2017 amounted to PLN 0.6 million (PLN 0.6 million for the three months ended March 31, 2016, PLN 2.5 million for the year ended December 31, 2016, PLN 2.3 million for the year ended December 31, 2015 and PLN 2.1 million for the year ended December 31, 2014).

The following total benefits in kind (comprising company car, healthcare, life insurance, social fund benefits, devices such as mobile phone and modem) were provided to management board members of Group entities during the three months ended March 31, 2017, the year ended December 31, 2016, the year ended December 31, 2015 and the year ended December 31, 2014: PLN 16,861, PLN 63,041, PLN 66,231 and PLN 59,352, respectively. No such benefits in kind were provided to supervisory board members of the Group entities.

Incentive Schemes Share Allocation

As described below, on or following the Listing Date, (i) management incentive schemes with respect to the members of the Management Board of Play will terminate and settle, (ii) members of the Management Board of Play will enter into new performance incentive schemes and (iii) certain managers and key employees below the Management Board level will also enter into new incentive schemes. Each of these schemes (and the maximum allocation of Shares under each scheme) is described in more detail below:

(i) on or following the Listing Date, the Issuer will issue Reinvestment Shares (as described below) on the settlement of former retention plans of members of the Management Board of Play, which will equal, in the aggregate, between 3,019,563 and 3,442,128 shares (the final number of Reinvestment Shares issued will be communicated on or following the Pricing Date);

(ii) the Issuer will designate a number of shares equal to the maximum number of Reinvestment Shares stated above, which will be available for issuance in the future to the Management Board of Play as Award Shares (as described below) under the new performance incentive schemes described below;

(iii) on or following the Listing Date, the Issuer will issue to approximately 100 managers and key employees of Play a number of shares equal to, in the aggregate, between 447,727 and 579,412 shares ("**Original VDP 4 Shares**") (the final number of Original VDP 4 Shares will be communicated on or following the Pricing Date and will equal approximately PLN 20 million divided by the Offer Price);

(iv) the Issuer will designate a number of shares equal to the maximum number of Original VDP 4 shares stated above, which will be available for future issuance to approximately 100 managers and key employees of Play under VDP 4 (as described below); and

(v) in addition, between 181,818 and 235,294 shares (the final number will be communicated on or following the Pricing Date and will equal approximately PLN 8 million divided by the Offer Price) will be authorized and available for issuance under future programs dedicated to new managers and key employees joining the Group or to VDP 4 participants to potentially increase the amount of shares available to issue in the future under VDP 4 (as described in (iv) above) or to current managers and key employees who are not VDP 4 participants.

Other than the Reinvestment Shares, all of the shares described above will be issued to the relevant beneficiary without consideration.

Former Incentive Plans

Prior to the Offering, the Management Board members of Play participated in certain retention programs, under which members of management were entitled to receive compensation by individual agreement and that allowed for cash exercise in certain circumstances, including upon leaving or certain exit events. The valuation of the programs resulted in income in the amount of PLN 3.4 million for the year ended December 31, 2016, a cost of PLN 74.9 million for the year ended December 31, 2015 and a cost of PLN 55.5 million for the year ended December 31, 2014. Certain payments have been previously made under the former incentive plans discussed above. None of the compensation paid under these retention programs were payable in stock options, as they were all cash-settled.

Upon consummation of the Offering, these former incentive plans (including with respect to one member of the Management Board, a specific plan entered into with Play) will be settled and replaced with the share-based incentive schemes described above in "—*New Performance Incentive Schemes*." The benefits accrued under the former incentive plans will be settled in cash, with an obligation on such members to make an investment in the Shares at the Offer Price by each member of the Management Board in an amount of approximately 50% of the net settlement amount (such Shares subscribed for, the "**Reinvestment Shares**"). We anticipate that total cash payments made in connection with the termination of the former retention programs and the settlement of obligations related thereto (and not reinvested into Reinvestment Shares) will amount to approximately PLN 227.2 million (EUR 53.7 million) (assuming a Share price equal to the Maximum Price). The settlement of incentive plans will affect reported EBITDA and cash provided by operating activities of the Group in the future but will not have an impact on Adjusted EBITDA and cash.

New Performance Incentive Schemes

Following the settlement of the former incentive plans as described above, the management board of Play will be issued Reinvestment Shares and will be eligible for further awards of Shares, as described below.

Lock-up of Reinvestment Shares

All Reinvestment Shares will be subject to contractual lock-up clauses. During the first year, after the first listing of the Shares on the WSE, no Reinvestment Shares may be sold. After one year from such date, 20% of the Reinvestment Shares will be released from the lock-up, and a further 40% of the Reinvestment Shares will be released from the lock-up after the second and third anniversaries of the Listing Date, respectively.

In the event that the Management Board members purchase any further Shares outside of the settlement of the new performance incentive schemes, these will also be subject to a 180 day lock-up period.

In each case, the lock-up period will start on the day of the first listing of the Shares on the WSE.

Terms of the new performance incentive schemes

Award Shares

Retention of the Reinvestment Shares will entitle the executive directors to receive additional Shares ("**Award Shares**") on the basis of the Issuer's total shareholder return, as compared to the performance of (i) the WIG20 Companies (the twenty largest companies on the Warsaw Stock Exchange as set out in the capitalization-weighted stock market index of the Warsaw Stock Exchange from time to time) and (ii) selected European telecommunications companies (a peer group of international telecommunication companies consisting of Iliad S.A., Elisa Oyj, Tele2 A.B., Telefonica Deutschland A.G. and Vodafone Group plc (or such other European telecommunications companies as determined by the Board of the Issuer from time to time in accordance with the new performance incentive schemes rules) (each such selected European telecommunications company, a"**SET**" and together the "**SETs**").

Award Share Entitlements

Provided the Award Share entitlements are fulfilled (see below), Award Shares will be granted if the relevant Management Board member remains employed by Play on the relevant entitlement date. For each Reinvestment Share that the relevant Management Board member holds on the anniversary of the Offering (calculated from the first listing of the Shares in on the WSE), the following number of Award Shares will be issued at no cost (except for marginal costs covering the nominal value of such Shares):

- One year anniversary, up to 0.10 Award Shares for each Reinvestment Share still held;
- Two year anniversary, up to 0.15 Award Shares for each Reinvestment Share still held;
- Three year anniversary, up to 0.20 Award Shares for each Reinvestment Share still held;
- Four year anniversary, up to 0.25 Award Shares for each Reinvestment Share still held; and
- Five year anniversary, up to 0.30 Award Shares for each Reinvestment Share still held.

Basis of Award Share Entitlements

Half of the Award Shares to which the Management Board members may be entitled to each year will be assessed on the basis of the Issuer's share price performance (calculated on the basis of total shareholder return) over the relevant performance period, as compared to the total shareholder return of all WIG20 Companies, during such performance period and half of the Award Shares to which the Management Board members may be entitled to each year will be assessed on the basis of the Issuer's total shareholder return over the relevant performance period, as compared to the total shareholder return of the selected SETs, during such

performance period. The relevant performance period shall in each case start on the Listing Date and end on each award anniversary date, as applicable, as set forth above under "—*Award Share Entitlements*." Total shareholder return, in relation to a company, means 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. In each case, an assessment is made by the Board of the Issuer, per the terms of the Rules of the Incentive Scheme, as to how the Issuer must perform against the WIG20 Companies and the SETs, as applicable.

With respect to the WIG 20 Companies, the award will be based on the total shareholder return in the following bands:

- 0% of the Award Shares available on the relevant anniversary, if the total shareholder return of the Issuer in the relevant performance period is below the median total shareholder return of the WIG20 Companies during such performance period;
- between 50% and 99.99% of the Award Shares available on the relevant anniversary (calculated on a linear basis in proportion to the relative outperformance between the median and fourth quartile), if the total shareholder return of the Issuer in the relevant performance period is equal to or in excess of the median total shareholder return of the WIG20 Companies during such performance period but lower than the total shareholder return of all WIG20 Companies which are in the fourth quartile of the WIG 20 Companies during such performance period; or
- 100% of the Award Shares available on the relevant anniversary, if the total shareholder return of the Issuer in the relevant performance period is equal to or in excess of the total shareholder return of a WIG 20 Company which is in the fourth quartile of the WIG 20 Companies during such performance period.

With respect to the SETs, the award will be based on the total shareholder return in the following bands:

- 0% of the Award Shares available on the relevant anniversary, if the total shareholder return of the Issuer in the relevant performance period is lower than the total shareholder return of three of the SETs during such performance period;
- 50% of the Award Shares available on the relevant anniversary, if the total shareholder return of the Issuer in the relevant performance period is in excess of the total shareholder return of three of the SETs during such Performance Period;
- 80% of the Award Shares available on the relevant anniversary, if the total shareholder return of the Issuer in the relevant performance period is in excess of the total shareholder return of four of the SETs during such performance period; and
- 100% of the Award Shares available on the relevant anniversary, if the total shareholder return of the Issuer in the relevant performance period is in excess of the total shareholder return of five of the SETs during such performance period.

Lock-up of Award Shares

Fifty percent of Award Shares granted to a manager will be subject to a 365 day lock-up pursuant to the terms of the scheme with the remaining 50% being subject to a 730 day lock-up, in each case, following the date they are granted.

Rules of the Incentive Scheme

Detailed terms of the scheme will be set forth in the Rules of the Incentive Scheme, the adoption of which will be approved before the Listing Date and is administered by the Board of the Issuer.

Incentive schemes for mid-level management

The Group has consistently implemented incentive programs linking middle management remuneration with value creation of the Group.

VDP 3

Value development program 3, or VDP 3, is a tool to provide KPI-linked remuneration to its management and key employees below the Management Board level. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies, Estimates and Judgments—Valuation of liabilities relating to retention programs—VDP 3*." VDP 3 expires pursuant to its terms on December 31, 2017, and the Offering is not a liquidity event thereunder if there is no change of control.

VDP 4

Play plans to introduce a new incentive program ("**VDP 4**") to address the retention of managers and key employees of Play, which will include a component of share-based compensation. It is currently anticipated that VDP 4 will have terms substantially similar to the new performance incentive schemes for the management board of Play as described above (although Shares issued as part of the Offering under VDP 4 will be issued without consideration). VDP 4 will be entered into by approximately 100 managers and key employees of Play.

In addition, between 181,818 and 235,294 Shares (the final number will be communicated on or following the Pricing Date and will equal to approximately PLN 8 million divided by the Offer Price) will be authorized and available for issuance under future programs and will be dedicated to new managers and key employees joining the Group or to VDP 4 participants to potentially increase the amount of Shares available to issue in the future under VDP 4 or to current managers and key employees who are not VDP 4 participants.

Potential conflicts of interest and other information

The Issuer is not aware of any circumstance that may lead to a potential conflict of interest between the private interests or other duties of members of the Issuer's Board vis-à-vis the Issuer. There is no family relationship between any members of the Issuer's Board.

During the last five years, none of the members of the Issuer's Board (i) has been convicted of fraudulent offenses, (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The Issuer is not aware of any arrangement or understanding with major shareholders, suppliers, customers or others pursuant to which any member of the Issuer's Board was selected as a member of such body of the Issuer. Pursuant to the Articles of Association of the Issuer, Novator and Tollerton shall have the right to propose candidates for the Issuer's Board for approval by the Issuer's General Meeting so long as their shareholding is maintained above a fixed threshold. See "*Overview of the Issuer's Articles of Association—Issuer's Board—Overview*." Graham Bruce McInroy, Serdar Çetin and Patrick Tillieux were nominated for

their current positions on the Issuer's Board by Novator and Ioannis Karagiannis, Vassilios Billis and Georgios Xirouchakis were nominated for their current positions on the Issuer's Board by Tollerton. See "*Management—The Issuer*."

Within the period covered by the Financial Statements and until the date of this Prospectus, the Issuer has not entered into other transactions with members of the Issuer's Board or Play's Management Board or paid any benefits, except as set out in "*—Former Incentive Plans*" and for remuneration in connection with holding positions in the governing bodies of the Group companies, or in connection with providing services to the Issuer or the Group, and the transactions described in "*Related-Party Transactions*."

THE SELLING SHAREHOLDER

Selling Shareholder

As of the date of this Prospectus, Play Holdings 1 S.à r.l. with registered office in Luxembourg, the Grand Duchy of Luxembourg, and its registered office address at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg (the "**Selling Shareholder**") is the Issuer's sole shareholder. As of the date of this Prospectus, the Selling Shareholder held 250,000,000 shares of €0.00012 constituting 100.0% of the Issuer's share capital, enabling it to exercise 100.0% of the overall number of votes at the General Meeting. Each Share authorizes its holder to exercise one vote at the General Meeting.

Besides those stated above, the Selling Shareholder does not hold any other voting rights in the Issuer and is not entitled to any preferences regarding such voting rights.

Control over the Issuer

Direct ownership of the Issuer

As of the date of this Prospectus, the Issuer is directly controlled by the Selling Shareholder.

Following the Offering, assuming that the Selling Shareholder sells all the Sale Shares and the Over-Allotment Shares in the Offering and there was no increase in the number of Sale Shares offered (assuming issuance of the Reinvestment Shares and Original VDP 4 Shares), the Selling Shareholder will hold 56.14% of the Shares of the Issuer, representing 56.14% of the total number of votes at the General Meeting. Consequently, following the Offering, the Selling Shareholder will be in a position to exert substantial influence on the Issuer's General Meeting and, consequently, on matters decided by the Issuer's General Meeting, including the appointment of the Issuer's Board, the distribution of dividends or any proposed capital measure. A concentration of share ownership at the shareholder level could delay, postpone or prevent certain major corporate actions, including a change of control in the Issuer, and could thus deter mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors. In addition, the Selling Shareholder may be, or become, able to block certain corporate measures that require the approval of the Issuer's General Meeting and may have the effect of delaying, postponing or preventing certain major corporate actions, including a change of control in the Issuer, and could thus prevent mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors.

Under the above instances, the interests of the Selling Shareholder could deviate from the interests of our other shareholders. If the Selling Shareholder's interests conflict with those of our other shareholders, the consequences may have a material adverse effect on the value of the Shares and our business, financial condition and results of operations.

For other rights accruing to the holders of shares please see, "*Description of Share Capital and Corporate Governance—Share capital*."

The Issuer is not aware of any agreements, the operation of which may at a subsequent date result in a change in control of the Issuer.

Indirect ownership of the Issuer

As of the date of this Prospectus, the Issuer is directly and wholly owned and controlled by the Selling Shareholder.

The Selling Shareholder is directly and wholly owned and controlled by Impera.

As at the date of this Prospectus, Impera is directly and wholly owned and controlled by Telco Holdings S.à r.l. and Tollerton Investments Limited which hold 49.7% and 50.3% of Impera's shares, respectively. Following the Offering, the Selling Shareholder and/or its parent, Impera, may be liquidated, such that the Selling Shareholders' share ownership in the Issuer would be directly held by Telco Holdings S.à r.l. and Tollerton Investments Limited. Any such liquidation, if implemented, would not result in a change in control of the Issuer.

On or before the completion of the Offering (and effective on completion of the Offering), Novator and Tollerton anticipate entering into a shareholders' agreement (the "**Post-IPO Shareholders' Agreement**") relating to their ownership in the Issuer. The Post-IPO Shareholders' Agreement contains, among others, undertakings with respect to the orderly sell-down of any shares in the Issuer held by Novator and Tollerton and customary tag-along rights with respect to any future sale following the expiry of their respective lock-up periods, as well as undertakings to cooperate in the appointment of directors and/or composition of board committees as is set forth in the Issuer's Articles of Association. See "*Overview of the Issuer's Articles of Association—Issuer's Board*."

Telco Holdings S.à r.l. and Tollerton Investments Limited were the original founders of Impera and its subsidiaries.

Ninety-three percent of the shares in Telco Holdings S.à r.l. are controlled indirectly by the sole trustee on behalf of the beneficiaries of an irrevocable discretionary trust of which the settlor is Björgólfur Thor Björgólfsson and the beneficiaries are Mr. Björgólfsson and certain members of his family. The remaining 7.02% are controlled by (i) Novator (Luxembourg) S.à r.l., acting in its capacity as General Partner of Novator Two L.P. (a Cayman Islands exempted limited partnership) (4.08%), (ii) Graham Bruce McInroy (1.47%), and (iii) Serdar Çetin (1.47%).

Seventy nine percent of the shares in Tollerton Investments Ltd are controlled by Rackham Trust Company SA, in its capacity as the sole trustee of the Folloe Trust, an irrevocable discretionary trust of which the beneficiaries are Mr. Germanos and certain members of his family. The remaining twenty one percent is controlled by John Karagiannis (15%) and Kostas Karafotakis (6%).

Mr. Panos Germanos was the founder and former controlling shareholder of Olympia Group SA, an indirect shareholder of the Group, and served as the chairman of the supervisory board of P4 Sp. z o.o. from May 2007 until April 2016. Mr. Germanos no longer holds any management position, nor has legal ownership or control, over us or any of our direct or indirect shareholders, including Olympia Group S.A. and Tollerton Investments Limited, each of which are ultimately owned by Rackham Trust Company SA, a professional trustee company of the Folloe Trust, an irrevocable discretionary trust of which Mr. Germanos is an economic beneficiary. Charges falling within the scope of anti-money laundering legislation have been brought against Mr. Germanos in two separate criminal proceedings in Greece both of which relate to a wider anti-corruption investigation by Greek authorities involving a Greek Ministry of Defense procurement program. The charges brought against Mr. Germanos involve, in one case, money laundering allegations relating to funds invested with Mr. Germanos linked to bribery payments made by certain individuals (not Mr. Germanos) to Greek government officials in connection with the purchase by the Greek Ministry of Defense of an anti-missile system. The second case alleges that a former employee of a company owned by Mr. Germanos (which is not a part of the Group) induced a German engineering contractor to make payments to such employee in settlement of falsified invoices created by the former employee to appear as if they were issued by his former employer. The falsified invoices were used to subvert Greek legal requirements that require foreign equipment manufacturers to subcontract with Greek companies and the payment made under the invoices was misappropriated by the former employee and his co-conspirators. The proceedings have commenced and a

judgment is expected no earlier than, with respect to the first charge referenced above, the fourth quarter of 2017 and, with respect to the second charge referenced above, the first quarter of 2018. Mr. Germanos has informed us and our shareholders that he has never previously been convicted of any criminal offense, that he is represented by senior legal counsel of standing in Greece in relation to such proceedings and that the charges against him are entirely without merit and that he will vigorously defend against the charges.

Shareholding Structure Following the Offering

The table below presents the Issuer's shareholding structure as of the date of this Prospectus and the anticipated shareholding structure after the completion of the Offering (assuming that the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued) (i) assuming that all Offer Shares were offered and subscribed for by investors and the Over-Allotment Option was exercised in full and there was no increase in the number of Sale Shares offered and (ii) assuming that all Offer Shares were offered and subscribed for by investors and the Over-Allotment Option was exercised in full and the number of Sale Shares were increased to the fullest extent indicated herein.

	Status as of the date of this Prospectus		Status after the Offering assuming no increase in the number of Sale Shares offered [(1)]		Status after the Offering assuming the number of Sale Shares were increased to the fullest extent indicated herein [(1)]	
Shareholder	**Number of shares**	**% votes at the GM**	**Number of shares**	**% votes at the GM**	**Number of shares**	**% votes at the GM**
Selling Shareholder[(2)]	250,000,000	100.00	142,378,722	56.14	128,427.379	50.64
Management Board of Play and key managers and employees[(3)]	–	–	3,604,124	1.42	3,598,974	1.42
Public shareholders	–	–	107,621,278	42.44	121,572,621	47.94
Total	**250,000,000**	**100.00**	**253,604,124**	**100.00**	**253,598,974**	**100.00**

1 Assuming no stabilization transactions.
2 Following the Offering, the Selling Shareholder and/or its parent, Impera, may be liquidated, such that the Selling Shareholders' share ownership in the Issuer would be directly held by Telco Holdings S.à r.l. and Tollerton Investments Limited.
3 Assuming issuance of the maximum number of Reinvestment Shares and Original VDP 4 Shares.

Source: The Issuer

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

According to International Accounting Standard 24 (IAS 24), entities and persons are considered to be related to a company if the entity or a close relative of the person:

- controls the company or is involved in its joint management, exercises significant influence over this company or holds a key position in the management of the company or a parent entity;
- is a member of the same group of companies;
- is associated with the company within the meaning of IAS 28 or a joint venture in which the company is a partner within the meaning of IAS 31;
- to the same extent as the company is a joint venture of the same third parties;
- is a company that is controlled by a related party, is significantly influenced by it or is subject to a joint management, in which a related party of that company is involved or in which such a person holds a key position in the management; or
- is a pension fund established for the benefit of the employees of the company or for the benefit of an entity related to that company for payments after termination of the employment relationship.

Material transactions and legal relationships which existed between the Group and the above-mentioned related persons and entities in the financial years 2014 to 2016, as well as in the current financial year 2017 up to and including March 31, 2017, that are required to be reported in connection with IAS 24 are set forth in Note 37 to the Audited Financial Statements and note 36 to the Interim Financial Statements.

The Group has entered into the following transactions with its shareholders and their affiliates.

Fees for advisory services provided by shareholders and other fees

The Group has previously entered into advisory services agreements with Novator and Olympia (or in either case, their affiliates) whereby such entities have agreed to provide advisory and consulting services which the Group requests. These services have included advising and consulting services relating to business activities of the Group, analysis of the Group's business activities in relation to telecommunications environment of the Polish and European markets, supporting the Group's activities before other economic forums such as the European Commission, preparation of reports and analysis, training and certain other agreed services. Fees for advisory services provided by shareholders were paid to Novator and Olympia (or their relevant affiliates) ("**Monitoring Fee**") in an amount of PLN 21.2 million for the year ended December 31, 2014, PLN 27.7 million for the year ended December 31, 2015, and PLN 35.9 million for the year ended December 31, 2016.

Novator and Olympia (or their relevant affiliates) have agreed with the Group that no Monitoring Fee will be paid following the Offering. In connection with advisory and consulting services provided to the Group in connection with the Offering, Novator and Olympia or their affiliates (accordingly, the entity that actually provided the services) will receive a one-time fee of PLN 35.0 million (payable in two (2) instalments, the first payable within 6 months of completion of the Offering and the second instalment within 12 months of completion of the Offering).

Other arrangements with related parties

Certain current or former executive directors (or entities under their control) have entered into contracts through which they agree to provide strategic, operational and financial advisory services in exchange for a monthly flat fee retainer and additional remuneration. For more information on the Issuer's executive directors, see "*Management—Executive directors*."

On June 29, 2015, Play and AASA Polska S.A. ("**AASA Polska**"), a consumer finance provider operating in Poland that is beneficially owned by affiliates of Tollerton and Novator, entered into a cooperation agreement with effect from July 1, 2015, whereby Play agreed to provide certain introduction services in relation to loan products offered by AASA Polska in exchange for a fee. The agreement was entered into on an arms' length basis on standard commercial terms. The initial term of the cooperation agreement was six (6) months from the commencement of acquiring customers under the agreement, with the possibility that the parties could decide to continue their cooperation after such period. The agreement expired.

By the end of the three months ended September 30, 2017, Play expects to have entered into certain commercial agreements with Beta S.A. and Pejer S.A., portfolio companies which are beneficially owned by Olympia and Novator. Beta S.A. focuses on the provision of telecommunication services while Pejer S.A. focuses on the rendering of financial payment services. Certain former employees of Play are now employed by Beta S.A. and Pejer S.A. Prior to the second quarter of 2017, no material transactions have occurred between Play and Beta S.A. or Pejer S.A. The transactions Play intends to enter into at this stage are certain asset sales as well as a recharge of expenses previously incurred by Play to Beta S.A and Pejer S.A., which Play does not expect to exceed PLN 9.0 million in the aggregate. Play, Beta S.A. and Pejer S.A. may enter into further agreements in future relating to the supply of goods and/or services. It is expected that any agreements with Beta S.A and Pejer S.A. in the future will be entered into on an arms' length basis on standard commercial terms.

Distributions to shareholders

Following the issuance of the Old Senior Secured Notes in 2014, the Group distributed share premium in an amount of PLN 718.1 million to the shareholders of Play in the form of dividends or other distributions. Subsequently, certain proceeds from the Old Senior Secured Notes were released from an escrow account and were distributed to shareholders in an amount of approximately EUR 170.0 million.

Incentive plans

We have historically operated, and will continue to operate, certain management retention programs for Play's Management Board and key employees. See "*Management—Remuneration and Benefits*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies, Estimates and Judgments*" for a description of our former incentive plans and new incentive schemes following the consummation of the Offering.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Set forth below is the information concerning the Issuer's share capital and related overview information concerning the material provisions of the Issuer's articles of association (the "**Issuer's Articles of Association**") and applicable Luxembourg law, in particular the Luxembourg law of 10 August 1915 on commercial companies, as amended (*loi du 10 août 1915 sue les sociétés commerciales telle que modifiée*) (the "**1915 Companies Act**"). This overview does not contain all information that may be important to you. For more complete information, you should read the Issuer's Articles of Association.

Share Capital

As at the date of this Prospectus, the Issuer's current issued share capital amounts to EUR 30,000 divided into two hundred fifty million (250,000,000) bearer shares with a nominal value of EUR 0.00012 each.

As at the date of this Prospectus, all of the Issuer's issued share capital is fully paid and all the existing shares were converted into bearer form on June 21, 2017.

All of the two hundred fifty million (250,000,000) bearer shares, with a nominal value of EUR 0.00012 each, of the Issuer as at the date of this Prospectus were held by the Selling Shareholder.

Following the Listing Date, the Offer Shares to be issued and made available pursuant to the Offering will rank *pari passu* in all respects with the existing issued shares of the Issuer and will carry the rights to receive all dividends and distributions declared, made or paid on, by the Issuer.

All the Shares are ordinary shares issued in bearer form.

The following is a brief overview of certain material provisions of the Issuer's Articles of Association in effect on the date of this Prospectus, a brief description of the Issuer's share capital and certain requirements of Luxembourg legislation.

Authorized Capital

As of the date of the Prospectus, the authorized capital of the Issuer amounted to EUR 1,020 (the "**Authorized Capital**").

Without prejudice to the rights of the shareholders of the Issuer to increase the share capital in accordance with the provisions of the 1915 Companies Act and the Issuer's Articles of Association, the board of directors of the Issuer (the "**Issuer's Board**") is authorized, within the limits of the Authorized Capital, to increase the issued share capital of the Issuer, on one or more occasions, up to a maximum amount of EUR 1,020.

The Issuer's Board may increase the capital by the issue of Shares and withdraw or restrict the preferential subscription rights of the shareholders in relation to an increase of capital made within the limits of the Authorized Capital. The authorization is valid for five (5) years from the date of the notarial deed recording any resolutions approving the creation, renewal or increase the Authorized Capital (June 21, 2017) and may be renewed in accordance with legal conditions.

The Authorized Capital is intended to be used solely for the purposes of issuing the Reinvestment Shares to members of the Management Board of Play as well as shares under new management performance incentive schemes and to certain managers and key employees below the Management Board level under VDP 4 and under future programs dedicated to new managers and key employees joining the Group or to VDP 4 participants to potentially increase the amount of shares available to issue in the future under VDP or to

current managers and key employees who are not VDP 4 participants, up to the limits set out in "*Management - Remuneration and Benefits - New Performance Incentive Schemes - Incentive Schemes Share Allocation.*"

Objects

The objects of the Issuer are as set out in full in article 3 of the Issuer's Articles of Association. As the Issuer is a holding company, the primary objects of the Issuer are to carry the business of a holding company consisting in particular in the direct and indirect acquisition and holding of participating interests, in any form whatsoever as well as the administration, development and management of such interests.

General

The Issuer is Play Communications S.A., a public limited liability company (*société anonyme*), incorporated and existing under the laws of Luxembourg, having its registered office at 4/6, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*R.C.S. Luxembourg*) under number B183803 The telephone number of the Issuer's registered office is +352 20 600 231.

The Issuer was incorporated on January 10, 2014 as a Luxembourg private limited liability company (*société à responsabilité limitée)* with an initial share capital of EUR 12,500 divided into 12,500 shares with a nominal value of EUR 1, fully paid-up.

By resolution of the shareholders' meeting of the Issuer (the "**Issuer's General Meeting**") held on January 23, 2014, the Selling Shareholder resolved to increase the Issuer's share capital by EUR 1 from EUR 12,500 to EUR 12, 501 against a contribution in kind.

The Issuer was converted into a Luxembourg public limited liability company *(société anonyme)* by resolution of the Issuer's General Meeting held on June 21, 2017. This conversion took effect and was documented in front of a Luxembourg notary, with the subsequent change to the Issuer's Articles of Association on June 21, 2017. The Issuer's share capital was increased to EUR 30,000 and the nominal value of its shares split to EUR 0.00012 each, on the same date.

The Issuer has not issued any listed or unlisted securities not representing the Issuer's share capital. Neither the Issuer nor any of its subsidiaries (nor any party on behalf of the Issuer) holds any of the Issuer's Shares. The Issuer has no outstanding convertible securities, exchangeable securities or securities with warrants. There are no relevant acquisition rights or obligations over the Issuer's authorized but unissued capital or undertakings to increase the Issuer's issued share capital.

The fiscal year of the Issuer begins on the first day of January of each year and ends on the last day of December of the same year.

The Issuer is incorporated for an unlimited period of time.

Issuer's Articles of Association

The Issuer's Articles of Association were last amended and restated on June 21, 2017. The following is a brief overview of certain material provisions of the Issuer's Articles of Association.

Form and Transfer of Shares

The Shares were issued in registered form and converted in bearer form on June 21, 2017. For the purposes of listing on the WSE all the Shares, including the Offer Shares, will be registered with the NDS, the central

securities depository and clearinghouse in Poland and no physical share certificates will be issued to shareholders. The Shares, while registered with the NDS will be in book entry form and shareholding will be evidenced by reference to securities accounts held for the shareholder by members of the NDS (*e.g.* brokers or custodians). Transfer of Shares takes place through the facilities of the NDS.

Issue of Shares

An extraordinary general meeting of shareholders of the Issuer (the "**Issuer's Extraordinary General Meeting**") or the Issuer's Board (within the limits of the Authorized Capital) may from time to time issue Shares.

Pursuant to the Issuer's Articles of Association, authorization is also given to the Issuer's Board, within the limits of the Authorized Capital to increase the share capital of the Issuer by a maximum amount of EUR 1,020, on one or more occasions. The Issuer's Board may increase the share capital by the issue of shares and withdraw or restrict the preferential subscription rights of the shareholders in relation to an increase of capital made within the limits of the Authorized Capital. This authorization is valid for five (5) years from the date of the notarial deed recording any resolutions approving the creation, renewal or increase the Authorized Capital (June 21, 2017) and may be renewed in accordance with legal conditions.

Share Premium

The Issuer may establish a share premium account into which any premium paid on any Share is to be transferred (the "**Share Premium Account**"). Decisions as to the use of the Share Premium Account are to be taken by the Shareholder(s) and/or the Issuer's Board, subject to the 1915 Companies Act and the Issuer's Articles of Association.

Non-Share Capital Contribution

The Issuer may, without limitation, accept equity or other contributions without issuing any shares or other securities in consideration for the contribution and may credit the contributions to one or more accounts. Decisions as to the use of such accounts are to be taken by the Shareholders and/or the Issuer's Board subject to compliance with the Issuer's Articles of Association and applicable laws. For the avoidance of doubt, any such decision does not need to allocate to the contributor any amount contributed to such accounts.

Redemption and Repurchase of the Issuer's Own Shares

The Issuer does not currently hold any own shares, nor does a third party on behalf of the Issuer. The Issuer has not issued any convertible securities, exchangeable securities or securities with warrants.

According to Article 49-2 of the 1915 Companies Act and without prejudice to the Luxembourg law of May 9, 2006, on market abuse (*Loi du 9 mai 2006 relative aux abus de marché*) (the "**Market Abuse Law**") and the principle of equal treatment of shareholders, the Issuer and its subsidiaries as referred to in Article 49*bis* of the 1915 Companies Act may, directly or through a person acting in its own name but on the Issuer's behalf, acquire its own shares subject to the following conditions:

- An authorization to acquire the shares shall be given by the Issuer's General Meeting which shall determine the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorization is given and which may not exceed five years and, in case of acquisition for value, the maximum and the minimum consideration (this condition must not be respected in case where the acquisition of its own shares by the Issuer is necessary in order to prevent serious or imminent harm to the Issuer, or if the acquisition

of its own shares by the Issuer is made for the sole purpose of distributing these shares to the staff of the Issuer);

- The acquisitions, including shares previously acquired by the Issuer and held by it as well as shares acquired by a person acting in its own name but on behalf of the Issuer, must not have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law or the Issuer's Articles of Association; and
- Only fully paid shares may be included in the transaction.

The Issuer's Board shall ensure that, at the time of each authorized acquisition, the conditions referred to in the second and third bullet are always complied with.

In principle, the Issuer has no obligation to sell or cancel the shares so acquired and held by the Issuer in treasury. According to the 1915 Companies Act, the Issuer may, under certain circumstances listed in Article 49-3 of the 1915 Companies Act, acquire its own shares without respecting the conditions provided for in Article 49-2 of the 1915 Companies Act and listed above, but may never have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law. Except where such shares are repurchased pursuant to a decision to reduce the share capital of the Issuer or where such shares are redeemable shares, such shares shall either be sold or canceled after three years as from the date of their acquisition unless the nominal value or in the absence of nominal value, the accounting par value of the shares acquired, including shares which the company may have acquired through a person acting in its own name, but on behalf of the company, does not exceed 10% of the subscribed capital.

Share-Based Remuneration and Stock Plans

See "*Management—New Performance Incentive Schemes*."

Variation of Rights; Amendments to the Issuer's Articles of Association

All or any of the rights attached to the Shares may from time to time (whether or not the Issuer is being wound up) be varied by decision of the Issuer's Extraordinary General Meeting in the manner required for the amendment of the Issuer's Articles of Association. Any provisions of the Issuer's Articles of Association may be amended by resolution of the shareholders at an Issuer's Extraordinary General Meeting.

Changes in Share Capital

The share capital of the Issuer may be increased or reduced by a resolution of the Issuer's General Meeting, subject to compliance with applicable rules for the amendment of the Issuer's Articles of Association. Subject to the provisions of the 1915 Companies Act, the Issuer's General Meeting may decide to create new classes of shares and determine the features, rights and restrictions of such classes of shares. In addition, the Issuer's Board is authorized to issue shares up to the total amount of the authorized share capital (see "*—Issue of Shares*" above).

The Issuer may proceed to the repurchase of its own shares within the limits laid down by law (see "—*Redemption and Repurchase of the Issuer's Own Shares*" above).

Dividends

There are no fixed dates on which a shareholder is entitled to receive a dividend. The Issuer may declare and pay dividends in accordance with the 1915 Companies Act. Dividends may be declared by the Issuer's

General Meeting upon approval of the annual financial statements for the immediately preceding financial year.

Dividends may be declared or paid in cash as well as in kind including by way of issuance of shares.

The amount of a dividend declared by the Issuer's General Meeting upon approval of the annual financial statements may not exceed the amount of the Issuer's unconsolidated profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, minus any losses carried forward and sums to be placed in reserve in accordance with the law or the Issuer's Articles of Association. Interim dividends may be declared and paid by the Issuer's Board out of available Issuer's unconsolidated net profits, premium or other available reserves subject to complying with conditions required by law subject to such dividend not exceeding the amount available for distribution which shall not exceed total profits made since the end of the last financial year for which the annual financial statements have been approved, plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed to reserve pursuant to the requirements of the law or the Issuer's Articles of Association.

The Issuer's Articles of Association provide that from the annual net profits of the Issuer, at least five per cent (5%) shall each year be allocated to the Issuer's legal reserve (the "**Legal Reserve**"). That allocation to the Legal Reserve will cease to be required as soon and as long as the Legal Reserve amounts to ten per cent (10%) of the issued share capital of the Issuer. After allocation to the Legal Reserve and upon recommendation of the Issuer's Board, the Issuer's General Meeting determines how the annual net profits will be disposed of. It may decide to allocate the whole or part of the annual net profits to a reserve or to a provision reserve, to carry it forward to the next following fiscal year or to distribute it to the Shareholders as a dividend.

No dividend or other moneys payable on or in respect of an ordinary Share shall bear interest required to be paid by the Issuer. If the Issuer declares to pay dividends to its shareholders, each shareholder is entitled to receive a dividend in proportion to the amount of capital held by it in the Issuer. Any dividend unclaimed after a period of five years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Issuer according to Article 2277 of the Luxembourg Civil Code. There are no specific dividend restrictions or procedures for non-resident shareholders.

Subject to the conditions fixed by law, the Issuer's Board may also pay out an advance payment on dividends. The Issuer's Board shall fix the amount and the date of payment of any such advance payment.

Voting Rights, Issuer's General Shareholders' Meeting

Each Share entitles the holder to one vote at the Issuer's General Meeting, subject to the limitations imposed by law. Except as otherwise required by law or the Issuer's Articles of Association, resolutions will be taken irrespective of the number of the Shares represented, by a simple majority of votes.

As long as the Shares are admitted to trading on a regulated market within a EU Member State, Issuer's General Meetings will be convened in accordance with the provisions of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies (the "**Shareholder Rights Law**") and the Issuer's Articles of Association.

To vote at meetings, shareholders entitled to vote must duly evidence their shareholdings as of the record date determined in accordance with the Shareholder Rights Law. A shareholder may act at any General Meeting by

appointing another person (who need not be a shareholder) as his/her/its proxy in accordance with the provisions of the Shareholder Rights Law.

In accordance with the Shareholder Rights Law, the convening notice is to be published at least thirty days before the day of the meeting in the official gazette of Luxembourg (*Recueil Électronique des Sociétés et Associations*), and a Luxembourg newspaper and in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the EEA, and which is accessible rapidly and on a non-discriminatory basis. If an Issuer's General Meeting is adjourned for lack of quorum, *provided that* the convening requirements of the Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30 day period is reduced to a 17 day period.

These convening notices must, *inter alia*, contain the precise date and location of the Issuer's General Meeting and the proposed agenda. It must also set out the conditions for attendance and representation at the meeting.

Luxembourg law distinguishes between ordinary resolutions and extraordinary resolutions. Extraordinary resolutions relate to proposed amendments to the Issuer's Articles of Association and certain other limited matters. All other resolutions are generally ordinary resolutions.

Extraordinary resolutions are generally required for any of the following matters, among others: (a) an increase or decrease of the authorized or issued capital, (b) a limitation or exclusion of pre-emptive rights, (c) approval of a statutory merger or de-merger (scission) or certain other restructurings, (d) dissolution of the Issuer and (e) an amendment to the Issuer's Articles of Association.

For any extraordinary resolutions to be considered at an Issuer's General Meeting, the quorum must generally be at least one-half of the Issuer's issued share capital to which voting rights are attached under the Issuer's Articles of Association or Luxembourg law, unless otherwise provided by the Issuer's Articles of Association or mandatorily required by law. If such quorum is not present, a second Issuer's General Meeting may be convened at a later date with no quorum according to the appropriate notification procedures. Extraordinary resolutions must generally be adopted at an Issuer's General Meeting (except as otherwise provided by mandatory law or the Issuer's Articles of Association) by a two-thirds majority of the votes validly cast on such resolution. Abstentions are not considered "votes." Except in case of a merger, a demerger or proceedings assimilated thereto by Articles 284 and 308 of the 1915 Companies Act, an amendment of the corporate object and purpose of the Issuer or its legal form requires in addition the approval by a general meeting of holders of bonds issued by the Issuer at the majority and quorum provided for by law.

No quorum is required for any ordinary resolutions to be considered at an Issuer's General Meeting. Ordinary resolutions are adopted by a simple majority of votes validly cast on such resolution by shareholders present, subject in certain circumstances to a different majority as required under the Issuer's Articles of Association or Luxembourg law. Abstentions are not considered "votes."

The annual General Meeting (the "**Annual General Meeting**") shall be held once per year in Luxembourg at the registered office of the Issuer, or at any other place within the municipality of the registered office as specified in the convening notice of the meeting. If exceptional circumstances require, the Annual General Meeting may be held abroad.

Other Issuer's General Meetings may be called as often as the interest of the Issuer demands and be held at such place and time as may be specified in the respective convening notice of the meeting.

If the entire issued share capital of the Issuer is represented at an Issuer's General Meeting and if they state that they have been informed of the agenda of the meeting, no prior convening notice is required for the meeting to be held and the proceedings at such Issuer's General Meeting will be deemed valid.

The Issuer's Board is obliged to call an Issuer's General Meeting when a group of shareholders representing at least one-tenth of the subscribed share capital of the Issuer requests the convening of an Issuer's General Meeting in writing indicating the agenda of the proposed meeting.

In accordance with the Shareholder Rights Law, shareholders holding individually or collectively at least 10% of the issued share capital of the Issuer (a) have the right to put items on the agenda of the Issuer's General Meeting and (b) have the right to table draft resolutions for items included or to be included on the agenda of the Issuer's General Meeting. Those rights shall be exercised by the request in writing of the relevant shareholders submitted to the Issuer by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the Issuer's General Meeting and shall include the electronic or mailing address at which the Issuer can acknowledge receipt of the request. Any such request from shareholders must be received by the Issuer not later than on the twenty-second day prior to the date of the Issuer's General Meeting.

Information Rights

In accordance with the Shareholder Rights Law, the Issuer shall make available to its shareholders on its website for a continuous period beginning on the day of publication of the convening notice of the Issuer's General Meeting (which must be at least 30 days prior to the meeting) and including the day of the Issuer's General Meeting, *inter alia*, such documents which need to be submitted to the Issuer's General Meeting and the convening notice. Shareholders may upon request obtain a copy of the full, unabridged text of the documents to be submitted to the Issuer's General Meeting by electronic means or at the registered office of the Issuer.

In accordance with the Shareholder Rights Law, shareholders have the right to ask questions at the Issuer's General Meetings related to items on the agenda. The right to ask questions and the obligation of the Issuer to answer are subject to the measures to be taken by the Issuer to ensure the identification of shareholders, the good order of the Issuer's General Meeting and its preparation as well as the protection of confidentiality and business interests of the Issuer.

Distribution of Assets on Winding-Up

In the event of liquidation, dissolution or winding-up of the Issuer, the net assets remaining after payment of all debts, charges and expenses shall be distributed to the shareholders in proportion to their respective shareholdings.

In the event of the dissolution of the Issuer for whatever reason, the liquidation will be carried out by one or more liquidators appointed by the Issuer's General Meeting which will determine their powers and their compensation. Once all debts, charges and liquidation expenses have been met, any balance resulting shall be paid to the shareholders.

Corporate governance code

Application of the Corporate Governance Code of the Warsaw Stock Exchange to the Issuer

As the Shares are only admitted to trading on the WSE, the Issuer has not opted to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

In accordance with the WSE Rules, the Issuer as a public company listed on the Warsaw Stock Exchange should observe the principles of corporate governance set out in the WSE Best Practices. The WSE Best Practices is a set of recommendations and rules of procedure for governing bodies of publicly-listed companies and their shareholders. The WSE Rules and resolutions of the WSE management board and its council set forth the manner in which publicly-listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly-listed company on a permanent basis or has been breached incidentally, such publicly-listed company is required to disclose this fact in the form of a current report.

Non-compliance with the Corporate Governance Code of the Warsaw Stock Exchange

The practices where the Issuer is not in compliance with the Corporate Governance Code of the Warsaw Stock Exchange are the following:

Real-time broadcasts of the General Meeting

Detailed principle No. IV.Z.2. of the Corporate Governance Code of the Warsaw Stock Exchange provides that if it is justified by the shareholder structure, the Issuer should ensure that there are publicly-available real-time broadcasts of general meetings. Pursuant to recommendation No. IV.R.2, if it is justified by the structure of shareholders or expectations of shareholders notified to the company, and if the Issuer is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using means of electronic communication, the company should enable its shareholders to participate in a general meeting using such means, in particular through: (i) real-life broadcast of the general meeting; (ii) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; and (iii) exercise of the right to vote during a general meeting either in person or through a proxy. Moreover, recommendation No. I.Z.1.20 provides that that the General Meeting should be audio or video recorded. The Issuer cannot guarantee that the above principles will be implemented, but will in each case analyze the Issuer's shareholding structure and the expectations of the shareholders which will have been communicated to it and will review and consider whether ensuring publicly available real-time broadcasts of the general meetings is justified.

Diversity policy applicable to the Issuer's governing bodies

Principle No. II.R.2. of the Corporate Governance Code of the Warsaw Stock Exchange provides that decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience. The Issuer has not set objectives for the composition of the Issuer's Board or the Management Board regarding diversity in terms of gender, but focusses only on quality of the management. The Issuer has a gender neutral hiring policy and acts in line with gender best practices. Neverthless, the Issuer will discuss a balanced proportion of women and men in the Issuer's Board and the Management Board in the future.

Composition of the special committees

Principle No. II.Z.7. of the Corporate Governance Code of the Warsaw Stock Exchange provides that Annex I to the European Commission Recommendation of February 15, 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the tasks and the operation of the committees of the board, *i.e.*, the majority of the members of the remuneration and nomination committees should meet certain independence criteria. The Issuer cannot guarantee that the above

principle will be implemented, but in each case will analyze the composition of the committees and verify whether such requirement can be satisfied.

Policy on the sponsorship and charity

Principle I.R.2 of the Corporate Governance Code of the Warsaw Stock Exchange provides that where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report. The Issuer cannot guarantee that the above principle will be implemented.

Remuneration of members of the management board

Principle VI.Z.2 of the Corporate Governance Code of the Warsaw Stock Exchange provides that to tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years. The Issuer will partially comply with this principle, since according to the New Performance Incentive Schemes, fifty percent of Award Shares granted to a manager will be subject to a 365 day lock-up pursuant to the terms of the scheme, with the remaining 50% being subject to a 730 day lock-up following the date they are granted (see "*Management—Remuneration and benefits*").

Principle VI.Z.4 of the Corporate Governance Code of the Warsaw Stock Exchange provides that the company should report on the remuneration policy, including at least the following: 1) general information about the company's remuneration system; 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group; 3) information about non-financial remuneration components due to each management board member and key manager; 4) significant amendments of the remuneration policy in the last financial year or information about their absence; and 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular, long-term shareholder value creation and the company's stability. The Issuer will not comply with points 2) and 3) as according to Luxembourg law, which is the home jurisdiction of the Issuer, it is not a requirement to provide the information on remuneration of the management board members on an individual basis. Moreover, such information has not been previously publicly disclosed by the Issuer.

Division of duties and responsibilities among members of the Management Board

Principle No. I.Z.1.3. of the Corporate Governance Code of the Warsaw Stock Exchange provides that a chart showing the division of duties and responsibilities among members of the management board should be generated according to principle II.Z.1 (available on the Issuer's website). The Issuer will partially comply with this principle. According to the organizational structure, each member of the Management Board is responsible for the activities in his division (CEO, CFO, CMO, CSO, CCO and CTO). It will be difficult for Play to provide a chart with the specified scope of duties of the individual members of the Management Board, as Play believes that according to the Polish regulations, the Management Board members are jointly and severally liable, although we do not exclude introducing such a division in the future.

OVERVIEW OF THE ISSUER'S ARTICLES OF ASSOCIATION

The governing bodies of the Issuer are the Issuer's Board and the Issuer's General Meeting. The powers of these governing bodies are defined in the 1915 Companies Act and the Issuer's Articles of Association.

Issuer's Board

Overview

The management of the Issuer is vested in the Issuer's Board. The Issuer's Articles of Association provide that the Issuer's Board shall be composed of a maximum of ten (10) directors (each a "**Director**") and that, if and as long as the Issuer has only one Shareholder, the Issuer may have a sole director.

The Issuer's Board convenes whenever required by the Issuer's affairs. The meetings are called by the chairman of the Issuer's Board. Furthermore, a meeting of the Issuer's Board must be convened if any two (2) Directors so require. The chairman shall preside at all Issuer's General Meetings and all meetings of the Issuer's Board, but in his absence the Issuer's General Meeting or the Issuer's Board will appoint another Director as chairman *pro tempore* of such Issuer's General Meeting or meeting of the Issuer's Board by a majority vote of those present or represented at the Issuer's General Meeting or the meeting of the Issuer's Board, respectively.

Written notice of any meeting of the Issuer's Board will be given by letter, e-mail, fax or any other electronic means approved by the Issuer's Board to all Directors at least forty-eight (48) hours in advance of the day set for such meeting, except in circumstances of emergency, in which case the nature of such emergency will be set forth in the notice of meeting. The notice shall indicate the place and agenda for the meeting. Each Director may waive this notice by written consent by way of letter, e-mail, fax or any other electronic means approved by the Issuer's Board. No separate notice is required for meetings held at times and places specified in a resolution previously adopted by the Issuer's Board.

Any Director may act at any meeting of the Issuer's Board by appointing another Director as his proxy in writing, by way of letter, e-mail, fax, or any other electronic means approved by the Issuer's Board. One Director may represent more than one other Director at a meeting of the Issuer's Board *provided that* always at least two (2) Directors (who are either present in person or attend such meeting in a manner that complies with the requirements set forth in Article 13 of the Issuer's Articles of Association) participate in a meeting of the Issuer's Board.

The Issuer's Board can deliberate or act validly only if at least a majority of Directors are present or represented. Decisions shall be taken by a majority of the votes of the Directors present or represented at such meeting. The chairman shall have a casting vote. One or more Directors may participate in an Issuer's Board meeting by means of a conference call, a video conference or via any similar means of communication enabling several persons participating to communicate with each other simultaneously and permitting their identification. Such participation shall be deemed equivalent to a physical presence at the meeting. Such telecommunication methods shall satisfy all technical requirements to enable the effective participation in the meeting and the deliberations of the meeting shall be retransmitted on a continuous basis.

The Directors shall be elected by the sole shareholder (or, in case of plurality of Shareholders, by the Issuer's General Meeting), which shall determine their number, remuneration and the term of their office which shall be a period not exceeding six (6) years, subject to and in accordance with the Issuer's Articles of Association. Any Director shall hold office until its successor is elected. The Directors are re-eligible and they may be removed at any time, with or without cause, by a resolution of the sole shareholder (or, in case of plurality of

Shareholders, by a resolution of the Issuer's General Meeting). In the event of one or more vacancies in the office of Director because of death, retirement or otherwise, the remaining Directors may elect, by a majority vote, a Director to fill such vacancy until the next General Meeting, subject to and in accordance with the Issuer's Articles of Association. In this case the Shareholder(s) shall ratify the election at their next Issuer's General Meeting.

The Issuer's Board shall at all times be comprised of no less than two (2) class A directors (each a "**Class A Director**"), two of whom must satisfy the independence criteria for independent non-executive directors set out in the best practice guidelines of the Warsaw Stock Exchange (as amended from time to time); three class B directors (each a "**Class B Director**"), appointed from a list of nominees submitted to the Issuer's General Meeting by Tollerton, for as long as Tollerton holds at least 20% of the Shares; and three (3) class C directors (each a "**Class C Director**") appointed from a list of nominees submitted to the Issuer's General Meeting by Novator, for as long as Novator holds at least 20% of the Shares. For the avoidance of doubt, for so long as Novator and Tollerton hold their Shares in the Issuer via the Selling Shareholder or another joint vehicle, their percentage ownership as described above will be calculated by multiplying their respective ownership in the Selling Shareholder or another joint vehicle by such entity's percentage ownership of the Issuer.

The right to propose Class B Director and Class C Director candidates is reduced proportionally in the event that either Tollerton or Novator's holdings in Shares is reduced. Tollerton's right to propose three Class B Director candidates for appointment by the Issuer's General Meeting shall be reduced by one when Tollerton holds at least 12% of the Shares but less than 20% of the Shares, in which case Tollerton will be entitled to propose only two Class B Director candidates for appointment by the Issuer's General Meeting. Tollerton's right to propose three Class B Directors candidates for appointment by the Issuer's General Meeting shall be reduced by two when Tollerton holds at least 5% of the Shares but less than 12% of the Shares, in which case Tollerton will be entitled to propose only one Class B Director candidate for appointment by the Issuer's General Meeting. Tollerton's right to propose any Class B Director candidate for appointment by the Issuer's General Meeting shall definitely and permanently cease when Tollerton holds less than 5% of the Shares. Likewise, Telco Holding's right to propose three Class C Director candidates for appointment by the Issuer's General Meeting shall be reduced by one when Novator holds at least 12% of the Shares but less 20% of the Shares, in which case Novator will be entitled to propose only two Class C Directors candidate for appointment by the Issuer's General Meeting. Novator's right to propose three Class C Director candidates for appointment by the Issuer's General Meeting shall be reduced by two when Novator holds at least 5% of the Shares but less than 12% of the Shares, in which case Novator will be entitled to propose only one Class C Director candidate for appointment by the Issuer's General Meeting. Telco Holding's right to propose any Class C Director candidate for appointment by the Issuer's General Meeting shall definitely and permanently cease when Novator holds less than 5% of the Shares.

Duties of a Director

The Directors are liable towards the Issuer, in accordance with general Luxembourg law, for the execution of the mandate given to them and for any misconduct in the management of the Issuer's business. They are jointly and severally liable towards the Issuer as well as to any third party for damages resulting from any violation of the law or the Issuer's Articles of Association, but they may be discharged from such liability in the case of a violation in which they did not participate, provided no misconduct is attributable to them and they have reported any violation to the next Issuer's General Meeting after having been made aware of it.

Power and Duties of the Issuer's Board

The Issuer's Board is vested with the broadest powers to take any action necessary or useful to fulfill the Issuer's corporate object with the exception of the actions reserved by law or by the Issuer's Articles of Association to the Issuer's General Meeting.

Representation Towards Third Parties

The Issuer shall be bound towards third parties in all matters by the joint signature of one (1) Class A Director (or two (2) Class A Directors if no Class B Director and no Class C Director is appointed), one (1) Class B Director (if appointed) and one (1) Class C Director (if appointed) or by the joint or single signature(s) of any person(s) to whom such power may have been delegated by the Issuer's Board.

The Issuer will be bound by the signature of the person entrusted with its daily management in accordance with Article 11.2 of the Issuer's Articles of Association, but only within the limits of that function.

Issuer's Board Committees

The Issuer's Board may decide to set up one or more committees whose members may be, but need not be Directors. In that case the Issuer's Board shall appoint the members of such committee(s) and determine the powers of the committee(s).

Conflicts of Interest

In most cases, no Director shall, solely as a result of being a Director, be prevented from contracting with the Issuer, either with regard to his tenure of any office or business or as vendor, purchaser or in any other manner whatsoever, nor shall any contract or other transaction between the Issuer and any other corporation or entity or in which any Director is in any way interested be affected or invalidated by the fact that any one or more of the Directors or officers of the Issuer is or are interested in such contract or transaction or is or are an Issuer's Board member, officer or employee of such other corporation or entity. Any Director or officer of the Issuer, officer or employee of any corporation or entity with which the Issuer shall contract or otherwise engage in business shall not solely by reason of such affiliation with such other corporation or entity be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

No Director who is so interested shall be liable to account to the Issuer or the Shareholders for any remuneration, profit or other benefit realized by him by reason of the Director holding that office or of the fiduciary relationship thereby established.

If any Director has or may have any personal interest in any transaction of the Issuer, such Director shall disclose such personal interest to the Issuer's Board and shall not consider or vote on any such transaction. Such transaction and such Director's interest therein shall be disclosed in a special report to the next General Meeting before any vote by the latter on any other resolution. In case of a Sole Director, it suffices that the transactions between the Issuer and the Director, who has such an opposing interest, be recorded in writing.

The foregoing does not apply if (i) the relevant transaction is entered into under fair market conditions and (ii) falls within the ordinary course of business of the Issuer. No contract or other transaction between the Issuer and any other company or firm shall be affected or invalidated by the mere fact that a member of the Issuer's Board, or any officer of the Issuer has a personal interest in, or is a manager, director, associate, member, Shareholder, officer or employee of such other company or firm. Any person related as afore described to any company or firm with which the Issuer shall contract or otherwise engage in business shall

not, by reason of such affiliation with such other company or firm, be automatically prevented from considering, voting or acting upon any matters with respect to such contract or other business.

Issuer's General Meeting

The Issuer shall ensure equal treatment for all Shareholders who are in the same position with regard to participation in, and the exercise of voting rights in, the Issuer's General Meeting. Any duly constituted Issuer's General Meeting represents all the Shareholders. The Issuer's General Meeting is empowered with the widest powers to order, implement or ratify all acts connected with the Issuer's operations that are not conferred on the Issuer's Board.

Convening of Issuer's General Meetings (Other than Annual General Meetings) and Location

General meetings of the Shareholders (other than the Annual General Meeting) may be called as often as the interest of the Issuer demand and be held at the Issuer's registered office in Luxembourg or any other place in Luxembourg as may be specified in the respective convening notice of the meeting.

The Issuer's Board is obliged to call an Issuer's General Meeting when a group of Shareholders representing at least one-tenth of the subscribed share capital requests the convening of an Issuer's General Meeting in writing, indicating the agenda of the proposed meeting.

In accordance with Shareholder Rights Law, the convening notice is to be published at least thirty days before the day of the meeting in the official gazette of Luxembourg (*Recueil Électronique des Sociétés et Associations*), and a Luxembourg newspaper and in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the EEA, and which is accessible rapidly and on a non-discriminatory basis. If an Issuer's General Meeting is adjourned for lack of quorum, *provided that* the convening requirements of the Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30 day period is reduced to a 17 day period. These convening notices must, *inter alia*, contain the precise date and location of the Issuer's General Meeting and the proposed agenda. It must also set out the conditions for attendance and representation at the meeting.

If the entire issued share capital of the Issuer is represented at an Issuer's General Meeting, no convening notice is required for the meeting to be held and the proceedings at such Issuer's General Meeting will be deemed valid.

In accordance with the Shareholder Rights Law, Shareholders holding individually or collectively at least 5% of the issued share capital of the Issuer (a) have the right to put items on the agenda of the Issuer's General Meeting and (b) have the right to table draft resolutions for items included or to be included on the agenda of the Issuer's General Meeting. Those rights shall be exercised by the request in writing of the relevant Shareholders submitted to the Issuer by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the Issuer's General Meeting and shall include the electronic or mailing address at which the Issuer can acknowledge receipt of the request. Any such request from Shareholders must be received by the Issuer not later than on the 2nd day prior to the date of the Issuer's General Meeting.

A Shareholder may act at any Issuer's General Meeting by appointing in writing or by e-mail or fax as his proxy another person who may but need not be a Shareholder. Each Share is entitled to one vote, subject to the limitations imposed by law. Except as otherwise required by law, resolutions will be taken irrespective of the number of the Shares represented, by a simple majority of votes.

Copies or extracts of the minutes of the Issuer's General Meeting to be produced in judicial proceedings or otherwise will be signed by the Chairman or by any two (2) Directors. Shareholder(s) participating in an Issuer's General Meeting by video conference or any other telecommunication methods allowing for their identification shall be deemed present for the purpose of quorum and majority computation. Such telecommunication methods shall satisfy all technical requirements to enable the effective participation in the meeting and the deliberations of the meeting shall be transmitted on a continuous basis.

Chairman, Quorum and Majority

General meetings of the Shareholders are chaired by the Chairman of the Issuer's Board. In the absence of the Chairman of the Issuer's Board and the Executive Vice-Chairman, the General Meeting is presided over by the most senior member of the Issuer's Board present. At any Issuer's General Meeting, other than an Issuer's Extraordinary General Meeting convened for the purpose of amending the Issuer's Articles of Association or voting on resolutions whose adoption is subject to specific quorum and majority requirements as per the Issuer's Articles of Association, no quorum is required and resolutions shall be adopted, irrespective of the number of shares represented, by a simple majority of votes cast.

Resolutions by the Issuer's General Meeting on the change of the nationality of the Issuer must be taken by a majority of no less than ninety percent (90%) of the votes validly cast at an Issuer's General Meeting at which a quorum of no less than fifty percent (50%) of the Issuer's share capital is present or represented.

An Issuer's General Meeting may only amend the Issuer's Articles of Association if no less than fifty percent (50%) of the share capital is represented and the agenda indicates the proposed amendments to the Issuer's Articles of Association, including the text of any proposed amendment to the Issuer's object or form. If this quorum is not reached, a second Issuer's General Meeting shall be convened in accordance with the formalities foreseen in Article 9 of the Issuer's Articles of Association. The second Issuer's General Meeting shall deliberate validly regardless of the proportion of capital represented. At both Issuer's General Meetings, resolutions must be adopted by a majority of no less than seventy-five percent (75%) of the votes validly cast.

Resolutions by the Issuer's General Meeting on the following matters require the consent of more than fifty percent (50%) of the votes validly cast:

(i) the adoption of statutory accounts of the Issuer and any consolidated group accounts;

(ii) the payment or declaration of any dividend or other distribution by the Issuer; and

(iii) the appointment or change of the Issuer's auditor.

Resolutions by the Issuer's General Meeting on the delisting of the shares of the Issuer from the Warsaw Stock Exchange or on any other foreign stock exchange must be taken by a majority of no less than ninety percent (90%) of the votes validly cast at an Issuer's General Meeting at which a quorum of no less than fifty percent (50%) of the Issuer's share capital is present or represented.

In the event that all the Shareholders are present or represented at an Issuer's General Meeting and declare that they have been informed of the agenda of the Issuer's General Meeting, the Issuer's General Meeting may be held without prior notice of meeting.

Annual General Meeting

The Annual General Meeting shall be held in accordance with Luxembourg law at the Issuer's registered office or at any other place within the municipality of the registered office of the Issuer as specified in the

convening notice. If exceptional circumstances require, under the absolute and final judgment of the Issuer's Board, the Annual General Meeting may be held abroad.

Following the approval of the annual financial statements and consolidated financial statements, the Issuer's General Meeting shall decide by special vote on the discharge of the liability of the Issuer's Board members.

TERMS AND CONDITIONS OF THE OFFERING

The Offering

On the basis of this Prospectus, the Selling Shareholder is offering up to 97,837,526 existing ordinary shares in the share capital of the Issuer with a nominal value of EUR 0.00012 each (the "**Sale Shares**"). The Sale Shares will constitute up to 39.1% of the shares issued and existing as at the date hereof in the share capital of the Issuer and up to 39.1% of the total voting rights at the General Meeting (not including the Reinvestment Shares and the Original VDP 4 Shares that will be issued on or about the Listing Date, see "*Dilution*"). The Selling Shareholder may also, to the extent it and the Global Coordinators determine that there is sufficient quality demand for the Sale Shares, increase the number of the Sale Shares sold by the Selling Shareholder pursuant to the Offering by up to 12,696,404 Sale Shares. Under no circumstances, however, will the Offering consist of more than 121,572,621 Offer Shares, including all Sale Shares and any Over-Allotment Shares. In addition, the Selling Shareholder is granting an option to the Global Coordinators, exercisable by the Stabilizing Manager, to purchase up to 11,052,056 Over-Allotment Shares (the Sale Shares and the Over-Allotment Shares shall be referred to as the "**Offer Shares**") pursuant to the Over-Allotment Option (see "*Underwriting, Stabilization and Lock-up*"). In the event the Over-Allotment Option is exercised in full and the number of Sale Shares were increased to the fullest extent indicated herein, after the Offering the shareholding in the share capital of the Issuer allocated to new shareholders will not exceed 48.6% of the shares issued and existing as at the date hereof and up to 48.6% of the total voting rights (the above calculations do not take into account the Reinvestment Shares and the Original VDP 4 Shares that will be issued on or about the Listing Date, see "*Dilution*"). In total, up to 121,572,621 Offer Shares are being offered in the Offering.

The Offering consists of: (i) the public offering in the territory of Poland (the "**Polish Public Offering**"), including: (a) the Retail Offering, (b) the Authorized Employees Offering, and (c) the Polish Institutional Offering; and (ii) the offering in the United States of America to certain qualified institutional buyers (the "**QIBs**") as defined in and in reliance on Rule 144A under the U.S. Securities Act; and (iii) an offering to certain other institutional investors outside of the United States of America and Poland (such investors together with the QIBs, the "**International Institutional Investors**" and, together with the Polish Institutional Investors, the "**Institutional Investors**") in accordance with Regulation S under the U.S. Securities Act (the "**International Offering**"). There will be no public offering outside of the Republic of Poland, in particular, there will be no public offering in Luxembourg.

The following investors are authorized to take part in the Offering:

- the Retail Investors;
- the Authorized Employees; and
- the Institutional Investors;

(as defined in "*Abbreviations and Definitions*" section).

Please note that the subscription for and the issue of the Reinvestment Shares to the members of the Management Board of Play and the Original VDP 4 Shares to certain managers and key employees under the new performance incentive schemes (see "*Management—New Performance Incentive Schemes*") on or about the Listing Date does not constitute a part of the Offering and will be carried out by way of a private placement outside the scope of this Prospectus. After the Listing Date, the Issuer intends to seek the admission and introduction of the Reinvestment Shares and the Original VDP 4 Shares to trading on the regulated market of the WSE, however, not on the basis of this Prospectus, but pursuant to the applicable exemption from the

preparation of a prospectus and its publication with respect to such admission. The members of the Management Board may participate in the Offering on the terms provided in the Prospectus, including among the Authorized Employees and the Retail Investors.

The Offer Shares may be acquired by the Retail Investors, the Authorized Employees and the Institutional Investors, and there is no fixed split of the Offer Shares that will be allocated to each category of investors. The Selling Shareholder intends to allocate around 5% of the final number of the Offer Shares in aggregate to the Retail Investors and the Authorized Employees. The Authorized Employees will be given the Guaranteed Allocation; therefore, the total number of the Offer Shares to be allocated to the Authorized Employees will depend on the number of the Authorized Employees that have placed purchase orders in the Authorized Employees Offering and the number of the Offer Shares covered by the purchase orders placed by the Authorized Employees (in each case, subject to the maximum Guaranteed Allocation). The remainder of the Offer Shares will be allocated to the Institutional Investors. However, except for the Guaranteed Allocation to the Authorized Employees, the above proportions may be altered by the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents.

The Offering does not provide for any preferential treatment of any specific types of investors or any specific related groups (including programs for families and friends) while allotting the Offer Shares, except for: (i) the allotment of the Offer Shares to the Authorized Employees; and (ii) the allotment of the Offer Shares to the Retail Investors that placed their purchase orders for the Offer Shares within the First Subscription Period; in both cases on the principles set out in this Prospectus. Non-residents of Poland who intend to subscribe for the Offer Shares should review the relevant laws of the country of their origin as well as the information regarding the restrictions applicable to the Offering provided in the Prospectus in the "*Selling Restrictions*" and "*Transfer Restrictions*" sections.

Potential investors should note that the Prospectus (together with: (i) its summary in Polish, (ii) supplements to this Prospectus, if any, following their approval by the CSSF and subsequent notification by the CSSF to the PFSA in this respect, (iii) update reports to the Prospectus, if any, and (iv) the information on the Offer Price, the Offer Price for the Authorized Employees, the final number of the Offer Shares to be offered in the Offering and to be offered to various categories of investors) is the sole legally binding document that has been prepared by the Issuer for the purposes of the Offering and which contains information on the Group, the Offering, the Offer Shares and the Admission.

This Prospectus has been filed with, and was approved on June 30, 2017, by the CSSF, which is the competent authority for the purpose of the relevant implementing measures of the Prospectus Directive in Luxembourg. Pursuant to Article 2(h) of the Luxembourg Prospectus Law relating to prospectuses for securities, Luxembourg is the home member state of the Issuer, and the CSSF is solely authorized to approve this Prospectus. The Issuer will be authorized to carry out the Polish Public Offering once the PFSA is properly notified about the approval of the Prospectus by the CSSF in accordance with Article 37 point 1 of the Polish Public Offering Act and Article 19 (1) of the Luxembourg Prospectus Law, and the Prospectus (together with its summary in Polish) has been published in Poland on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl). In addition, in accordance with the requirements of the applicable regulations in Luxembourg and in Poland, a paper copy of the Prospectus will be delivered to the investors upon their request free of charge.

The Offer Shares are being offered to: (i) the Retail Investors and the Institutional Investors – at the Offer Price and (ii) the Authorized Employees – at the Offer Price for the Authorized Employees (i.e. the Offer Price less 15%).The Offer Prices mentioned above will be determined by the Selling Shareholder in

agreement with the Global Coordinators and after consultation with the Co-Offering Agents through a book-building process for the Institutional Investors and expressed in PLN. See "*—Maximum Price and the Maximum Price for the Authorized Employees; Determination of the Offer Price and the Offer Price for the Authorized Employees"* below.

The final number of the Offer Shares to be offered to the investors in the Offering (including the final number of the Sale Shares and the final number of the Over-Allotment Shares, if any) will be set by the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents after the end of the book-building process for the Institutional Investors and once the Offer Price and the Offer Price for the Authorized Employees are set. In any case, the final number of the Offer Shares to be offered in the Offering will not be higher than 121,572,621, but it may be lower.

The Joint Bookrunners may submit aggregate purchase orders on behalf of International Institutional Investors who upon the completion of the book-building process have been initially allocated the Offer Shares, and the Joint Bookrunners will settle with such International Institutional Investors separately. The provisions of this section that refer to Institutional Investors should be read accordingly in the context of such International Institutional Investors.

The information about the Offer Price and the Offer Price for the Authorized Employees and the final number of the Offer Shares to be offered in the Offering and to be offered to various categories of investors mentioned above will be published on the Pricing Date in the same manner as the Prospectus (i.e., in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)) after the end of the book-building process for the Institutional Investors.

There is no minimum amount of the Offer Shares that needs to be subscribed for in order for the Offering to proceed. However, the Selling Shareholder may decide not to proceed with the Offering and with the Admission. For more details, please see "*—Cancelation, Suspension and Modification of the Offering.*"

On June 15, 2017, the Board approved, among others: (i) the Offering; (ii) the entry by the Issuer, the Selling Shareholder and the Joint Bookrunners into an underwriting agreement in respect of the Offering; (iii) the registration of the Shares and the Reinvestment Shares with the securities depository operated by the NDS; and (iv) the listing of all of the Shares and the Reinvestment Shares, on the regulated market of the WSE.

Expected Timetable of the Offering

The timetable below lists expected key dates relating to the Offering. All times and dates referred to in this timetable are based on local Warsaw time and may be adjusted by the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents. Should the dates set out in the timetable be adjusted materially, the Issuer will notify the CSSF and the PFSA and publish information regarding such fact in a manner compliant with applicable regulations, as well as with the relevant market practices in Luxembourg and in the Republic of Poland.

June 30, 2017...............	Approval of the Prospectus by the CSSF
June 30, 2017...............	Passporting of the Prospectus to the PFSA

July 3, 2017..................	Publication of the Prospectus Opening of the Offering – commencement of the book-building process among the Institutional Investors
July 4-7, 2017	First subscription period for the Retail Investors (the "**First Subscription Period**") – acceptance of purchase orders from the Retail Investors (on July 7, 2017, until 23:59 Warsaw time) that will be given the Preferential Allocation
July 8- 12, 2017	Second subscription period for the Retail Investors (the "**Second Subscription Period**") – acceptance of purchase orders from the Retail Investors (on July 12, 2017, until 23:59 Warsaw time) that will not be subject to the Preferential Allocation
July 4-12, 2017	Acceptance of purchase orders from the Authorized Employees (on July 12, 2017 within the working hours of the selected client service points that will accept purchase orders for the Offer Shares from the Authorized Employees)
July 13, 2017................	End of the book-building process among the Institutional Investors Determination of the Offer Price, the Offer Price for the Authorized Employees, the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors ("**Pricing Date**") Publication of the Offer Price, the Offer Price for the Authorized Employees, the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to the various categories of investors in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl) Execution of the Underwriting Agreement determining, among others, the Offer Price and the Offer Price for the Authorized Employees and the final number of the Offer Shares to be offered in the Offering and to various categories of investors
July 14-18, 2017	Acceptance of the purchase orders from the Institutional Investors
Not later than July 18, 2017	Payment for the Offer Shares subscribed for by the Institutional Investors
July 19, 2017................	WSE session – Submission of purchase orders for the sale of the Offer Shares to the Retail Investors through the WSE system

until July 20, 2017	Submission of purchase orders, if any, by the substitute Institutional Investors who respond to additional invitations of the Joint Bookrunners to purchase the Offer Shares, or by the Joint Bookrunners or their subsidiaries in performance of their obligations under the Underwriting Agreement
until July 20, 2017	Allotment of the Offer Shares (the "**Allotment Date**")
on or about July 21, 2017	Registration of the Offer Shares in the securities accounts of Retail Investors and Authorized Employees
July 26, 2017...............	Expected date of the registration of the Offer Shares in the securities accounts of the Institutional Investors (on the condition that the data provided by the investors for the registration of the Offer Shares in their securities accounts is complete and correct) – closing of the Offering
July 27, 2017...............	Expected first day of trading of the Shares on the WSE ("**Listing Date**")

Purchase by the Selling Shareholder and the members of the Board

To the best of the Issuer's knowledge and subject to the provisions of the Underwriting Agreement, the Selling Shareholder does not intend to purchase any Offer Shares. None of the members of the Board intends to purchase the Offer Shares.

Cancelation, Suspension and Modification of the Offering

The Selling Shareholder, in agreement with the Global Coordinators and after consultation with the Co-Offering Agents, may cancel the Offering and/or modify its terms and dates at any time, but no later than until 9:00 a.m. CET on July 26, 2017 (or another date and time, if amended and as indicated in any supplement or update report to this Prospectus), at which moment the distribution of the information on clearing or transfer (*zlecenia rozrachunku*) instructions will commence in order to record the Offer Shares in the securities accounts of the Institutional Investors. Information on the cancelation or modification of the terms of the Offering will be made publicly available through a publication on the Issuer's website as well as, to the extent required, by way of a supplement to the Prospectus.

If information on the cancelation, suspension or modification of the Offering is published before the commencement of the subscription period for the Retail Investors and the Authorized Employees, no reason must be published for such cancelation, suspension or modification. After the commencement of the subscription period for the Retail Investors and the Authorized Employees, the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents, may also cancel, suspend or modify the Offering at any time if proceeding with the Offering is considered impracticable or inadvisable. Reasons that would make the Offering impracticable or inadvisable include, but are not limited to: (i) the occurrence of a sudden or unforeseeable change in the economic or political situation in Poland or abroad which may have a material adverse effect on the financial markets, Poland's economy, the Offering or the Group's operations; (ii) the occurrence of a sudden or unforeseeable change or event other than those stated under item (i) above which could have a material adverse impact on the Group's operations or which could result in the Group incurring material damage or any material disruption to its operations; (iii) the occurrence of a material adverse change in the Group's business, financial condition or operating results; (iv) the suspension of, or a material limitation in, trading in securities on the WSE or on any other exchange if

such circumstances could have a material adverse effect on the Offering and/or the Admission; (v) an unsatisfactory demand for the Offer Shares from the Institutional Investors based on the declarations received in the book-building process; (vi) in the opinion of the Global Coordinators and after consultation with the Co-Offering Agents, an insufficient number of the Shares is expected to be traded on the WSE which would not warrant the required liquidity of the Shares; (vii) the occurrence of a sudden and unforeseeable change which could have a direct, material and adverse effect on the Group's operations; or (viii) the termination of the Underwriting Agreement.

In case of the cancelation of the sale of the Offer Shares in the Offering until the submission of orders for the sale of the Offer Shares to Retail Investors through the WSE system, the purchase orders will be deemed void and any payments made will be returned without interest or damages no later than seven days from the date of the announcement of the withdrawal from the sale of the Offer Shares in the Offering.

Should the Offering be canceled after instructions have been issued to sell the Offer Shares to the Retail Investors through the WSE system and before 09:00 a.m. Warsaw time on July 26, 2017 (or another date and time, if amended and as indicated in any supplement or update report to this Prospectus), the entities accepting purchase orders from the Retail Investors shall return the Offer Shares previously acquired by the Retail Investors in accordance with the powers of attorney granted by the Retail Investors in the purchase order forms for the Offer Shares and in accordance with the instructions issued by the Co-Offering Agents. Any payments made by the Retail Investors for the Offer Shares will be returned to them without any interest or damages within seven days following the return of such Offer Shares to the Selling Shareholder's securities account. The payments will be made to the cash accounts maintained for the Retail Investor's securities account through which the purchase order was placed in accordance with the rules prevailing at the given investment firm.

A return of a payment for the Offer Shares without interest or compensation, net of transfer costs, shall also take place to the extent that no Offer Shares are allotted or where there is a reduction of purchase orders placed as set out in the Prospectus or if excess payments are being returned, no later than seven days following each of such events.

These rules for the cancelation of the Offering shall also apply to Authorized Employees and Institutional Investors up to the time until the Selling Shareholder is entitled to cancel the Offering.

A decision to suspend the Offering, without providing any reason for doing so, may be taken at any time before the commencement of the subscription period for the Retail Investors and Authorized Employees by the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents. From the commencement of the subscription period for the Retail Investors and Authorized Employees up to the submission of orders for the sale of the Offer Shares to the Retail Investors through the WSE system, the Selling Shareholder, in agreement with the Global Coordinators and after consultation with the Co-Offering Agents, may decide to suspend the Offering only for reasons that are (in the opinion of the Selling Shareholder) material, which may include, among other things, any event that might adversely affect the success of the Offering or cause increased investment risks for the purchasers of the Offer Shares. A decision to suspend the Offering may be made without specifying a new timetable for the Offering, which may be determined at a later date.

In the event of the suspension of the Offering, information about the suspension of the Offering will be made available to the public through a publication on the Issuer's website as well as, to the extent required, by way of a supplement to the Prospectus. See also "—*Supplements to the Prospectus*" below.

If a decision to suspend the Offering is made in the period between the commencement of the subscription period for the Retail Investors and Authorized Employees and the submission of orders for the sale of the Offer Shares to Retail Investors through the WSE system, any purchase orders received and any payments made will still be considered valid; however, investors will have the right to void the legal validity of their purchase orders by submitting a relevant representation within two business days from the date of the publication of the supplement to the Prospectus relating to the suspension of the Offering. See also "—*Supplements to the Prospectus*" below.

If a decision on the suspension of the Offering is made after the completion of the book-building process but prior to the opening of the period for accepting purchase orders from the Institutional Investors, the Selling Shareholder, in agreement with the Global Coordinators and after consultation with the Co-Offering Agents, may repeat the book-building process, provided that in such event they will determine whether or not the previously submitted declarations and invitations to place orders for the Offer Shares remain valid.

None of the Issuer, the Selling Shareholder, the Global Coordinators, the Joint Bookrunners or the WSE shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect of and/or in connection with such suspension, cancelation or modification.

In the case of the cancelation of the Offering, the Issuer does not intend to seek, based on the Prospectus, the admission of the Shares to trading on the regulated market operated by the WSE, the parallel market operated by the WSE or on any other equivalent market.

Supplements to the Prospectus

In accordance with the relevant regulations in force in Luxembourg and the Republic of Poland applicable to public share offerings and the admission of securities to trading on a regulated market, and taking into account that the public offering of the Offer Shares will take place only in the Republic of Poland, any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares and which arises or is noted between the date of approval of this Prospectus and the date of the final closing to the offer to the public or Admission, whichever occurs later, will be communicated through a supplement to this Prospectus. Such supplement will be subject to approval by the CSSF and subsequently will be notified to the PFSA and published in the same manner as the Prospectus. Until the Allotment Date, investors who have already agreed to purchase or subscribe for the Offer Shares before such a supplement is published shall have the right, exercisable within two business days following the publication of the supplement, to withdraw their submitted purchase orders, provided that the new factor, material mistake or inaccuracy arose or was noted prior to the Allotment Date or the final closing of the offer to the public and the registration of the Shares in the securities account.

In such case and if necessary, the Allotment Date and the Listing Date will be adjusted in order to enable investors to withdraw their submitted purchase orders. If investors withdraw, subscription payments that have been made will be returned without any interest or compensation no later than seven days after the date of such withdrawal from the Offering.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

Maximum Price and the Maximum Price for the Authorized Employees; Determination of the Offer Price and the Offer Price for the Authorized Employees

The Offer Prices will be determined in PLN.

The final offer price per Offer Share for the Retail Investors and the final offer price per Offer Share for the Institutional Investors (the "**Offer Price**") will not be set higher than PLN 44.0 per Offer Share (the "**Maximum Price**"). The Authorized Employees will be offered the Offer Shares at the Offer Price less 15% (as rounded up to the closest Polish grosz) (the "**Offer Price for the Authorized Employees**"). Consequently, the maximum price for the Authorized Employees is PLN 37.4 (the "**Maximum Price for the Authorized Employees**"). For the purpose of the book-building among the Institutional Investors, an indicative price range will be set which will not necessarily be communicated to all investors and might be subject to change. Institutional Investors will purchase the Offer Shares at the Offer Price (the Offer Price and the Offer Price for the Authorized Employees, the "**Offer Prices**").

During the book-building process among the Institutional Investors invited, in any form, by the Joint Bookrunners, such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they are willing to acquire and the price that they are willing to pay (such price cannot be higher than the Maximum Price). The book-building process will be carried out in PLN. The Retail Investors and the Authorized Employees will not participate in the book-building process. The book-building process will be conducted prior to the start of accepting purchase orders from the Institutional Investors, and upon completion of the book-building process and the determination of the Offer Prices, the purchase orders from the Institutional Investors will be accepted on the terms described in the Prospectus.

The results of the book-building will not be made public. In order to obtain more detailed information regarding participation in the book-building process, interested Institutional Investors should directly contact the Joint Bookrunners.

The Offer Prices will be determined by the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents. The Offer Price will in particular be determined based on the following criteria and rules, among others:

- the size and price sensitivity of demand from the Institutional Investors on the basis of the declarations received in the book-building process;
- the current and anticipated situation on the Polish and international capital markets; and
- the secondary market post-Offering for the Shares.

The Offer Price will not be higher than the Maximum Price and the Offer Price for the Authorized Employees will not be higher than the Maximum Price for the Authorized Employees.

The Issuer will announce the Offer Prices in a manner compliant with applicable regulations, as well as market practice in Luxembourg and in the Republic of Poland. More specifically, the Offer Prices will be published in the same manner as this Prospectus (i.e., in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)) and notified to the CSSF.

Final Number of the Offer Shares

No later than on the date of the determination of the Offer Prices, the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, will make

a decision on the final number of the Offer Shares to be offered in the Offering, including the final number of the Sale Shares and the final number of the Over-Allotment Shares. Additionally, the Selling Shareholder, after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, will determine the final number of the Offer Shares to be offered to each specific investor category.

The Offer Shares may be acquired by the Retail Investors, the Authorized Employees and the Institutional Investors and there is no fixed split of the Offer Shares that will be allocated to each category of investors. The Selling Shareholder intends to allocate around 5% of the final number of the Offer Shares in aggregate to the Retail Investors and the Authorized Employees. The Authorized Employees will be given the Guaranteed Allocation; therefore, the total number of the Offer Shares to be allocated to the Authorized Employees will depend on the number of the Authorized Employees that have placed purchase orders in the Authorized Employees Offering and the number of the Offer Shares covered by purchase orders placed by the Authorized Employees (in each case, subject to the maximum Guaranteed Allocation). The remainder of the Offer Shares will be allocated to Institutional Investors. However, except for the Guaranteed Allocation to the Authorized Employees, the above proportions may be altered by the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents.

The information on the final number of the Offer Shares offered in the Offering and the alteration mentioned in the preceding paragraph, if any, will be announced together with and in the same manner as the Offer Prices (i.e., in searchable electronic form on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes only, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl)) and notified to the CSSF.

The Selling Shareholder, after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, may decide to decrease the number of the Offer Shares offered in the Offering. The Selling Shareholder may also decide to cancel, modify or suspend the Offering (see "*Cancelation, Suspension and Modification of the Offering*" above).

Placement of Purchase Orders

The Offer Shares may be acquired by the Retail Investors, the Authorized Employees and the Institutional Investors, and there is no fixed split of the Offer Shares that will be allocated to each category of investors, except for the Guaranteed Allocation for the Authorized Employees.

A purchase order for the Offer Shares is unconditional, irrevocable (subject to the withdrawal right if a supplement to the Prospectus is published (see "*—Supplements to the Prospectus*" above)), may not include any reservations and is binding on the person who submitted it until the allotment of the Offer Shares in the Offering, or until the date of cancelation of the Offering.

Each investor will be required in the purchase order form to indicate all of the required information and submit all of the required statements and authorizations, including an authorization for the Co-Offering Agents and the investment firm accepting purchase orders to transfer information constituting a professional secret, including information related to purchase orders made for the Offer Shares, to the extent required for the completion of the Offering, and an authorization for the Co-Offering Agents and the Selling Shareholder to receive such information.

By placing purchase orders, to the extent permitted by the applicable laws, each of the prospective investors will be deemed to have: (i) acknowledged the content of the Prospectus, including the Issuer's Articles of Association and that it has relied only on the information contained in the Prospectus, updates reports and supplements to it, if any, its summary in Polish and the information on the Offer Prices and the final number of the Offer Shares to be offered in the Offering and to be offered to various categories of investors; (ii)

acknowledged that it has not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with any investigation or the accuracy of any information contained in this Prospectus or its investment decision; (iii) acknowledged that no third party has been authorized to give any information or to make any representation concerning the Issuer or its Subsidiaries or the Offer Shares (other than as contained in this Prospectus, as amended and supplemented with the information referred to above) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Selling Shareholder or the Joint Bookrunners; (iv) accepted the terms of the Offering; (v) consented to being allotted a lower number of the Offer Shares than the number specified in such investor's purchase order, or to not being allotted any Offer Shares at all, except the Guaranteed Allocation for the Authorized Employees, pursuant to the terms and conditions set forth in the Prospectus; and (vi) agreed to the processing of their personal data to the extent necessary to conduct the Offering and to ensure compliance with the relevant laws and regulations (exclusively with respect to natural persons).

Furthermore, each Retail Investor and Authorized Employee will be required in the purchase order form to: (i) grant a power of attorney to the entity accepting the subscriptions for the Offer Shares to promptly execute, as ordered by the Co-Offering Agents, a transfer-back of the Offer Shares recorded in the securities account kept for the Retail Investor or Authorized Employee should the Selling Shareholder decide to cancel the Offering after the placement of a sell order for the Offer Shares to the Retail Investors through the WSE system and the date of recording the Offer Shares in the Institutional Investors' accounts; and (ii) place an order for blocking the Offer Shares from the moment of recording the same on the Retail Investor's or Authorized Employee's account until 09:00 a.m. Warsaw time on July 26, 2017 (or another date and time, if amended and as indicated in any supplement or update report to this Prospectus).

Each Authorized Employee will be required in the purchase order form to make a lock-up commitment towards the Issuer and establish a blockade on the Offer Shares as further described in the subsection "—*Authorized Employees*" below.

If a purchase order form (where applicable) is missing any of the above or other necessary information, the power of attorney is not granted or the order is not made to block the Offer Shares, or if any other information is missing or incorrectly stated on the form, or if any untrue or incorrect information is provided therein, the purchase order of the investor may be declared invalid. All of the consequences, including the invalidity of purchase orders, resulting from incorrectly filling out purchase order forms for the Offer Shares, including the instructions to deposit the Offer Shares, will be borne by the investors.

Investors will not bear any additional costs or taxes in connection with the submission of purchase orders for the Offer Shares, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account). For information relating to taxation, please see "*Taxation.*"

Retail Investors

The allotment of the Offer Shares to the Retail Investors will be completed through the WSE system, therefore Retail Investors interested in subscribing for Offer Shares must have securities accounts opened with the investment firm in which he or she will subscribe for, and which is a part of the Retail Syndicate. Retail Investors wishing to subscribe for Offer Shares, who do not have securities accounts should open such accounts before making a subscription.

The Retail Investors will place their purchase orders in Poland at the Maximum Price, indicating the number of Offer Shares they are willing to buy.

Purchase orders from the Retail Investors will be accepted at the client service points of the Co-Offering Agents and other investment firms and authorized banks in Poland accepting purchase orders (if any) (jointly with the Co-Offering Agents, the "**Retail Syndicate**") in accordance with their internal procedures and the terms of the agreements relating to the maintenance of the customers' securities accounts by the Co-Offering Agents or such other investment firms/banks prior to the end of the subscription period. The detailed list of the Retail Syndicate and the list of client service points where the purchase orders will be accepted will be made public before the commencement of the First Subscription Period for the Retail Investors on the website of the Issuer (www.playcommunications.com) in the same manner as the Prospectus and, additionally, for information purposes, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl).

The Retail Investors that place their purchase orders within the First Subscription Period, with respect to the Offer Shares covered by purchase orders placed within the First Subscription Period, will be given preferential allocation on the terms and in accordance with the formula described in "*—Allotment of the Offer Shares*" below.

The Retail Investors may place multiple purchase orders for the Offer Shares, provided that the maximum number of the Offer Shares subscribed for by one Retail Investor in one purchase order is not higher than 6,000,000 Offer Shares. A purchase order covering a higher number of the Offer Shares than 6,000,000 Offer Shares will be regarded as a purchase order for 6,000,000 Offer Shares. Orders not fully paid for or with improperly completed purchase order forms will be deemed invalid. All of the consequences of submitting an incorrect or incomplete purchase order will be borne by the Retail Investor submitting such purchase order.

Any purchase orders for the Offer Shares by a Retail Investor with a price other than the Maximum Price will be deemed invalid.

Purchase orders from the Retail Investors will be accepted only from prospective investors who at the time of placing their orders (before the end of the subscription period for the Retail Investors) will have opened securities accounts or omnibus accounts with entities of their choice licensed to provide such services within the territory of Poland and that are members of the Retail Syndicate.

Subscriptions via the internet and by telephone will be accepted from the Retail Investors who have a brokerage account agreement (or similar type agreement) with a member of the Retail Syndicate and provided such agreement provides for the placement of subscriptions via the internet or by telephone. Such subscriptions will be accepted in accordance with such agreement, the internal regulations of the given member of the Retail Syndicate and the technical requirements of using the internet application made available for placing subscriptions.

On the basis of the accepted purchase orders, the members of the Retail Syndicate being stock exchange members will place, on behalf of the Retail Investors, a subscription for the Offer Shares through the WSE system. The investment firms accepting the subscriptions are accountable for properly conveying the orders to the WSE system. The subscription form will include a power of attorney for the investment firm to place a subscription for the Offer Shares on behalf of the given Retail Investor.

For information on the detailed rules governing the placement of purchase orders by the Retail Investors, in particular (i) the documents required if a purchase order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing purchase orders and deposit requests in a form other than written form (*e.g.* via the internet), the Retail Investors should contact a member of the Retail Syndicate accepting purchase orders for the Offer Shares from the Retail Investors.

Authorized Employees

The Authorized Employees will place their subscriptions in Poland at the Maximum Price for the Authorized Employees and indicate the number of Offer Shares they are willing to buy, provided, however such number is not higher than 668 Offer Shares. A purchase order covering a higher number of the Offer Shares than 668 will be regarded as a purchase order for 668 Offer Shares.

Purchase orders for the Offer Shares submitted by the Authorized Employees will be accepted at the selected client service points of Dom Maklerski PKO Banku Polskiego ("**DM PKO BP**"). The list of such points will be published on the Issuer's website (www.playcommunications.com) and, additionally, for information purposes, on the websites of the Co-Offering Agents (www.dm.pkobp.pl and www.dmbzwbk.pl) prior to the commencement of the subscription period for the Authorized Employees.

The submission of a purchase order as an Authorized Employee does not exclude the option of placing a purchase order for the Offer Shares as a Retail Investor.

Purchase orders from the Authorized Employees will be accepted only from prospective investors who at the time of placing their orders (before the end of the subscription period for the Authorized Employees) will have opened securities accounts with DM PKO BP.

Purchase orders for the Offer Shares submitted by the Authorized Employees need to be submitted on a subscription form made available by DM PKO BP. Subscriptions may also be submitted by telephone on the terms and conditions observed at DM PKO BP. Investors are reminded that in order to submit purchase orders, they must have a security account with DM PKO BP.

The Authorized Employees may place only one purchase order for the Offer Shares. Purchase orders not fully paid for or with improperly completed subscription forms will be deemed invalid. If the Authorized Employee places more than one purchase order, only one purchase order - the one covering the highest number of Offer Shares – will be valid. If the Authorized Employee places more than one purchase order and each of such purchase orders covers the same number of Offer Shares, only one purchase order - the one submitted first, will be valid. The other purchase orders placed by the Authorized Employee will be regarded as invalid. All of the consequences of submitting an incorrect or incomplete purchase order will be borne by the Authorized Employee submitting such purchase order.

Any purchase orders for the Offer Shares by an Authorized Employee with a price other than the Maximum Price for the Authorized Employees will be deemed invalid.

For more detailed information, including information on the detailed rules governing the placing of purchase orders by the Authorized Employees, in particular: (i) the documents required if a purchase order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing purchase orders in a form other than written form (*e.g.* by telephone), the Authorized Employees should contact DM PKO BP.

In order for a purchase order placed by an Authorized Employee to be valid, the Authorized Employee is required to simultaneously undertake to the Issuer to maintain in its securities account, for a continuous period starting on the date on the registration of the Offer Shares on its securities account and ending one year from the Listing Date, a number of the Offer Shares acquired by that Authorized Employee (acting as an Authorized Employee) under the Offering, and to simultaneously place an irrevocable instruction for DM PKO BP (which maintains the securities account in respect of which the subscription is made) to block a number of the Offer Shares recorded in that securities account that corresponds to the number of the Offer

Shares acquired by the Authorized Employee as an Authorized Employee under the Offering during the above-mentioned period.

Institutional Investors

Once the book-building process has been completed, the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, will select the Institutional Investors to whom invitations to submit a purchase order for the Offer Shares will be sent by DM PKO BP on behalf of the Joint Bookrunners and who will be entitled to purchase the number of Offer Shares specified in such invitation and to make payments for the Offer Shares at the Offer Price to the account indicated in such invitation.

Purchase orders placed by Institutional Investors who were invited to subscribe for the Offer Shares will be accepted by DM PKO BP on the terms as stated in the invitation to place purchase orders. For information on the detailed rules governing the placing of purchase orders, in particular the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, the Institutional Investors should contact the DM PKO BP.

Each Institutional Investor may submit one or several purchase orders for such number of Offer Shares as is indicated in the invitation addressed to such Institutional Investor to place a purchase order. Purchase orders which jointly cover a number of the Offer Shares greater than that stated in the invitation will be treated as purchase orders for the maximum number of the Offer Shares which may be covered by a purchase order placed by the given Institutional Investor. Institutions which manage assets on behalf of third parties may submit a single collective purchase order in favor of specific customers, attaching to the order the list of such customers containing such data as required in the purchase order form. Purchase orders will be accepted on a subscription form in Polish or in English (for persons who are not Polish residents) provided by DM PKO BP. At the time of placing a purchase order, Institutional Investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

International Institutional Investors should contact the relevant Joint Bookrunner for details of placing the purchase order and settlement process of the Offer Shares to them.

Payment for the Offer Shares

Payments for the Offer Shares do not bear interest.

Retail Investors and Authorized Employees

The Retail Investors and the Authorized Employees placing purchase orders for the Offer Shares are required to pay for such Offer Shares at the latest upon the placement of such order. Payments should be made in an amount corresponding to the product of the number of the Offer Shares for which such Retail Investor or Authorized Employee places his purchase order(s) and the Maximum Price or the Maximum Price for the Authorized Employees, respectively. Payment for the Offer Shares must be made in PLN in accordance with the rules of the given member of the Retail Syndicate – for the Retail Investors, or DM PKO BP for the Authorized Employees, respectively, accepting the purchase order for the Offer Shares.

The payment for the Offer Shares subject to the purchase order will be blocked upon the submission of the purchase order. Any previously unsettled receivables may not be credited as payment for the Offer Shares. A purchase order placed by a Retail Investor or an Authorized Employee which is not fully paid or not paid in time will be considered invalid. The subscriptions for the Offer Shares may be paid for by using the funds in

the investor's investment account only by using the non-restricted cash funds of that investor deposited in its securities account. If the funds in the account are insufficient, the purchase order will not be accepted.

Institutional Investors

The Institutional Investors are required to pay for their purchase orders by no later than the end of the last day on which purchase orders from Institutional Investors are accepted, in PLN, for the number of the Offer Shares stated in the invitation and in compliance with the instructions stated in the invitation to submit a purchase order. Payments should be made by wire transfer in Polish zlotys to the account stated in the invitation to submit a purchase order. The date of payment shall be the date on which the relevant cash sum is credited to such account.

If an order is not paid in full by the Institutional Investor, such order may at the discretion of the Global Coordinators, subject to the consent of the Selling Shareholder, be deemed validly placed for such number of the Offer Shares as corresponds to the amount actually paid for by the Institutional Investor, calculated as the product of the number of Offer Shares and the Offer Price, or for a lower number of the Offer Shares, or not validly placed at all.

International Institutional Investors should contact the relevant Joint Bookrunner for details of payment for the Offer Shares and settlement process of the Offer Shares to them.

Allotment of the Offer Shares

The Offer Shares will be allotted after completing the acceptance of the purchase orders submitted by the Institutional Investors. Any decisions regarding: (i) the number of the Offer Shares to be allotted to specific investor categories, except the Guaranteed Allotment to the Authorized Employees and the Preferential Allocation to the Retail Investors; and (ii) the allotment of the Offer Shares to specific Institutional Investors will be discretionary and will be taken by the Selling Shareholder, after a recommendation from the Global Coordinators, upon the completion of the book-building process.

After the final number of the Offer Shares to be offered to specific investor categories has been made public, the Selling Shareholder reserves the right to transfer the Offer Shares between investor categories, after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents, provided that only: (i) those Offer Shares which are not covered by purchase orders duly made and paid for; or (ii) those Offer Shares which have not been acquired by investors as a result of investors avoiding the legal consequences of their purchase orders, in accordance with the applicable provisions of the Prospectus, may be transferred. Such transfers will not affect the final number of Offer Shares offered in the Offering.

Retail Investors

The allotment of the Offer Shares to the Retail Investors will be completed through the WSE system on the basis of a separate agreement entered into between DM PKO BP, the Selling Shareholder and the WSE in accordance with duly filed and paid for purchase orders.

If the number of the Offer Shares covered by purchase orders placed by the Retail Investors (and which remain valid until the WSE settlement session for Retail Investors) is greater than the number of the Offer Shares that are finally offered in the Retail Offering, the Offer Shares will be allocated to the Retail Investors in such a manner that the average share allotment ratio for purchase orders placed in the First Subscription Period will in principle be twice as high as the average share allotment ratio for purchase orders submitted in the Second Subscription Period (the "**Preferential Allocation**").

The allotment ratio will be expressed as a percentage, of up to two decimal points, and for purchase orders placed by the Retail Investors in the Second Subscription Period it will be the quotient of the number of the Offer Shares finally offered to the Retail Investors, subject to the transfer of the Offer Shares to the Institutional Investors, if any, on the terms described in the Prospectus and the sum of: (i) twice the number of the Offer Shares for which purchase orders have been placed by the Retail Investors in the First Subscription Period and (ii) the number of the Offer Shares for which purchase orders have been placed by the Retail Investors in the Second Subscription Period.

The allotment ratio for purchase orders placed in the First Subscription Period will be twice as high as the allotment ratio for purchase orders placed in the Second Subscription Period, provided that if after the determination of the allotment ratio for purchase orders placed in the First Subscription Period it is established that such rate is greater or equal to 100%, the Retail Investors that placed purchase orders in that period will be allocated the Offer Shares in the number indicated in their purchase order(s) placed in the First Subscription Period, while the not-yet-allotted Offer Shares for the Retail Investors calculated as the difference between the number of the Offer Shares finally offered to the Retail Investors and the number of the Offer Shares already allotted to the Retail Investors that placed purchase orders in the First Subscription Period will be allotted to the Retail Investors that placed purchase orders in the Second Subscription Period based on the *pro rata* reduction as described below. In the case of an oversubscription, the Offer Shares to be allotted to the Retail Investors that placed their purchase orders in the Second Subscription Period will be allotted *pro rata* to the size of each order placed in that period.

Fractional allocations (after the Preferential Allocation or proportional reduction, if any, respectively) will be rounded down to the nearest full share number, and the remaining Offer Shares will be allocated to the Retail Investors who subscribed for the largest number of the Offer Shares in the First Subscription Period or the Second Subscription Period, respectively.

If, however, after the determination of the allotment ratio for purchase orders placed in the First Subscription Period it is lower than 100%, the number of the Offer Shares allotted with respect to purchase orders placed in the First Subscription Period will be determined as the product of the allotment ratio for purchase orders placed in that period and the number of the Offer Shares for which purchase orders were submitted in that period. The not-yet-allotted Offer Shares, calculated as the difference between the number of the Offer Shares finally offered to the Retail Investors and the number of the Offer Shares already allotted to the Retail Investors that placed purchase orders in the First Subscription Period, will be allotted to the Retail Investors that placed purchase orders in the Second Subscription Period based on a *pro rata* reduction.

Except for the Preferential Allocation, the Selling Shareholder will not give preferential treatment or discriminate between the Retail Investors in respect of the allotment of the Offer Shares.

The Retail Investors will be reimbursed for excess payments if the Offer Price is less than the Maximum Price. In addition, the Retail Investors who have not been allotted any Offer Shares, or whose purchase orders for the Offer Shares were subject to reduction, or whose purchase orders for the Offer Shares were invalid or whose purchase orders covered more than 6,000,000 Offer Shares and were regarded as purchase orders for 6,000,000 Offer Shares or who have validly withdrawn their purchase orders on the terms provided in this Prospectus, will be reimbursed for their payments. Reimbursements will be made to the cash account maintained for the securities account used to place the purchase order in compliance with the procedures observed at the relevant member of the Retail Syndicate within seven days from the Allotment Date, the date of the announcement of the cancelation of the Offering or the exercise by a Retail Investor of its withdrawal right with respect to its subscription in connection with the publication of a supplement to the Prospectus (see "—*Supplements to the Prospectus*" above), respectively. All excess payments will be reimbursed without any

damages, interest or costs, if any, incurred by the Retail Investors in relation to placing purchase orders for the Offer Shares.

Retail Investors participating in the Offering will be notified about the Offer Shares allocated thereto by the relevant member of the Retail Syndicate keeping their securities account on which the Offer Shares have been registered in compliance with the applicable regulations and agreement(s) executed with a given Retail Investor.

Authorized Employees

The Selling Shareholder will not give preferential treatment or discriminate between the Authorized Employees in the allotment of the Offer Shares. Each individual Authorized Employee that has validly placed a purchase order and paid for the Offer Shares will be given the guaranteed allotment (the "**Guaranteed Allocation**") with respect to his/her purchase order covering the Offer Shares subject to his/her subscription; however, such Guaranteed Allotment will not exceed 668 Offer Shares per each Authorized Employee. No Authorized Employee that places a purchase order as an Authorized Employee will be allotted more Offer Shares than the Guaranteed Allocation.

The Authorized Employees will be reimbursed for excess payments if the Offer Price for the Authorized Employees is less than the Maximum Price for the Authorized Employees. In addition, the Authorized Employees whose purchase orders for the Offer Shares were invalid or who have validly withdrawn their purchase orders on the terms provided in this Prospectus will be reimbursed for their payments. Reimbursements will be made to the cash account maintained for the securities account used to place the purchase order in compliance with the procedures observed at DM PKO BP within seven days from the Allotment Date, the date of the announcement of the cancelation of the Offering or the exercise by an Authorized Employee of its withdrawal right with respect to its subscription in connection with the publication of a supplement to the Prospectus (see "*—Supplements to the Prospectus*" above), respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, incurred by the Authorized Employees in relation to placing purchase orders for the Offer Shares.

Authorized Employees participating in the Offering will be notified about the Offer Shares allocated thereto by DM PKO BP in compliance with the applicable regulations and agreement(s) executed with a given Authorized Employee.

Institutional Investors

Upon the completion of the book-building process, invitations for submitting purchase orders for the Offer Shares will be sent by DM PKO BP on behalf of the Joint Bookrunners to the Institutional Investors. The Institutional Investors to whom the invitations will be sent will be allotted the Offer Shares in the number as stated in the invitations, provided that the purchase order is duly filed and the relevant number of the Offer Shares have been paid for. If an Institutional Investor has only made a partial payment for the Offer Shares or has placed a purchase order(s) for a number of the Offer Shares lower than that specified in the invitation, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has paid for, a lower number of the Offer Shares than for which it has paid or no Offer Shares at all, which will be determined by the Global Coordinators, at their discretion, subject to the consent of the Selling Shareholder. If an investor places one or several purchase orders for a greater number of the Offer Shares than that resulting from the received invitation, such investor may be allotted the number of the Offer Shares resulting from the invitation received thereby.

The Institutional Investors who have not been allotted any Offer Shares or whose purchase orders for Offer Shares were avoided or otherwise not granted will be reimbursed within up to seven days from the Allotment Date or the date of the announcement of the cancelation of the Offering or the exercise of the withdrawal right with respect to its subscription in connection with the publication of a supplement to the Prospectus (see "—*Supplements to the Prospectus*" above), respectively, without any interest or damages, to the account stated in the given Institutional Investor's purchase order.

Any Offer Shares with respect to which the Retail Investors have exercised the right to withdraw from their purchase orders in accordance with the applicable provisions of the law may be allotted to the Institutional Investors, both to those who participated in the book-building process and those who did not (the "**Substitute Investors**"), provided that the Substitute Investors have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section.

The Offer Shares with respect to which the Authorized Employees have exercised the right to withdraw from their purchase orders in compliance with the applicable provisions of the law may be offered and allotted to the Substitute Investors, provided that they have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section.

The Offer Shares with respect to which the Institutional Investors have avoided the legal consequences of their purchase orders in compliance with the applicable provisions of the law, failed to submit their purchase orders in response to the invitation or failed to make timely payments in respect of the orders placed may be offered and allotted to the Substitute Investors, provided that they have duly submitted and paid for the purchase orders submitted in response to the invitation to submit such purchase orders for the Offer Shares on the terms and conditions specified in this section, or may be allotted to the Joint Bookrunners in performance of the Underwriting Agreement on the terms provided in "*Underwriting, Stabilization and Lock-up.*"

Institutional Investors participating in the Offering will be notified about the Offer Shares allocated to them by the Joint Bookrunners.

Registration and settlement

In accordance with applicable Polish regulations, all of the Shares, including the Offer Shares will be electronically registered with and cleared through Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities or the "**NDS**"), with its seat at ul. Książęca 4, 00-498 Warsaw, the Republic of Poland, which is the Polish central clearing house and depository for securities. All of the Shares will be in book entry form; therefore, shareholders may only hold them through their respective investment/securities accounts opened with and maintained by investment firms and custodians that are NDS participants. The Issuer intends to submit an application to the NDS for the registration of all of the Shares, including the Offer Shares, in the securities depository maintained by the NDS.

The main ISIN code assigned to the Shares under which the Shares will be ultimately traded on the regulated market operated by the WSE is as follows: LU1642887738**.**

For the purposes of settlement of the Offering through the NDS, the Offer Shares will be assigned certain temporary ISIN codes.

Delivery of the Offer Shares to the investment account of a given investor will be through the facilities of the NDS in accordance with standard NDS procedures applicable to settlement of public offerings of shares.

The Offer Shares will be recorded in those securities accounts of the Retail Investors from which orders were accepted. According to the estimated time schedule, the special stock exchange session will be settled within two working days.

DM PKO BP will issue settlement or transfer instructions in order to transfer the Offer Shares to the securities accounts of the Institutional Investors and the Authorized Employees. The Offer Shares will be recorded in those securities accounts of the Authorized Employees from which orders were accepted. The Offer Shares will be deposited in the securities accounts of the Institutional Investors (on the condition that the data submitted by the Institutional Investors for the purposes of the registration of the Offer Shares in their securities accounts is complete and correct and an investment firm or a custodian bank maintaining the Institutional Investor's securities account delivered to the NDS a relevant settlement or transfer instruction).

After the allotment is made and the relevant resolutions are adopted by the Management Board of the NDS, the Offer Shares will be deposited in the investors' securities accounts. International Institutional Investors should contact the relevant Joint Bookrunner for details of settlement process of the Offer Shares to them.

If the data provided by an investor for the purposes of the transfer of the Offer Shares is incomplete or incorrect, such investor must take into account that the transfer of the Offer Shares to such investor's securities account will occur at a later date once such investor has supplemented or corrected the data.

Neither the Global Coordinators and the Joint Bookrunners, nor the Selling Shareholder or the Issuer are responsible for any failed transfer of the Offer Shares resulting from any incomplete or incorrect data provided by an investor for the purposes of the transfer of the Offer Shares.

If it is impossible to transfer the Offer Shares allotted to an Institutional Investor to the securities account designated by such investor, the Offer Shares will be temporarily deposited in accounts or registers maintained by the Co-Offering Agents.

Public Announcement of the Results of the Offering

The Issuer will announce the results of the Offering within 14 days from the Allotment Date in a manner compliant with the applicable regulations, as well as the market practices in Luxembourg and Poland. The results of the Offering will be published on the website of the Issuer (www.playcommunications.com).

Listing of the Shares

Prior to the Offering, there has been no public market for the Shares and as of the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. However, based on this Prospectus, the Issuer intends to submit an application to the WSE for the admission of all of the Shares issued and existing in its share capital as at the date hereof (including the Offer Shares), i.e., 250,000,000 Shares for listing on the regulated market in the continuous trading system.

The admission to trading and the listing of the Shares on the WSE requires, without limitation: (i) the signing of an agreement between the Issuer and the NDS related to the registration of the Shares in the depository operated by the NDS; and (ii) management board of the WSE resolving to admit and introduce the Shares to trading and list the Shares on the WSE. It is the Issuer's intention that, in the absence of any unforeseen circumstances, trading in the Shares on the WSE will commence within approximately one week from the Allotment Date.

The above-mentioned consent may be granted if the Issuer satisfies all of the legal requirements as specified in the applicable laws and the relevant regulations of the WSE and the NDS, including, specifically, the

requirements regarding minimum free float and the relevant level of capitalization. Any dealings in the Offer Shares prior to the start of trading on the WSE will be at the sole risk of the investors concerned.

No entity has made a commitment of any kind to provide liquidity through bid and offer rates. The Issuer will consider the appointment of a market maker upon the completion of the Offering.

The Issuer will inform the public of the admission and introduction of the Shares to trading on the regulated market of the WSE upon receiving the required resolutions of the WSE in compliance with the applicable regulations as well as market practices in Luxembourg and Poland.

Co-Offering Agents

The Selling Shareholder has appointed Bank Zachodni WBK S.A., with its registered office in Wrocław, and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, with its registered office in Warsaw, to act as the Co-Offering Agents with respect to the Offer Shares for the purposes of the Offering, the registration of the Shares in the securities depository maintained by the NDS and the admission of the Shares to trading on the WSE.

UNDERWRITING, STABILIZATION AND LOCK-UP

Underwriting Agreement

On or about July 13, 2017, the Issuer, the Selling Shareholder and the Joint Bookrunners expect to enter into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Joint Bookrunners will severally agree, subject to certain conditions, to purchase, and the Selling Shareholder will agree to sell to the Joint Bookrunners, the aggregate number of Sale Shares sold in the Offering (excluding Sale Shares sold to Retail Investors or Authorized Employees), taking account of the underwriting commitments of each Underwriter as set forth in Underwriting Agreement, at an Offer Price per share to be set forth in the Underwriting Agreement and announced by the Issuer on or about July 13, 2017. The relative underwriting commitments of the Joint Bookrunners (excluding Sale Shares sold to Retail Investors or Authorized Employees) is set forth in the table below:

Manager	**Percentage of Offer Shares**
J.P. MORGAN SECURITIES PLC	42.4%
MERRILL LYNCH INTERNATIONAL	22.0%
UBS LIMITED	22.0%
BANK ZACHODNI WBK SPÓŁKA AKCYJNA	6.8%
POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA ODDZIAŁ – DOM MAKLERSKI PKO BANKU POLSKIEGO W WARSZAWIE	6.8%
Total	**100.0**

The underwriting commitments pursuant to the Underwriting Agreement do not include any Sale Shares sold to Retail Investors or Authorized Employees. The number of underwritten Sale Shares will depend on the final number of the Offer Shares to be offered pursuant to the Offering to specific investor categories, which will be determined no later than on the date of determination of the Offer Prices. The final number of the Offer Shares to be offered to the Institutional Investors under the Offering, and, therefore, the specific underwriting commitments, will not be known until the final number of the Offer Shares to be offered under the Offering to specific investor categories is determined.

The Joint Bookrunners' several obligations to purchase the Sale Shares referred to in the immediately preceding paragraph are subject to the fulfillment of certain conditions, including among other things, delivery of legal opinions by legal counsel to the Issuer and the Selling Shareholder.

The Selling Shareholder will pay the underwriting commission of the Joint Bookrunners in accordance with the terms of the Underwriting Agreement. The Issuer will also reimburse the Joint Bookrunners for certain of their expenses in connection with the Offering set forth in and in accordance with the terms of the Underwriting Agreement.

The Underwriting Agreement provides that the Offering may be terminated at any time prior to 9:00 a.m. CET on July 26, 2017, (or, another date and time, as indicated in any supplement or update report to this Prospectus, if amended) upon the occurrence of certain customary termination events such as force majeure or a material adverse change in the business of the Issuer.

In the Underwriting Agreement, the Issuer and the Selling Shareholder make certain customary representations and warranties, including with respect to the Issuer's business, the Offer Shares, the contents of this Prospectus and in the case of the Selling Shareholder, in relation to its title to the Offer Shares it is selling in the Offering. The Issuer and the Selling Shareholder also agree in the Underwriting Agreement to indemnify the Joint Bookrunners against certain losses and liabilities arising out of or in connection with the

Offering. The Selling Shareholder also agrees in the Underwriting Agreement to indemnify the Joint Bookrunners against certain losses and liabilities arising out of or in connection with the Offering.

In connection with the Offering, each of the Joint Bookrunners and any of their affiliates acting as investors, may take up a portion of the Offer Shares in the Offering as a principal position and in that capacity may retain, purchase or sell, for their own account such securities and any securities of the Issuer or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering, in each case in accordance with applicable law. Accordingly, references in this Prospectus to the Offer Shares being offered or placed should be read as including any offering or placement of securities to any of the Joint Bookrunners and any affiliate acting in such capacity. In addition, some of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of the Offer Shares. The Joint Bookrunners do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Underwriting Agreement also provides that the Issuer and the Selling Shareholder will be subject to lock-up restrictions with respect to the transfer of the Shares and share issue. For information related to the lock-up arrangements.

Over-Allotment Option

The Selling Shareholder is granting an option to the Global Coordinators exercisable by the Stabilizing Manager for up to 30 days following the Listing Date, to purchase up to 11,052,056 Over-Allotment Shares, provided however that the maximum number will be equal to not more than 10% of the total number of the Sale Shares being offered and sold in the Offering solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilization transactions.

Stabilization

In connection with the Offering, the Stabilizing Manager or its affiliates or agents may engage in transactions on the WSE with the aim of supporting the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 calendar days following of the Listing Date. Such stabilization, if commenced, shall be conducted in accordance with the rules set out in the Regulation 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse and repealing Directive 2003/6/EC ("**MAR**") and the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization of financial instruments (the "**Stabilizing Regulation**").

No assurance can be given that stabilization transactions will actually be effected as there is no obligation on the Stabilizing Manager or its affiliates or agents to undertake stabilization transactions. If such stabilization is commenced, it may be discontinued at any time without prior notice and must be brought to an end 30 days after the Listing Date. The stabilization transactions, if any, may result in a market price of the Shares that is higher than the price that would otherwise prevail.

If the Stabilizing Manager borrows any Shares pursuant to the Underwriting Agreement it will be required to return equivalent securities to the Selling Shareholder following the Over-Allotment Option exercise period described above. Should a short position arise as a result of any over-allocation, the Stabilizing Manager may close such short position by exercising the Over-Allotment Option (in whole or in part) or by open-market purchases, or a combination of both.

The stabilization transactions will be reported to the public in accordance with MAR and the Stabilizing Regulation. In particular, details of any stabilization transactions effected by the Stabilizing Manager will be disclosed to the public by the Issuer no later than the end of the seventh daily market session following the date of execution of such transactions. Within one week from the end of the stabilization period, the following information will be disclosed to the public: (i) whether or not stabilization was undertaken, (ii) the date on which stabilization started, (iii) the date on which stabilization last occurred and (iv) the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

Lock-up Agreements

The Issuer

In the Underwriting Agreement, the Issuer undertakes to the Joint Bookrunners that from the date of the Underwriting Agreement until the lapse of 180 days following the first listing date of the Shares on the WSE, the Issuer will not, without the written consent (not to be unreasonably withheld or delayed) of the Global Coordinators (acting in their sole discretion), (i) issue, pledge, offer, sell, transfer or otherwise dispose of (or publicly announce the issuance, offering, sale or disposal of) or take actions aimed at or which may result in the issuance of, any Shares (or any other securities convertible into, exercisable for or exchangeable for the Shares, including participations granting, directly or indirectly, the right to acquire or subscribe for the Shares or any other securities or financial instruments which are valued by a direct or indirect reference to the price of the above-mentioned securities serving as the base instrument, including swaps for shares, futures and options) or take actions to cause such effects; or (ii) enter into any swap or other transaction (such as the grant of purchase options, rights or warrants on shares) that transfers, in whole or in part, the economic consequences of the ownership of the Shares or options; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities of the Issuer similar to those offered in the Offering; or (iv) acquire or publicly announce the intention to acquire the Shares or to decrease or publicly announce the intention to decrease its share capital, with the exemption of the implementation by the Issuer of incentive schemes for the Group's senior management.

The Selling Shareholder

In the Underwriting Agreement, the Selling Shareholder undertakes to the Joint Bookrunners that from the date of the Underwriting Agreement until the lapse of 180 days following the first listing date of the Shares on the WSE, neither the Selling Shareholder, nor any subsidiary or affiliate of the Selling Shareholder over which the Selling Shareholder exercises management or voting control, nor any person acting on its behalf will, without the written consent (not to be unreasonably withheld or delayed) of the Global Coordinators (acting in their sole discretion), (i) pledge, offer, sell, transfer or otherwise dispose of or publicly announce the issuance, offering, sale or disposal of any Shares (or any other securities convertible into, exercisable or exchangeable for the Shares, including participations granting, directly or indirectly, the right to acquire or subscribe for the Shares or any other securities or financial instruments which are valued by a direct or indirect reference to the price of the above-mentioned securities serving as the base instrument, including swaps for shares, futures and options) or take actions to cause such effects; (ii) enter into any swap or other transaction (such as the grant of purchase options, rights or warrants on shares) that transfers, in whole or in part, the economic consequences of the ownership of the Shares or options; or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities of the Issuer similar to those offered in the Offering, such lock-up restrictions subject to certain customary exceptions as well as exceptions permitting: (a) any disposal of Shares for the purposes of pledging or charging any Share to or for the benefit of a margin loan lender affiliated with one or more of the Global Coordinators in connection with a margin loan given to the Selling

Shareholder; or (b) any disposal for the purposes of transferring any Shares pursuant to any enforcement of the security over Shares granted by the Selling Shareholder to or for the benefit of such margin loan lender; provided that in the case of (a) and (b), the Global Coordinators receive a signed lock-up deed on the same terms as those agreed by the Selling Shareholder for the balance of the lock-up period from each margin loan lender, transferee or purchaser, as the case may be, which lock-up may only be waived with the consent of the Global Coordinators.

Participants in Performance Incentive Plans

Pursuant to the terms under which such Shares are subscribed for or awarded, Shares issued to participants in Issuer performance incentive plans will be subject to the following contractual lock-up clauses:

Shares issued to the existing Management Board of Play ("**Original Shares**"): Prior to the first anniversary of the Listing Date, no Original Shares may be sold. Twenty percent of any Original Shares will be released from the lock-up after the first anniversary of the Listing Date, and a further 40% will be released from the lock-up after each of the second and third anniversaries of the Listing Date, respectively.

Shares issued to the existing Management Board of Play or employees after the Offering: Fifty percent of Award Shares granted to a manager will be subject to a 365 day lock-up pursuant to the terms of the relevant scheme, with the remaining 50% being subject to a 730 day lock-up following the date they are granted.

Commissions payable to the Global Coordinators and the Joint Bookrunners

The Issuer and the Selling Shareholder have agreed to pay certain commissions and expenses in connection with the Offering. The Selling Shareholder agreed to pay to the Joint Bookrunners a total commission (and assuming payment in full of any discretionary fee) of up to 2.51% of the gross proceeds of the Offering, including the gross proceeds of the exercise of the Over-Allotment Option, defined as the Issuer's final share price in the Offering multiplied by the number of the Shares finally sold to investors subject to some customary carve-outs, such as the exclusion of gross proceeds of any shares subscribed for or acquired by (as the case may be) any party introduced to the Issuer by the Selling Shareholder or by a director of the Issuer.

However, Retail Investors and Institutional Investors will bear their own costs connected with their evaluation of, and participation in, the Offering.

Expenses Charged to Institutional Investors by the Joint Bookrunners

Investors may be charged by the Joint Bookrunners to account for crossing and funding costs in relation to the Offering.

Other relationships with the Joint Bookrunners

The Joint Bookrunners and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking or other financial services and other commercial dealings with the Selling Shareholder, any entities with respect to which the Selling Shareholder is a controlling party, and with the Issuer and its affiliates, including the provision of loans and/or other debt instruments to the Issuer and/or its affiliates. The Joint Bookrunners and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services.

The Joint Bookrunners or their related parties may acquire financial instruments issued by the Selling Shareholder, the Issuer, their related parties, or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Joint Bookrunners or their affiliates may also, acting as an investor for its own account, purchase the Offer Shares in the Offering, and then either

hold them or sell them, or otherwise dispose of them. Each of the Joint Bookrunners will deliver information about the purchase of the Offer Shares or performance of the transactions described above exclusively if there is an obligation to disclose such information based on mandatory law or regulation.

The Joint Bookrunners act for the Issuer and the Selling Shareholder on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the success of the Offering.

DILUTION

If the Offering is completed, the Selling Shareholder will suffer (assuming that all Offer Shares were offered and subscribed for by investors, the number of Sale Shares were increased to the fullest extent indicated herein, the Over-Allotment Option was exercised in full and the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued) an immediate dilution of 49.36% of its shareholding in the Issuer and the overall number of votes the Selling Shareholder may exercise at the General Meeting as a result of the Offering, going from 250,000,000 Shares as at the date of this Prospectus to 128,427.379 Shares immediately following the Offering, and a total percentage of votes at the General Meeting of 100% as at the date of this Prospectus to 50.64% immediately following the Offering, a dilution of 125,171,595 Shares or 49.36%. New shareholders (not including the holders of the Reinvestment Shares and the Original VDP 4 Shares) will hold 121,572,621 Shares immediately following the Offering, representing a total of 47.94% of votes at the General Meeting. New shareholders (including the holders of the Reinvestment Shares and the Original VDP 4 Shares assuming that the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued) will hold 125,171,595 Shares immediately following the Offering, representing a total of 49.36% of votes at the General Meeting.

The table below provides information on the Issuer's share capital structure existing as of the date of this Prospectus and the expected capital structure immediately following the Offering (assuming that the maximum number of the Reinvestment Shares and the Original VDP 4 Shares will be issued), (i) assuming that all Offer Shares were offered and subscribed for by investors and the Over-Allotment Option was exercised in full and there was no increase in the number of Sale Shares offered and (ii) assuming that all Offer Shares were offered and subscribed for by investors and the Over-Allotment Option was exercised in full and the number of Sale Shares were increased to the fullest extent indicated herein.

	Status as of the date of this Prospectus		**Status after the Offering assuming no increase in the number of Sale Shares offered** [(1)]		**Status after the Offering assuming the number of Sale Shares were increased to the fullest extent indicated herein** [(1)]	
Shareholder	**Number of shares**	**% votes at the GM**	**Number of shares**	**% votes at the GM**	**Number of shares**	**% votes at the GM**
Selling Shareholder[(2)]........................	250,000,000	100.00	142,378,722	56.14	128,427.379	50.64
Management Board of Play and key managers and employees[(3)]	–	–	3,604,124	1.42	3,598,974	1.42
Public shareholders...........................	–	–	107,621,278	42.44	121,572,621	47.94
Total..	**250,000,000**	**100.00**	**253,604,124**	**100.00**	**253,598,974**	**100.00**

1 Assuming no stabilization transactions.

2 Following the Offering, the Selling Shareholder and/or its parent, Impera, may be liquidated, such that the Selling Shareholders' share ownership in the Issuer would be directly held by Telco Holdings S.à r.l. and Tollerton Investments Limited.

3 Assuming issuance of the maximum number of Reinvestment Shares and Original VDP 4 Shares.

Source: The Issuer

SELLING RESTRICTIONS

Public offer of the Offer Shares in Poland

The Prospectus has been prepared solely for the purposes of the Offering to be carried out by way of a public offering in the meaning of Article 3 Section 1 of the Act on Public Offering in the territory of Poland. The Issuer will be authorized to carry out the public offering in Poland once the CSSF has notified the approval of the Prospectus to the PFSA and the Prospectus together with its summary translated in Polish has been published in Poland on the website of the Issuer (www.playcommunications.com).

In connection with the Offering, certain limited promotional actions may be taken to provide information about the Offering to Qualified Institutional Buyers in the United States pursuant to Rule 144A of the U.S. Securities Act and to certain institutional investors other institutional investors outside the United States (excluding Poland), pursuant to Regulation S under the U.S. Securities Act as well as the relevant regulations of the law in the jurisdictions where such promotion of the Offering will be conducted. Such limited promotional actions are necessary to be in compliance with the applicable provisions of law in any jurisdiction in which such actions will be taken as this Prospectus has been drafted, which will not be approved by the CSSF or any other supervisory authority, specifically any authority having jurisdiction in the territory where such limited promotional action of the Offering will be conducted.

No action has been or will be taken by the Issuer, the Selling Shareholder or the Joint Bookrunners in any jurisdiction other than Poland that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offering may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

The promotion of the Offering in certain jurisdictions may be restricted by law. Therefore, persons into whose possession the Prospectus comes should inform themselves about and observe any such restrictions on the promotional activity related to the Offering or the distribution of the Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares, directed at any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

Neither the Offer Shares nor any other securities of the Issuer described in this Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered or sold within the United States except under exemption from the registration requirements of the U.S. Securities Act. In connection with the Offering, information concerning the Offering will be provided only: (i) to certain investors outside of the United States in offshore transactions, as defined in Regulation S under the U.S. Securities Act; and (ii) to QIBs in the United States as defined under and in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements thereof. In addition, until 40 days after the commencement of the Offering, any offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration

requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to the exemption from the registration requirement provided for by the U.S. Securities Act.

Neither the U.S. Securities and Exchange Commission nor any state securities commission nor any non-U.S. securities authority has approved or disapproved of the Offer Shares offered in the Offering or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

European Economic Area

The Prospectus has been approved by the CSSF, the supervisory authority for capital markets in Luxembourg. No offer of the Offer Shares to the public is being made in any other Member State. However, the Joint Bookrunners may decide to promote the Offering in another Member State under certain exemptions from the obligation to prepare a prospectus under the Prospectus Directive if such exemptions have been implemented in that Member State, *provided that* any such offering of the Offer Shares will not result in a requirement to publish the Prospectus by the Issuer or any of the Selling Shareholder or the Joint Bookrunners under Article 3 of the Prospectus Directive or any relevant implementing legislation.

In relation to each Member State of the European Economic Area (other than Poland) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**"), there will be no offer of the Offer Shares to the public in that Relevant Member State other than:

- to a legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons other than to qualified investors as defined in Article 2(1)(e) of the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive within the territory of the Relevant Member State.

For the purposes of this provision, the expression an "offer of the Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication, in any form and by any means, of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, while the scope and form of such communication may vary in individual Relevant Member States due to measures implementing the Prospectus Directive in such Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the Directive Amending the 2010 Prospectus Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression "**Directive Amending the 2010 Prospectus Directive**" means Directive 2010/73/EU.

United Kingdom

The Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the United Kingdom to, and is only directed at, persons that are qualified investors ("**qualified investors**") within the meaning of Article 2(1)(e) of the Prospectus Directive (as defined below) that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all

such persons together being referred to as "**relevant persons**"). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, relevant persons. The Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on the Prospectus or any of its contents.

Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. The Prospectus has been prepared without regard to the disclosure standards for issue prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27 of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material related to the Offering, the Issuer or the Offer Shares has been filed or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Offer Shares has not been authorized and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Offer Shares.

Canada

The Offer Shares may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended). The Offer Shares are not and may not be subject of an indirect or direct offering or sale in the territory of Japan or to a Japanese resident (which term as used herein includes any

corporation or other entity organized under the laws of Japan), or to others for direct or indirect offering or sale, directly or indirectly, in Japan or to a resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and in compliance with any other provisions thereof; and (ii) in compliance with any other applicable requirements of laws of Japan.

Hong Kong

The Offer Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Offer Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Dubai International Financial Centre ("DIFC")

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("**DFSA**"). This document is intended for distribution only to persons of a type specified in

the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial advisor.

In relation to its use in the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

TRANSFER RESTRICTIONS

Prospective purchasers are advised to contact legal counsel prior to making any resale, pledge or transfer of the Offer Shares.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have represented, acknowledged and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- the Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
- the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;
- the purchaser is not an affiliate of the Issuer or a person acting on behalf of such affiliate;
- the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;
- the Issuer shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- the Issuer, the Selling Shareholder, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented, acknowledged and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

- the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- the purchaser:
  - (i) is a Qualified Institutional Buyer (as defined in Rule 144A under the Securities Act);
  - (ii) is aware that the sale to it is being made pursuant to an exemption from the registration requirements of the Securities Act; and
  - (iii) is acquiring such Offer Shares for its own account or for the account of a Qualified Institutional Buyer;
- the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A; or (ii) in compliance with Regulation S under the Securities Act; in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- the Offer Shares are "restricted securities" within the meaning of the Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;
- the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- the Issuer shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
- the Issuer is not and will not be registered under the U.S. Investment Company Act;
- if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and
- the Issuer, the Selling Shareholder, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a member state of the EEA that has implemented the Prospectus Directive (a "**Relevant Member State**"), other than persons receiving offers contemplated in the Prospectus in Poland, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will

be deemed to have represented, warranted and agreed to and with each of the Joint Bookrunners, the Selling Shareholder and the Issuer that:

- it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive:
  - (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Bookrunners has been given to the offer or resale; or
  - (ii) where the Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer" in relation to any of the Offer Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the Prospectus Directive includes any relevant implementing measure in each Relevant Member State.

THE CAPITAL MARKET IN POLAND AND CERTAIN LUXEMBOURG AND POLISH REGULATIONS RELATED TO THE PURCHASE AND SALE OF SHARES

Information included in this section is of a general nature and describes the legal status as of the date of this Prospectus. Therefore, investors should review the relevant regulations and consult their own legal advisor about the laws and regulations concerning the purchase, ownership and sale of the Offer Shares.

Luxembourg Capital Markets Regulations

Luxembourg Transparency Law

Holders of the Shares and derivatives or other financial instruments linked to the Shares may be subject to notification obligations pursuant to the Luxembourg law of January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market, as amended (the "**Luxembourg Transparency Law**"). The following description summarizes these obligations. The Issuer's shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

Voting rights held directly or indirectly

The Luxembourg Transparency Law provides that, once the Listing has occurred, if a person acquires or disposes of a shareholding in the Issuer, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% (each a "**Relevant Threshold**") of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Issuer and the CSSF of the proportion of voting rights held by it further to such event.

A person must also notify the Issuer and the CSSF of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by the Issuer.

The same notification requirements apply to a natural person or legal entity to the extent he/she/it is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

a) voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Issuer;

b) voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;

c) voting rights attaching to shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares his/her/its intention of exercising them;

d) voting rights attaching to shares in which that person or entity has the life interest (*usufruit*);

e) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;

f) voting rights attaching to shares deposited with that person or entity which the person or entity can exercise at his/her/its discretion in the absence of specific instructions from the shareholders;

g) voting rights held by a third party in its own name on behalf of that person or entity;

h) voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at his/her/its discretion in the absence of specific instructions from the shareholders.

Voting rights relating to financial instruments

The above notification requirements also apply to a natural person or legal entity that holds, directly or indirectly:

(i) financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire Shares, to which voting rights are attached, already issued by the Issuer, or

(ii) financial instruments which are not included in point (i) but which are referenced to the Shares referred to in that point and with an economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification required shall include the breakdown by type of financial instruments held in accordance with point (i) above and financial instruments held in accordance with point (ii) above, distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a 'delta-adjusted' basis, by multiplying the notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying company. Only long positions shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions relating to the same underlying company.

For the purposes of the above, the following shall be considered to be financial instruments, provided they satisfy any of the conditions set out in points (i) or (ii) above:

a) transferable securities;

b) options;

c) futures;

d) swaps;

e) forward rate agreements;

f) contracts for differences; and

g) any other contracts or agreements with similar economic effects which may be settled physically or in cash.

The notification requirements described above shall also apply to a natural person or a legal entity when the number of voting rights held directly or indirectly by such person or entity aggregated with the number of voting rights relating to financial instruments held directly or indirectly reaches, exceeds or falls below a Relevant Threshold. Any such notification shall include a breakdown of the number of voting rights attached to Shares and voting rights relating to financial instruments.

Voting rights relating to financial instruments that have already been notified to that effect shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same company reaching or exceeding a Relevant Threshold.

The notification to the Issuer and the CSSF must be effected promptly, but not later than four trading days after the date on which the shareholder, or the natural person or legal entity referred to in the previous paragraph (i) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect, or (ii) is informed of an event changing the breakdown of voting rights by the Issuer. Upon receipt of the notification, but not later than three trading days thereafter, the Issuer must make public all the information contained in the notification as regulated information within the meaning of the Luxembourg Transparency Law.

As long as the notifications have not been made to the Issuer in the manner prescribed, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted as of the moment the shareholder makes the notification.

Where within the fifteen days preceding the date for which the general shareholders' meeting has been convened, the Issuer receives a notification or becomes aware of the fact that a notification has to be or should have been made in accordance with the Luxembourg Transparency Law, the Issuer's Board may postpone the general shareholders' meeting for up to four weeks.

In accordance with Article 8(4) of the Luxembourg Transparency Law, the disclosure requirements do not apply to the acquisition or disposal of a major holding by a market maker (*teneur de marché*) in Shares insofar as the acquisition or disposal is effected in his capacity as a market maker in the Shares and insofar as the acquisition is not used by the market maker to intervene in the management of the Issuer.

In accordance with article 8(6) of the Luxembourg Transparency Law, the disclosure requirements do not apply to voting rights attached to securities for stabilization purposes as defined in Commission Regulation (EC) 2273/2003 of the Commission of December 22, 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments, *provided that* the voting rights attaching to these shares are not exercised or otherwise used to intervene in the management of the Issuer.

For further details, please refer to the Luxembourg Transparency Law and the Grand Ducal regulation of January 11, 2008 on transparency requirements for issuers of securities, as amended.

Disclosure of Transactions of Persons Holding Management Responsibilities

Once the request for the Listing has been made, pursuant to Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (the "**Market Abuse Regulation**"), persons discharging managerial responsibilities within the Issuer as well as persons closely associated with them, must notify the CSSF and the Issuer of every transaction conducted on their own account relating to the Shares or debt instruments of that Issuer or to derivatives or other financial instruments linked thereto. The obligations applies to any subsequent transaction once a total amount of EUR 5,000 has been reached within a calendar year, calculated by adding without netting all relevant transactions relating to the Shares (the CSSF may decide to increase the threshold to EUR 20,000, in which case such decision would be published on the ESMA website). The notification must be made promptly and no later than three business days after the date of the transaction. The Issuer must ensure that any information on relevant transactions

notified to it is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis.

For the purpose of the Market Abuse Regulation, a "person discharging managerial responsibilities" means a person who is (a) a member of the administrative, management or supervisory body of that entity; or (b) a senior executive who is not a member of the bodies referred to in point (a), who has regular access to inside information relating directly or indirectly to that entity and power to take managerial decisions affecting the future developments and business prospects of that entity.

For the purpose of the Market Abuse Regulation, a "person closely associated" means (a) a spouse, or a partner considered to be equivalent to a spouse in accordance with national law; (b) a dependent child, in accordance with national law; (c) a relative who has shared the same household for at least one year on the date of the transaction concerned; or (d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in the preceding letters (a), (b) or (c), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

Mandatory Takeover, Squeeze-Out and Sell-Out Rights under the Luxembourg Takeover Law

The Luxembourg law of May 19, 2006 implementing Directive 2004/25/EC of the European Parliament and the Council of April 21, 2004 on takeover bids (the "**Luxembourg Takeover Law**") provides that, once the Listing has occurred, if a person, acting alone or in concert, obtains voting securities of the Issuer which, when added to any existing holdings of the Issuer's voting securities, give such person voting rights representing 33 1/3% of all of the voting rights attached to the voting securities in the Issuer, this person is obliged to make an offer for the remaining voting securities in the Issuer at a fair price.

Any mandatory or voluntary bid, which follows or has as its objective the acquisition of control of the Issuer, will be subject to shared regulation by the CSSF pursuant to the Luxembourg Takeover Law and by the Polish Financial Supervisory Authority. Matters regarding company law (and related questions), such as, for instance, the question relating to the percentage of voting rights which give control over a company and any derogation from the obligation to launch a bid or regarding information to be provided to employees of the offeree company, and to the extent applicable, any sell-out or squeeze-out procedures further to a voluntary or mandatory takeover bid, will exclusively be governed by Luxembourg law.

The Luxembourg Takeover Law provides that, when as a result of an offer (mandatory or voluntary) addressed to all of the holders of voting securities of the Issuer, the offeror holds voting securities representing not less than 95% of the share capital that carry voting rights to which the offer relates and 95% of the voting rights, the offeror may require the holders of the remaining voting securities to sell those securities to the offeror. The price offered for such securities must be a "fair price." The price offered in a voluntary offer would be considered a "fair price" in the squeeze-out proceedings if at least 90% of the securities representing share capital that carry voting rights and which were comprised in the bid were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price." The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Issuer. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

The Luxembourg Takeover Law provides that, when as a result of an offer (mandatory or voluntary) addressed to all of the holders of voting securities of the Issuer, the offeror (and any person acting in concert

with the offeror) holds voting securities carrying more than 90% of the voting rights, the remaining security holders may require that the offeror purchase the remaining voting securities. The price offered in a voluntary offer would be considered "fair" in the sell-out proceedings if at least 90% of the securities representing share capital that carry voting rights of the company to which the offer relates were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price." The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Issuer. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

Luxembourg Mandatory Squeeze-Out and Sell-Out Law

The Issuer may also be subject to the Luxembourg law of July 21, 2012 on the squeeze-out and sell-out of securities of companies admitted or having been admitted to trading on a regulated market or which have been subject to a public offer (the "**Luxembourg Mandatory Squeeze-Out and Sell-Out Law**"). The Luxembourg Mandatory Squeeze-Out and Sell-Out Law provides that, subject to the conditions for the application of the Luxembourg Mandatory Squeeze-Out and Sell-Out Law being met, if any individual or legal entity, acting alone or in concert with another, becomes the owner (otherwise than by way of a voluntary or mandatory takeover bid pursuant to the Luxembourg Takeover Law) directly or indirectly of a number of shares or other voting securities representing at least 95% of the voting share capital and 95% of the voting rights of the Issuer (a "**Majority Shareholder**"): (i) such owner may require the holders of the remaining shares or other voting securities to sell those remaining securities (the "**Mandatory Squeeze-Out**"); and (ii) the holders of the remaining shares or securities may require such owner to purchase those remaining shares or other voting securities (the "**Mandatory Sell-Out**"). The Mandatory Squeeze-Out and the Mandatory Sell-Out must be exercised at a fair price according to objective and adequate methods applying to asset disposals. The procedures applicable to the Mandatory Squeeze-Out and the Mandatory Sell-Out are subject to further conditions. The Mandatory Squeeze-Out and the Mandatory Sell-Out must be carried out in accordance with the Luxembourg Mandatory Squeeze-Out and Sell-Out Law and under the supervision of the CSSF.

Pursuant to Article 3 of the Luxembourg Mandatory Squeeze-Out and Sell-Out Law, any individual or legal entity, acting alone or in concert with another, who (i) becomes the owner directly or indirectly of a number of shares or other voting securities representing at least 95% of the voting share capital and 95% of the voting rights of the Issuer, (ii) falls below one of the thresholds under (i) above or (iii) acquires additional shares or other voting securities while having already crossed the thresholds under (i) above, such person must notify the Issuer and the CSSF of the exact percentage of its holding, the transaction that triggered the notification requirement, the effective date of such transaction, its identity and the ways the shares or other voting securities are being held.

The notification to the Issuer and the CSSF must be effected as soon as possible, but not later than four working days after obtaining knowledge of the effective acquisition or disposal or of the possibility of exercising or not the voting rights. Upon receipt of the notification, but no later than three working days thereafter, the Issuer must make public all the information contained in the notification in a manner ensuring fast access to the information and on a non-discriminatory basis.

Where a holder of securities of a company falling within the scope of the Luxembourg Mandatory Squeeze-Out and Sell-Out Law is or becomes a Majority Shareholder, he may require all the holders of the remaining securities to sell him their securities, such Mandatory Squeeze-Out must be exercised at a fair price.

Within the month following the notification of the exercise of the right of Mandatory Squeeze-Out, the Majority Shareholder shall communicate to the CSSF the proposed price and a valuation report of the securities. The Majority Shareholder shall then provide the company concerned with the Mandatory Squeeze-Out with, and make public without delay, the proposed price together with the valuation. This valuation report, the costs of which shall be borne by the Majority Shareholder, shall be drawn up by an expert of his choice, independent from any party concerned, and who is not subject to any conflict of interest. The independent expert appointed by the Majority Shareholder shall have professional experience in the field of valuing transferable securities and draw up his valuation report according to objective and adequate methods.

Every remaining holder of securities concerned by the Mandatory Squeeze-Out may oppose the Mandatory Squeeze-Out project. The deadline to file an opposition is one month as from the date on which the proposed price has been made public as set out above. The reasoned opposition shall be made by registered letter with acknowledgement of receipt sent to the CSSF. A copy of the letter shall be sent within the same time period via registered letter with acknowledgement of receipt to the Majority Shareholder and to the company concerned.

In the absence of any opposition made, the CSSF accepts the proposed price as a fair price and informs the Majority Shareholder and the company concerned thereof. After having been informed by the CSSF, the Majority Shareholder shall, as soon as possible and in a manner ensuring fast access to this information and on a non-discriminatory basis, make public the information on the final date and payment conditions.

The Luxembourg Mandatory Squeeze-Out and Sell-Out Law shall not apply to takeover bids made in accordance with the Takeover Directive until expiry of any deadline laid down for any ensuing rights resulting from such a bid and for a period of six months as from the expiry of such deadline.

Non-compliance with market abuse rules

In accordance with the MAR, the Polish Financial Supervisory Authority has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements.

Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime and could lead to the imposition of administrative fines by the Polish Financial Supervisory Authority. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and *vice versa*.

The Polish Financial Supervisory Authority shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the MAR.

The Issuer and any person acting on its behalf or on its account is obligated to draw up an insiders list, to promptly update the insider list and provide the insider list to the CSSF upon its request. The Issuer and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

Polish Capital Markets Regulations

Introduction

Trading in shares on the regulated (main) market operated by the WSE within the territory of Poland is subject to the Polish law regulations, including specifically the Act on Public Offering and the Act on Trading in

Financial Instruments as well as certain regulations of the WSE and the NDS, including the WSE Rules and the NDS Rules. The procedure and organization of supervision over the Polish capital market which is exercised by the PFSA is determined by the Act on Supervision over the Capital Market, the Act on Supervision over the Financial Market, the Act on Public Offering and the Act on Trading in Financial Instruments.

Potential investors need to consider that the MAR came into force on July 3, 2016. The MAR applies directly throughout the European Union and covers such issues as, in particular: market manipulation, inside information and the acquisition of shares in public companies during black-out periods. Selected provisions of the MAR, to the extent they apply to the relevant issues, are discussed in this section (see: "*Manipulation*", "*Insider trading*" and "*Obligations related to the purchase or sale of shares during restricted periods*"). The Act amending the Act on Trading in Financial Instruments implementing the MAD and adjusting the provisions of Polish securities markets regulations to comply with the MAR was adopted and published in the Journal of Laws (*Dziennik Ustaw*) on April 5, 2017, thus the majority of its provisions entered into force on May 6, 2017.

Capital market regulations

The principle regulations governing the Polish securities market are set out in three acts of July 2005, that is: (i) the Act on Public Offering; (ii) the Act on Trading in Financial Instruments; and (iii) the Act on Supervision over the Capital Market. The Law Amending the Act on Trading in Financial Instruments has been adopted and was published on April 5, 2017. Most of its amendments case into force on May 6, 2017; however, some of its provisions will not come into force until January 3, 2018. Since September 19, 2006, supervision over the capital market is also regulated by the Act on Financial Supervision. Furthermore, the Polish capital market is governed by regulations provided for in secondary legislation adopted on the basis of the above-mentioned laws and EU rules, which, similarly to the EU regulations, apply directly in Poland such as, for example, the MAR.

The authority that oversees the capital market in Poland is the PFSA.

Disclosure rules

According to the Act on Public Offering, the issuer for which the Republic of Poland is the host Member State, however whose securities are admitted to trading only on a regulated market in the Republic of Poland, shall be subject to financial and other reporting obligations in accordance with Polish law.

Disclosure obligations related to the acquisition and sale of significant block of shares

According to the Act on Public Offering, in case of a public company for which the Republic of Poland is the host Member State, the disclosure obligations connected with the acquisition and sale of significant block of shares should be governed by the home Member State law.

Please see "—*Luxembourg Capital Markets Regulations*" above.

Tender offers

The Takeover Directive governs takeover bids for companies not listed in the member state of the European Union in which they have their registered office. The Shares will be listed on the WSE, but the Issuer has its registered office in a member state other than in Poland.

As a general rule, in accordance with the above provisions:

- matters relating to the consideration offered in the context of a takeover bid, the takeover bid procedure with which the offeror should comply and the content of the offering document shall be dealt with in accordance with Polish law, in particular the Act on Public Offering. These matters shall be supervised by the PFSA; and
- matters relating to the information to be provided to the employees of the company and to company law (in particular relating to the percentage of voting rights that confers control over the Issuer any derogation from the obligation to launch an offer or the conditions under which the Issuer's Board may undertake any action which may result in the frustration of a bid) shall be governed by Luxembourg law. These matters shall be supervised by the CSSF.

Given the fact that Shares will be admitted solely to the WSE and the Issuer is a company incorporated in Luxembourg, the authorities competent to supervise mandatory offer rules as described below, applicable with respect to the shares of the Issuer and under the Takeover Directive, shall be both the CSSF and the PFSA. However the investors should also take into account the respective rules under the Act on Public Offering which are described below.

For the information on matters related to the squeeze-out and sell-out, see "—*Luxembourg Capital Markets Regulations*" above.

Exceeding the 33% threshold

Exceeding the threshold of 33% of the total number of votes in a public company may take place solely by launching a tender offer for the sale or exchange of the shares in such company in a number allowing for the achievement of 66% of the total number of votes, except for the case where exceeding 33% of the total number of votes takes place as a result of launching a tender offer for the sale or exchange of all the remaining shares in the company.

If the threshold of 33% of the total number of votes is exceeded as a result of an indirect acquisition of shares, subscription for shares of a new issue, a public offering, an in-kind contribution to a company, a merger or split of companies, a change to the company's articles of association, the expiry of a preference attached to shares or the occurrence of a legal event other than a legal action, the shareholder, within three months of exceeding 33% of the total number of votes, is required to do the following:

- launch a tender offer for the sale or exchange of shares in the company in a number resulting in the achievement of 66% of the total number of votes; or
- sell the shares in a number resulting in the achievement of not more than 33% of the total number of votes,

unless during that time the share of the shareholder in the overall number of votes changes to not more than 33% of the total number of votes as a result of a share capital increase, a change to the company's articles of association or the expiry of the preference attached to the shares, respectively.

If the exceeding of 33% of the total number of votes results from inheritance, the obligation to announce the tender offer applies solely if after such acquisition of shares the share in the total number of votes will further increase; the period of fulfilling such obligation will be counted from the date on which the event resulting in the increase in the share in the total number of votes occurred.

Exceeding the 66% threshold

Exceeding the threshold of 66% of the total number of votes in a public company may take place solely by virtue of launching a tender offer for the sale or exchange of all of the remaining shares in the company.

However, according to the Act on Public Offering when a WSE-listed company has its registered office in a member state of the EEA other than in Poland whose shares have been admitted to trading on a regulated market solely within the territory of Poland, the above mentioned requirement related to the announcement of a tender offer in case of exceeding the 66% threshold do not apply. In such case, the entity acquiring shares is obliged to announce a tender offer for sale or exchange of all the remaining shares in the company in accordance with the legislation in force in the member state where the WSE-listed company has its registered office. However, Polish provisions apply with respect to the consideration offered in the tender offer and procedure of conducting the tender offer, in particular, those relating to the content of the tender offer and the procedures governing its announcement.

Please also see "—*Luxembourg Capital Markets Regulations*" above.

Terms of the tender offer

A tender offer may be launched and made through an entity conducting brokerage activity in Poland, which is required – no later than 14 business days before the date of the commencement of the subscription – to simultaneously notify the PFSA and the company operating the regulated market on which the given shares are listed about the intention to announce the tender offer. Such entity attaches a copy of the tender offer to the notification. A copy of the tender offer should be subsequently published through an information agency and in at least one national newspaper.

A tender offer may be launched only after establishing collateral of a value of not less than 100% of the value of the shares that are to be subject to the tender offer. The collateral should be documented with a certificate issued by a bank or other financial institution providing the collateral or intermediating in its provision.

It is not possible to withdraw from a launched tender offer unless after launching the tender offer a third party launches a tender offer regarding the same shares. A withdrawal from a tender offer announced with regard to all of the remaining shares in a public company is permitted only when another entity announces a tender offer for all of the remaining shares in the company at a price not lower than the price in the first tender offer.

Upon the receipt of a notification announcing a tender offer, the PFSA may – at the latest, three business days before the beginning of the subscription period – request necessary changes and supplements to the text of the tender offer or the provision of explanations regarding the text of the tender offer within the period specified in the request; however, such period may not be shorter than two days.

The beginning of the subscription period indicated in the tender offer shall be suspended until the completion of the activities mentioned in the aforesaid request by the company required to announce the tender offer.

Following the completion of the tender offer, the offeror is required to announce, in the manner set forth in Article 69 of the Act on Public Offering, the number of shares purchased in the tender offer and the share in the total number of votes which has been reached in the tender offer.

In the period between the announcement of a tender offer and the completion of the tender offer, the entity required to announce the tender offer and all of its subsidiaries, dominant entities or entities which are party to any arrangements therewith concerning the acquisition of the shares in the public company by such party or

entities which are party to any understanding therewith concerning voting in concert at any general meeting or exercising a standing policy with respect to the company:

- may acquire shares in the company to which the tender offer applies exclusively within the scope of that specific tender offer and in the manner defined therein;
- cannot sell shares in the company to which the tender offer applies or enter into any agreements which would require them to sell any such shares during the term of the tender offer; and
- cannot indirectly acquire the shares in the public company to which the tender offer relates.

Price of shares in the tender offer

If any of the shares in the company are subject to trading on the regulated market, the price of the shares proposed in the tender offer may not be lower than:

- the average market price in the period of the six months preceding the tender offer announcement during which the shares were traded on the main market; or
- the average market price in a shorter period if the trading of the shares on the main market was shorter than the period set out in the point above.

The price of the shares proposed in the tender offer may also not be lower than:

- the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity required to announce the tender offer, the entities dependent on the entity required to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity required to announce the tender offer with regard to the purchase by such entity of the shares in a public company or voting in concert at the general meeting regarding the major affairs of the company or exercising a standing policy with respect to the company; or
- the highest value of the assets or rights issued by the entity required to announce the tender offer or the entities mentioned in the point above in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

The price of the shares proposed in the tender offer for the sale or exchange of all the remaining shares in a public company may also not be lower than the average market price within three months of trading in the shares on the regulated market preceding the tender offer announcement.

In the case where the average market price of the shares determined in accordance with the above-mentioned rules significantly differs from the fair value of such shares due to:

- the granting to the shareholders of a pre-emption right, a right to dividend, a right to acquire shares in the acquirer in connection with the division of a public company by unbundling or other property rights connected with the possession of shares in a public company;
- a significant deterioration in the financial or proprietary situation as a result of events or circumstances which cannot be predicted or prevented by the company; or
- the company being threatened by permanent insolvency,

the offeror may apply to the PFSA for consent to propose a price in the tender offer which does not comply with the criteria set forth above. The PFSA may grant its consent thereto, *provided that* the proposed price is not lower than the fair value of these shares and the call for tender does not breach the legitimate interests of the shareholders.

In the case where it is not possible to determine the price pursuant to the rules set forth above or in the case of a company subject to composition proceedings or bankruptcy proceedings, the share price cannot be lower than the fair value of such shares.

The price of the shares proposed in a tender offer set out in Articles 72 and 74 of the Act on Public Offering may be lower with regard to shares constituting at least 5% of all the shares in the company that will be purchased within the tender offer from an identified person responding to the tender offer should the company be required to announce the tender offer and should said person so decide.

Entities with duties with respect to tender offers

The duties determined in the provisions regarding tender offers are also vested:

1) in an entity that achieves or exceeds the threshold of the total number of votes determined under applicable law due to the purchase or sale of depository certificates issued in connection with the shares in such public company;

2) in an investment fund – also in the case where the achievement or exceeding of the given threshold of the total number of votes determined in the regulations takes place with regard to the joint holding of shares by other investment funds managed by the same investment fund company or alternative investment funds or other investment funds established outside the territory of Poland and managed by the same entity;

3) in an alternative investment company – also in the case where the achievement or exceeding of the given threshold of the total number of votes determined in the regulations takes place with regard to the joint holding of shares by other alternative investment companies managed by the same investment manager of alternative investment companies within the meaning of the act on investment funds or other alternative investment established outside the territory of Poland and managed by the same entity,

4) in an entity in respect of which the achievement or exceeding of the given threshold of the total number of votes set out in the provisions of the Act on Public Offering takes place in reference to the holding of shares by: (i) a third party in its own name, however, at the instruction or for the benefit of such entity, excluding shares purchased as part of the performance of activities which involve the buying and selling of a broker's financial instruments for the benefit of the person giving the instruction, (ii) within the framework of activities which involve the management of a portfolio that includes one or a greater number of financial instruments determined in the Act on Trading in Financial Instruments and the Investment Funds Act – in reference to the shares included in the managed securities portfolios in respect of which the entity as a management company may enforce the right to vote at the general meeting on behalf of the instructing parties, and (iii) a third party with which the entity has concluded an agreement the subject of which is the transfer of the right to vote at the general meeting;

5) in a proxy who under a power of attorney to represent the shareholder at the general meeting was authorized to vote based on the rights attached to the shares in a public company if the shareholder has not issued any binding instructions as to the manner of voting;

6) jointly in all the entities bound by a written or oral arrangement regarding the purchase by the entities of the shares in a public company or voting in concert at the general meeting of the shareholders regarding the major affairs of the company or implementing a standing policy with respect to the company if at least one of such entities carried out or planned to carry out activities resulting in such duties; and

7) in entities that conclude the type of arrangement mentioned in the item above which hold shares in a public company in a number ensuring the joint achievement or exceeding of a given threshold of the total number of votes set out in the regulations.

In the cases mentioned in items 6) and 7) above, the obligations provided in the regulations regarding major stakes of shares in public companies may be fulfilled by one of the parties to the arrangement designated by the parties to such arrangement.

The obligations set forth in the provisions concerning tender offers arise also in the case where the voting rights are related to securities deposited or registered with the entity that may dispose of them at its own discretion.

The Act on Trading in Financial Instruments

Manipulation

The Act on Trading in Financial Instruments prohibits manipulation involving financial instruments, which is understood as:

- placing orders or executing transactions which are or may be misleading as to the actual supply of, demand for or price of a financial instrument, unless the reasons behind such activities are legitimate and the placed orders or executed transactions are not in breach of the established market practice on the relevant regulated market;
- placing orders or executing transactions which result in the price of one (1) or more financial instruments moving to an abnormal or artificial level, unless the reasons behind such activities are legitimate and the placed orders or executed transactions are not in breach of the established market practice on the relevant regulated market;
- placing orders or executing transactions with the intention to produce legal effects other than the actual objective of a given legal transaction;
- the dissemination, through the media, including the internet, or by any other means, of false or inaccurate information or rumors which are or may be misleading as regards financial instruments (a) by a journalist – if such journalist failed to exercise due professional care or if such journalist obtained financial or personal gain for himself or another person by disseminating such information, even when acting with due professional care, (b) by another person – if the person knew, or acting with due care could have known, that such information was false or misleading;
- placing orders or executing transactions while simultaneously misleading market participants, or using the fact that market participants are being misled, as regards the price of financial instruments;

- securing control over the demand for or supply of a financial instrument in breach of the principles of fair trading or in a manner resulting in the direct or indirect fixing of the purchase or selling prices of financial instruments;
- the acquisition or disposal of financial instruments at the close of trading with the effect of misleading investors who act on the basis of closing prices; and
- deriving financial gain from the influence of opinions concerning financial instruments or their issuers, expressed in the media on an occasional or a regular basis, on the price of financial instruments held, unless an existing conflict of interest has been fully and reliably disclosed to the public.

Anyone who engages in market manipulation will be subject to a fine of up to PLN 5,000,000 or a penalty of imprisonment for a period from three months to five years, or both of these penalties jointly. Anyone who engages in collusion with other persons for the purpose of market manipulation will be subject to a fine of up to PLN 2,000,000.

Changes under the MAR

In principle, the MAR provides for a catalogue of actions considered to be market manipulation similar to the Act on Trading in Financial Instruments. Compared to the Act on Trading in Financial Instruments, market manipulation under the MAR also includes transmitting false or misleading information or providing false or misleading input in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behavior which manipulates the calculation of a benchmark. The regulation defines "benchmark" as any rate, index or figure made available to the public or published that is periodically or regularly determined by the application of a formula to or on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates or other values or surveys, and by reference to which the amount payable under a financial instrument or the value of a financial instrument is determined.

Under the MAR, market manipulation may apply not only to financial instruments, but also to related spot commodity contracts or auctioned products based on emission allowances.

The MAR provides for maximum administrative pecuniary sanctions for infringements in terms of market manipulation of: (i) EUR 5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons; and (ii) EUR 15 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) or 15% of the total annual turnover of the legal person according to the last available accounts approved by the management body in respect of legal persons, although where the legal person is a parent undertaking or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

As stated in the "*Introduction*", the MAR applies directly throughout the European Union, although in terms of the rules for administrative sanctions referred to in the MAR, Member States shall, in accordance with national law, provide for competent authorities to have the power to take appropriate administrative sanctions and other administrative measures. On or before July 3, 2016, Member States had the option to decide not to lay down rules for administrative sanctions where the infringements were already subject to criminal sanctions pursuant to their national law. Member States could also provide for higher levels of sanctions than those

specified above. The Law Amending the Act on Trading in Financial Instruments grants the PFSA the power to impose a cash penalty of PLN 2,072,800 on a natural person or PLN 4,145,600 or up to 2% of the total annual revenues as shown in the most recent audited financial statements for a financial year if it is greater than PLN 4,145,600 on other entities for producing or disseminating investment recommendations or other information recommending or suggesting an investment strategy in breach of the MAR, or for the improper performance or a breach of the obligations under the MAR concerning conducting transactions on one's own account by persons discharging managerial responsibilities. Pursuant to the Law Amending the Act on Trading in Financial Instruments, failure to comply with specific obligations under the MAR is subject to a cash penalty of up to PLN 4,145,600 or up to the equivalent of 2% of the total annual revenues as shown in the most recent audited financial statements for a financial year if it is greater than PLN 4,145,600. Although the MAD was to be implemented into the Polish legal system on or before July 3, 2016, it was implemented with a delay by the Law Amending the Act on Trading in Financial Instruments published on April 5, 2017. Under the MAD, Member States are required to introduce criminal sanctions for market manipulation. The Law Amending the Act on Trading in Financial Instruments imposes a criminal sanction of PLN 5,000,000 or imprisonment from three months to five years or the application of both those penalties jointly for the use of inside information and manipulation. It is also proposed under the Law Amending the Act on Trading in Financial Instruments that disclosure of inside information, giving recommendations or soliciting the acquisition or sale of financial instruments to which inside information relates be subject to a penalty of up to PLN 2,000,000 or the penalty of imprisonment for up to four years, or both these penalties jointly. In addition, the PFSA may impose a cash penalty of up to three times the amount of the profits gained or losses avoided because of the infringement, where those can be determined.

Insider trading

Confidential information is any information of a precise nature relating, directly or indirectly, to one or more issuers of financial instruments, or acquisitions or disposals of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who: (i) gains confidential information by virtue of being a member of the governing bodies of a company or other entity, by virtue of an interest in the share capital of the company or another entity, or as a result of having access to confidential information in connection with employment, the practice of a profession, or a mandate or any other legal relationship of a similar nature; (ii) is in possession of confidential information as a result of a crime; or (iii) is in possession of confidential information acquired otherwise than as provided in (i) and (ii), if such person knew, or could have known had he exercised duly diligent efforts, that it was confidential information, is prohibited from using such information. Actions which are considered to be the prohibited use of confidential information include:

- purchasing or selling, for one's own account or for the account of a third party, financial instruments based on confidential information held by such person or taking, for one's own account or for the account of a third party, any other legal actions that result in or could have resulted in the disposal of such financial instruments;

- recommending or inducing other persons to purchase or sell any financial instruments affected by the confidential information; and

- enabling or facilitating confidential information regarding one (1) or more issuers (*emitentów* or *wystawców*) of financial instruments, or one or more financial instruments, to be obtained by an unauthorized person.

Any person using confidential information in violation of the law may be guilty of an offense punishable by imprisonment, a fine or both. The maximum fine that can be imposed is PLN 5,000,000; the length of imprisonment ranges from three months to eight years.

Inside information

The definition of inside information provided in the MAR and applicable to financial instruments, in principle, coincides with the definition of inside information provided in the Act on Trading in Financial Instruments, with the proviso that the MAR (contrary to the Act on Trading in Financial Instruments) also states that in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, such future circumstances or future event, and also the intermediate steps of that process which are connected with bringing about or resulting in such future circumstances or such future event, may be deemed to be precise information. An intermediate step in a protracted process shall be deemed to be inside information if, by itself, it satisfies the criteria of inside information. In addition, the MAR defines the types of information comprising inside information in relation to commodity derivatives and in relation to emission allowances or auctioned products based thereon. Under the MAR, an issuer is required to immediately disclose any inside information which apply to it directly. The MAR provides for the maximum administrative pecuniary sanctions for:

- insider dealing, including recommending or inducing another person through insider dealing or the unlawful disclosure of inside information of (i) EUR 5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons and (ii) EUR 15 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) or 15% of the total annual turnover of the legal person according to the last available accounts approved by the management body in respect of legal persons; and
- the infringement of the obligation to make inside information public of (i) EUR 1 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons and (ii) EUR 2.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) or 2% of the total annual turnover of the legal person according to the last available accounts approved by the management body in respect of legal persons,

although where the legal person is a parent undertaking or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

With respect to the regulations concerning administrative sanctions under the MAR, please see also "*Manipulation – Changes under the MAR.*"

Obligations related to the purchase or sale of shares during restricted periods

Another restriction introduced under the Act on Trading in Financial Instruments applies exclusively to members of the management board, the supervisory board, commercial proxies or attorneys-in-fact of an issuer (*emitent* or *wystawca*), any of its employees, statutory auditors or other persons retained by such issuer (*emitent* or *wystawca*) on the basis of a mandate or any other similar legal grounds (persons who have access to level-one confidential information) who, during a restricted period, cannot acquire or dispose of, on their own account or for the account of any third party, the issuer's shares, any derivatives related to the issuer's

shares or any other financial instruments related therewith or to perform, on their own account or for the account of any third party, any other legal actions that result or could result in any disposal of such financial instruments.

Additionally, during any restricted period persons with access to level-one confidential information cannot, if they act in a capacity as members of the governing bodies of a legal entity, take actions aimed at the acquisition or transfer by such legal person, acting in its own name or on behalf of a third party, of the issuer's securities, derivative rights related to the issuer's shares or any other financial instruments related thereto, or take any actions that result or could result in the disposal of such financial instruments by that legal person, in its own name or on behalf of a third party.

The above-mentioned restrictions do not apply to any transactions executed: (i) by any entity conducting brokerage services which was retained by such person to manage a financial instruments portfolio in a manner excluding any interference of that person in the investment decisions taken on its behalf; or (ii) in performance of an agreement containing a requirement to transfer or purchase the issuer's shares, derivative rights attached to the issuer's shares and any other financial instruments related thereto, such agreement being made in writing with a certified date (*data pewna*) prior to the commencement of a restricted period; or (iii) as a result of a person with access to level-one confidential information having responded to a public tender offer to subscribe for the sale or exchange of shares in accordance with the Act on Public Offering; or (iv) in connection with the requirement for a person with access to level-one confidential information to announce a public tender offer to subscribe for the sale or exchange of shares in accordance with the Act on Public Offering; or (v) in connection with the exercise by an existing shareholder of the issuer of its pre-emption rights; or (vi) in relation to an offering addressed to employees or persons who are members of the corporate authorities of the issuer, *provided that* the information regarding such offering was publicly available prior to the commencement of the relevant restricted period.

Restricted periods are: (i) the period between a primary insider gaining confidential information concerning the issuer or the financial instruments and the time such information is made public; (ii) in the case of an annual report, the period of two months preceding the publication of such report, or if shorter, the period between the end of the given financial year and the publication of such report; (iii) in the case of a semi-annual report, the period of one month preceding the publication of such report, or if shorter, the period between the end of the given half year and the publication of such report; and (iv) in the case of a quarterly report, the period between the end of the two weeks preceding the publication of such report, or if shorter, the period between the end of the given quarter and the publication of such report. The periods referred to in (ii) to (iv) are not considered restricted periods if the person who has access to level-one confidential information did not have access to the financial data used as the basis for the preparation of the given report.

If any person discharging managerial responsibilities within an issuer conducts any transaction on its own account or for the account of a third party, the PFSA may impose a fine of up to PLN 2,072,800. In addition, the PFSA may impose a cash penalty of up to three times the amount of the profits gained or losses avoided because of the infringement, where those can be determined.

In addition, persons who are members of the governing or supervisory bodies of issuers or who are the issuer's proxies, as well as persons holding managerial positions who have permanent access to confidential information of the issuer, are required to notify the PFSA and the issuer of their transactions involving the purchase or sale of the issuer's shares, any derivative rights related to the issuer's shares or any other financial instruments related to such securities. This obligation also applies to transactions involving the relatives of the persons indicated above, in accordance with the definition provided in Article 160 section 2 of the Act on Trading in Financial Instruments. A breach of the aforementioned obligations is subject to a fine of up to PLN

2,072,800 with respect to a natural person or PLN 4,145,600 with respect to other entities. In addition, the PFSA may impose a cash penalty of up to three times the amount of the profits gained or losses avoided because of the infringement, where those can be determined.

Changes under the MAR

Similarly as in the case of the Act on Trading in Financial Instruments, under the MAR, during a closed period persons discharging managerial responsibilities for an issuer may not trade on their own account or for the account of a third party during a closed period, directly or indirectly, with respect to the shares or debt instruments of such issuer or to derivatives or other financial instruments linked thereto, *provided that* the Act on Trading in Financial Instruments refers to the shares of the issuer, derivatives relating to shares in the issuer and other financial instruments linked thereto.

In addition, under the MAR, a closed period is the period of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is required to make public according to: (i) the rules of the trading venue where the issuer's shares are admitted to trading; or (ii) national law. Besides the difference in the duration of the closed period the MAR refers exclusively to interim reports and does not cover inside information as in the case of the Act on Trading in Financial Instruments.

Under the MAR, persons discharging managerial responsibilities, as well as persons closely associated with them, must notify the issuer and the PFSA of every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto. Such notifications should be made immediately, but no later than within three working days of the transaction date. The issuer must ensure that the information that is notified in accordance with the rules specified above is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with the implementing technical standards regulated under the MAR.

The MAR provides for the maximum administrative pecuniary sanctions for infringement of the obligations related to:

- closed periods of (i) EUR 0.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons and (ii) EUR 1.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of legal persons; and
- notifications of insider dealing of (i) EUR 0.5 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of natural persons and (ii) EUR 1.0 million (or in the Member States the currency of which is not the euro, the corresponding value in the national currency) in respect of legal persons,

although where the legal person is a parent undertaking or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

With respect to the regulations concerning administrative sanctions under the MAR, please see also "*Manipulation – Changes under the MAR.*"

Warsaw Stock Exchange

The Polish financial instruments exchange market is operated by the Warsaw Stock Exchange. The WSE runs its business pursuant to applicable laws, including the Act on Trading in Financial Instruments and its internal regulations, including the articles of association of the WSE and the WSE Rules.

The exchange market operated by the WSE constitutes a regulated market for the purposes of the relevant regulations of EU law and the Act on Trading in Financial Instruments. Moreover, the WSE organizes and operates an Alternative Trading System which is a non-regulated market. The exchange market operated by the WSE includes the main floor (the official stock exchange market) and the parallel market.

According to the WSE's website (www.gpw.pl), as of May 31, 2017, shares of 485 companies were listed on the WSE, including 52 foreign companies. The total capitalization of the companies listed on the WSE was PLN 1,311.6 billion as of May 31, 2017.

As of the date hereof, the Issuer is not a public company and the rights and obligations listed below shall apply to the Issuer from the moment it becomes a public company.

Dematerialization of securities

Securities that are subject to a public offering within the territory of Poland or those subject to admission to trading on the regulated market in Poland cease to exist in certificate form upon their registration and thereafter exist only in book-entry form pursuant to an agreement with the NDS, the Polish deposit and clearing institution (dematerialization of the securities), except for securities offered to the public which will not be subject to admission to trading on the regulated market or introduced exclusively to an alternative trading system, which may keep their certificate form if the issuer so decides. Rights attached to such dematerialized securities arise and are vested upon their recording for the first time in the securities account of the holder of such account. Securities registered in omnibus accounts constitute an exception to the above rule – in such case, the holder of the account is not entitled to those securities. The person entitled to the securities registered in an omnibus account is the person indicated to the entity maintaining such account by the holder thereof as being entitled to a given number of securities. An agreement setting forth the obligation to transfer dematerialized securities conveys the title to such securities when the appropriate entry is made in the relevant securities account. With respect to securities held in an omnibus account, a depository certificate will be a document having identical wording to that of the depository certificate issued in Polish or in English by the holder of such account.

The entity maintaining the securities account, such as a brokerage house, custodian or custodian bank, will issue, at the request of the account holder, a separate registered depository certificate for each type of securities registered in the account. The depository certificate confirms the powers to exercise the rights attached to the securities indicated therein that are not, or may not be, exercised exclusively on the basis of entries in the securities account, except to participate in the general meeting of the shareholders. Depository certificates may be issued by brokerage houses, banks conducting brokerage activities, trustee banks, foreign investment companies and foreign legal entities conducting brokerage activities in Poland, the NDS and the NBP, *provided that* the relevant accounts are designated in a manner sufficient to identify the persons with whom the rights attached to the securities are vested.

From the moment of the issuance of a registered depository certificate, the securities, in the number indicated in the registered depository certificate, may not be traded until the end of the validity period of a registered depository certificate or until the certificate is returned to the issuer, whichever occurs first. During this period, the issuer of the registered depository certificate will lock-up the appropriate securities in that account.

The same securities may be indicated in several registered depository certificates, *provided that* the purpose of the issuance of each of these registered depository certificates is different. In such case, information is also provided in individual registered depository certificates as regards the lock-up of the securities due to an earlier issuance of other registered depository certificates.

Rematerialization

The PFSA, at the request of an issuer, grants consent for restoring the certificated form of shares (rematerialization) following the satisfaction of the relevant conditions provided for in the Act on Public Offering. The legal consequences of the grant of such consent include no longer being subject to the obligations under the Act of Public Offering established in connection with the public offering of shares or the admission thereof to trading on the regulated market within the territory of the Republic of Poland and the obligations specified in the chapter of the Act on Public Offering regarding significant blocks of shares in public companies, and such consequences come into effect upon the lapse of a deadline of no more than one month as stated in the decision pursuant to which the PFSA granted its consent. It is permissible to submit a relevant request to the PFSA if the general meeting of a public company, by a majority of nine-tenths of the votes cast in the presence of shareholders representing at least half of the share capital, adopted a resolution on the rematerialization of the shares. The request for the convocation of an extraordinary general meeting and including the matter of the adoption of a resolution regarding the rematerialization of the shares on the agenda thereof may be made by one or several shareholders representing at least one-twentieth of the share capital.

One or several shareholders demanding the inclusion of the matter of the adoption of a resolution regarding the rematerialization of shares on the agenda are required to first announce a public tender for subscription for the sale of the shares in such company by all the other shareholders. In case of the issuer for which the Republic of Poland is the host Member State, however whose securities are admitted to trading only on a regulated market in the Republic of Poland, the obligation to announce a public tender applies to the shares of that company which were acquired in transactions executed on a regulated market in the Republic of Poland and are entered in securities accounts maintained in the Republic of Poland at as the end of the third day after the announcement of that takeover bid. One or several shareholders demanding the inclusion of the matter of the adoption of a resolution regarding the rematerialization of shares on the agenda may acquire shares in that company in the period between the submission of the request and the completion of the tender offer only by way of such tender offer. There is no obligation to announce a tender offer if the demand for the inclusion of the matter of the adoption of a resolution regarding the rematerialization of shares on the agenda is made by all of the shareholders of a public company.

Settlement

Under the current regulations, all transactions on the regulated market of the WSE are carried out on a delivery versus payment basis, with the transfer of rights to securities occurring upon settlement on a T+2 basis. In principle, each investor must hold a securities account and a cash account with an investment firm or an entity conducting depository activities in Poland, and each investment firm and entity conducting depository activities must hold relevant accounts (*konta* and *rachunki*) with the NDS and a main cash account with a settlement bank. Entities authorized to maintain securities accounts may also maintain, within the scope of a security deposit or a securities registration system maintained by the National Bank of Poland, what are known as omnibus accounts, i.e. accounts in which it is possible to register dematerialized securities which are not owned by the persons for whom such accounts are maintained, but which are owned by another person or persons. Omnibus accounts may be maintained exclusively for the entities listed in the Act on Trading in Financial Instruments.

In accordance with the rules and regulations of the WSE and the NDS, KDPW CCP S.A., a subsidiary of the NDS, is required to arrange, based on a list of transactions provided by the WSE (compiled post-session), the settlement of transactions effected by WSE members. In turn, WSE members coordinate the settlement with the investors on whose account the transactions were executed.

Stock exchange trading mechanisms

Pursuant to the WSE Rules, WSE sessions are held regularly from Monday to Friday from 8:30 a.m. to 5:05 p.m. Warsaw time, unless the management board of the WSE decides otherwise.

Depending on the market on which the relevant securities are listed, quotations are made in a continuous trading system (the main floor) or in a single-price system with one or two auctions (the parallel market). In addition, for large blocks of securities, so-called block transactions outside of the public order book in the continuous trading system or a single-price system are possible.

Information as to price, trading volume and any specific rights (pre-emption or dividend rights) attached to the relevant securities is available on the WSE's official website at www.gpw.pl.

Brokerage commissions in Poland are not fixed by the WSE or other regulatory bodies and are set by the brokerage house executing the transaction.

Merger Clearance

The Competition Act

The Competition Act sets forth special requirements regarding certain concentrations concerning, *inter alia*, the purchase of shares.

The intention of undertakings to perform a concentration is subject to the prior notification of the UOKiK President if: (i) the total global turnover of the undertakings concerned for the financial year preceding the notification exceeds the equivalent of EUR 1 billion; or (ii) the total turnover in Poland of the undertakings concerned for the financial year preceding the notification exceeds EUR 50 million, unless certain exclusions as stipulated in the Competition Act apply. Pursuant to the Competition Act, the turnover referred to in the previous sentence covers the turnover of: (i) undertakings directly participating in the concentration; (ii) other undertakings within the groups of such undertakings; (iii) undertakings over which the undertakings referred to in (i) and (ii) above exercise control jointly with any other undertaking or undertakings – in proportion to the number of undertakings exercising control; and (iv) undertakings which jointly control the group of the undertakings that directly participates in the concentration – on a pro rata basis to the number of undertakings exercising control. However, in the event of an acquisition of control, the relevant turnover on the seller's side only includes the target's turnover (and the entities solely or jointly controlled by the target), i.e. it no longer includes the seller's entire group. Also, in the event of an acquisition by one undertaking of the assets of another undertaking, the relevant turnover on the seller's side only includes the turnover generated by such assets.

The UOKiK President shall consent to a concentration if as a result thereof the competition on the market will not be materially restricted, especially through the establishment or strengthening of a dominant market position.

The provisions of the Competition Act apply to undertakings, including, *inter alia*: (i) entities or persons that are entrepreneurs, as defined in the Business Activity Freedom Act; as well as (ii) individuals even if such individuals do not engage in business activity as defined in the Business Activity Freedom Act, exercising

control as defined in the Competition Act over at least one entity, if such entities or persons perform certain actions which are subject to merger clearance under the Competition Act.

The duty to notify the UOKiK President of the intention to concentrate applies to the intention:

- of two or more companies to merge;
- to acquire, through the acquisition or purchase of shares, other securities, stocks or otherwise, direct or indirect control over one or more undertakings;
- to establish a joint-venture by the undertakings; and
- of an entrepreneur to acquire the assets of another entrepreneur (the entity or a part of an enterprise), provided that the turnover generated by such assets in any of the two financial years immediately preceding the year in which the notification is made exceeded in the territory of Poland the equivalent of EUR 10 million.

The Competition Act defines the exercise of control as being all forms of direct or indirect acquisition of rights which separately or jointly enable a decided influence to be exerted over a specific enterprise, while taking into account all legal and actual circumstances.

The Competition Act does not require an intended concentration to be notified if the turnover in Poland of the entrepreneur to be taken over and its subsidiaries did not exceed EUR 10 million in either of the two financial years preceding the notification. A similar exclusion applies in respect of a concentration in a form other than and acquisition of control over an entity.

Furthermore, pursuant to Article 14(2)-(5) of the Competition Act, notification is not required with regard to an intended concentration: (a) consisting in a temporary purchase or acquisition of shares by a financial institution for the purpose of their resale, if the institution's business activity includes investing in the shares of other entrepreneurs in its own name or on commission, provided that such resale takes place before one year from the date of purchase or acquisition, and provided that: (i) the institution does not exercise the rights vested in such shares other than the right to dividends, and (ii) it only exercises these rights for the purpose of preparing to sell all or part of the enterprise, its assets or the said shares, (b) consisting in a temporary purchase or acquisition of shares by an entrepreneur as security against receivables, provided that the entrepreneur does not exercise the rights vested in those shares, other than the right to sell them, (c) of entrepreneurs from the same group, (d) arising as an effect of insolvency proceedings, excluding the cases where control is to be taken over by the competitor or a participant of the capital group to which belong the competitors of the entrepreneur to be taken over.

Pursuant to Article 97 of the Competition Act, entrepreneurs involved in a concentration that is subject to notification are obliged to refrain from completing the concentration until the UOKiK President issues a merger clearance or as long as the time limit during which such a decision should be issued has not lapsed. However, the implementation of the public offering to purchase or exchange shares, of which the UOKiK President has been notified, does not constitute a breach of the statutory obligation to refrain from completing the concentration before the UOKiK President's merger decision or before the lapse of the time limit during which such decision should be issued, if the purchaser does not exercise the voting rights vested in the shares or does so solely for the purpose of preserving the full value of its capital investment or to prevent a material loss that might affect the entrepreneurs involved in the concentration.

The UOKiK President may, *inter alia*, impose a fine on the entrepreneur, by virtue of a decision, in an amount not higher than 10% of the revenues generated in the reporting year preceding the year of imposing the fine, if

the entrepreneur completed the concentration without the required consent of the UOKiK President for such concentration.

EU Concentration Control

The requirements regarding the control of concentration also arise from the Concentration Control Regulation. This regulation governs concentration having a Community dimension and therefore applies to undertakings and their related parties which exceed specific thresholds of sales of goods and services. The Concentration Control Regulation only encompasses such concentrations in which a change of control on a lasting basis results from: (i) the merger of two or more previously independent undertakings or parts of undertakings; or (ii) the acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings, whether by purchase of securities or assets, by contract or by any other means, of direct or indirect control of the whole or parts of one or more other undertakings.

A concentration having a Community dimension is subject to the notification of the European Commission, which must issue a merger clearance before the final implementation of such concentration.

Under the EU Concentration Control Regulation, a concentration between undertakings has a Community dimension if:

- the total global turnover of all undertakings concerned amounts to more than EUR 5 billion, and
- the total turnover in the European Union of each of at least two undertakings concerned amounts to more than EUR 250 million, unless each of the undertakings concerned achieves more than two-thirds of its total turnover in the European Union within a single member state.

A concentration of enterprises that does not satisfy the above criteria also has a Community dimension if:

- the total global turnover of all the enterprises concerned amounts to more than EUR 2.5 billion,
- in each of at least three member states, the total turnover of all the enterprises concerned amounts to more than EUR 100 million,
- in each of at least three member states, specified for the purposes indicated above, the total turnover of each of at least two of the enterprises concerned amounts to at least EUR 25 million, and
- the total turnover in the European Community of each of at least two of the enterprises concerned amounts to more than EUR 100 million, unless each of the enterprises concerned achieves more than two-thirds of its total turnover in the Community in one and the same member state.

In specific cases, a concentration not having a Community dimension may be, in accordance with the EU Concentration Control Regulation, referred to the Commission for merger clearance.

A concentration which is notified and cleared under the EU Concentration Control Regulation is not subject to clearance from the UOKiK President.

TAXATION

The following general information does not constitute an exhaustive analysis of the tax results related to the acquisition, holding or disposal of the Shares under Polish, Luxembourg and United States tax laws. Therefore, investors should always consult their own tax, financial or legal advisers. The term "dividend" used below, as well as any other term applied in this information, shall have the meaning ascribed thereto under Polish, Luxembourg and United States tax law, as applicable.

The tax consequences described in this general overview may not apply to a holder of the Shares. Investors should therefore consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of the Shares.

Polish Taxation

The following is a discussion of certain Polish tax considerations relevant to an investor residing in Poland or which is otherwise subject to Polish taxation. This information should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this Prospectus, it may thus be subject to change including a change with retroactive effect. Any change may negatively affect the tax treatment described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Shares are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, or other circumstances related to the Shares. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g., domestic or foreign investment funds).

The reference to "dividend" as well as to any other terms in the paragraphs below means "dividend" or any other term as understood in Polish tax law.

Income Earned on the Disposal of Securities by Individuals Who Are Polish Tax Residents

In accordance with Article 3, section 1 of the PIT Act, natural persons, *provided that* they reside within the territory of the Republic of Poland, are required to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person is deemed to be "residing within the territory of the Republic of Poland" if: (i) such person's center of personal or economic interests (the center of vital interests) is within the territory of the Republic of Poland; or (ii) such person stays within the territory of the Republic of Poland more than 183 (one hundred and eighty-three) days in a calendar year.

The above-mentioned rules should be applied subject to the relevant double tax treaties to which the Republic of Poland is a party (Article 4a of the PIT Act). Such treaties may specifically contain a different definition of the term "residence" in respect of a natural person or further clarify the notion of tax residency in case of a conflict.

If a Polish resident disposes of property located in another country, the tax treaty between Poland and that country applies.

Pursuant to Article 30b, section 1 of the PIT Act, income from the disposal of securities (including shares) or financial derivatives for consideration is taxed at a flat rate of 19%. Capital gains are calculated as the difference between the proceeds from the disposal of the securities (in principle, the value of the securities at the price set forth in a contract) and the tax-deductible costs (in principle, the expenditure related to the acquisition of the securities or their subscription).

In principle, capital gains arise at the moment of transferring the ownership of the shares and securities to the buyer.

Such income is not aggregated with income from other sources and is taxed separately.

If a taxpayer performs a gainful disposal of securities acquired at different prices and it is not possible to establish the purchase price of the securities disposed of, in determining the income from that disposal, the rule holding that every disposal refers to securities acquired on a first-in, first-out basis applies. Generally, the rule mentioned above applies separately to each securities account.

During the tax year, individuals who obtain capital gains are not required to make any income tax prepayment. Neither tax nor prepayment on the above-mentioned income is withheld by tax remitters. However, after the end of a given tax year, which in the case of individuals is the same as the calendar year, taxpayers earning income from the disposal of securities for consideration are required to disclose such income in their capital gains annual tax return, calculate the due amount of tax and pay it to the account of the relevant tax office by the end of April of the year immediately following the tax year in which the disposal of securities for consideration was made.

In the case of a tax loss generated on the disposal of securities in a given tax year, such loss may decrease the income generated from such source (i.e., from the disposal of securities) for the next five (5) consecutive tax years; however, the amount of such decrease in any particular year cannot exceed 50% of the loss. A tax loss generated on the disposal of securities cannot be combined with tax losses generated by the taxpayer from other titles (sources of revenues; *e.g.*employment income).

The above regulations do not apply if the securities are sold as a result of the performance of any business activities as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled pursuant to general terms (applicable to taxation of business activity income). In such a case, the individual should pay the tax at the 19% flat rate or the progressive rate of from 18% to 32%, depending on the individual's choice and the meeting of certain conditions.

Income Earned on the Disposal of Securities by Individuals Who Are Not Polish Tax Residents

In accordance with Article 3, section 2a of the PIT Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). Pursuant to Article 4a of the PIT Act, the above-mentioned regulation is applied taking into account the double tax treaties to which the Republic of Poland is a party.

In accordance with Article 3, section2b of the PIT Act, income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) work performed in the territory of the Republic of Poland based on a service relationship, employment relationship, telecommuting system and cooperative employment relationship irrespective of the place where remuneration is paid; (ii) activity performed in person in the territory of the Republic of Poland irrespective of the place where remuneration is paid; (iii) economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (iv) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (v) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (vi) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment

funds or mutual fund institutions where real-estate property located on the territory of the Republic of Poland or rights to such property, directly or indirectly, constitute at least 50% of their assets; and (vii) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

The list of income (revenues) gained in Poland, as provided in Article 3, section 2b of the PIT Act is not exhaustive; therefore, other income (revenues) may also be considered as earned in Poland.

Individuals subject to limited tax liability who earn income from the disposal of securities in Poland should follow similar taxation rules governing the disposal of securities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. In light of Article 30b, section 3 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such treaty is possible *provided that* the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence. If tax is payable in Poland, individuals subject to limited tax liability should be registered for taxation purposes in Poland and meet applicable filing requirements.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents

Under Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, *inter alia*, income from the redemption of shares, the value of the assets received in connection with the liquidation of the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person.

Pursuant to Article 30a, section 1, item 4 of the PIT Act, income (revenue) earned by individuals from dividends and other revenue from a share in the profits of legal persons is subject to taxation at a flat rate of 19%. If the price of the securities, without a justified reason, significantly differs from the market value thereof, capital gains will be determined by a tax authority at a level that reflects their market value.

The income (revenue) from the share in the profits of a legal person is the income (revenue) actually earned from that share (Article 24, section 5 of the PIT Act).

Pursuant to Article 41, section 4 of the PIT Act, a flat rate of income tax on payments made or cash or pecuniary values placed at a taxpayer's disposal (such as dividend payments and other income from shares in the profits of legal persons) is withheld by the entities that perform such actions. Although this is not clearly regulated in the Polish tax law, foreign entities should not act as Polish withholding tax remitters.

Under Article 41, section 4d of the PIT Act, tax on dividends and income received as a result of a redemption of shares, the value of property gained as a result of the liquidation of a legal person or a company and, in the case of a merger or division of companies – additional payments received in cash by shareholders of the target company, or the merged or divided companies, is withheld by the entities keeping the securities accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of the Republic of Poland and is associated with the securities registered in those accounts and, further, if the relevant payments are made to the taxpayers through those entities. Under Article 41, section 10 of the PIT Act, in terms of securities registered in omnibus accounts, the tax remitters of the flat-rate income tax on dividends and income from the redemption of shares, the value of property gained as a result of the liquidation of a legal person or a company and – in the case of a merger or division of companies – the additional cash payments

received by the shareholders of the target company, or the merged or divided companies, are the entities keeping the omnibus accounts through which the payments are made. The tax is withheld on the date on which the relevant dividend payment is released to the omnibus account holder.

Tax remitters must pay the due tax by the twentieth (20th) day of the month following the month in which the tax was withheld to the account of the relevant tax office. By the end of January of the year following the tax year, the tax remitters referred to in Article 41 of the PIT Act are required to send to the tax office headed by the chief of the tax office territorially competent for the registered office of the tax remitters an annual tax return on a standard form.

Income (revenue) from dividends and other revenue from a share in the profits of legal persons residing in Poland where a flat-rate tax was withheld is not aggregated with income from any other sources and is not disclosed in an annual tax return. Nevertheless, pursuant to Article 45, section 3b of the PIT Act, if the tax remitter does not withhold the tax, the individual is required to disclose the income tax due in its annual tax return filed by the end of April of the year following the given financial year and pay the tax.

Separate rules apply to dividends and other income from a share in the profits of legal persons on securities held in omnibus accounts. Under Article 30a, section 2a of the PIT Act, with respect to income (revenue) from dividends and other revenue from a share in the profits of legal persons transferred to taxpayers holding rights attached to securities registered in omnibus accounts whose identity has not been disclosed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder. Annual tax returns regarding this income are filed by the tax remitter (i.e., by the entities maintaining the omnibus accounts) with the tax office headed by the chief of the competent tax office. Under Article 45, section 3c of the PIT Act, taxpayers are required to disclose the amount of dividends in an annual tax return if securities were registered in an omnibus account and the taxpayer’s identity was not disclosed to the tax remitter.

Dividend income obtained by an individual who is a Polish resident from a company resident in another country will be taxed taking into account the double tax treaties to which the Republic of Poland is a party.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Not Polish Tax Residents

In accordance with Article 3, section 2a of the PIT Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). Pursuant to Article 4a of the PIT Act, the above-mentioned regulation is applied taking into account the double tax treaties to which the Republic of Poland is a party.

Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) work performed in the territory of the Republic of Poland based on a service relationship, employment relationship, telecommuting system and cooperative employment relationship irrespective of the place where remuneration is paid; (ii) activity performed in person in the territory of the Republic of Poland irrespective of the place where remuneration is paid; (iii) economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (iv) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (v) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (vi) the transfer of the ownership of shares in a company, all rights and obligations in a company that is

not a legal person, shares in investment funds or mutual fund institutions where property located on the territory of the Republic of Poland or rights to such real-estate property, directly or indirectly, constitute at least 50% of their assets; and (vii) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Individuals subject in Poland to limited tax liability who earn income from the income from a share in the profits of a legal person should follow similar taxation rules governing dividends and other income from a share in the profits of a legal person as specified above in respect of Polish tax residents, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. Polish tax regulations apply; however, in light of Article 30a, section 2 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such treaty is possible if the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence.

As a rule, if the place of residence, for tax purposes, was documented with a certificate of tax residence with no validity period indicated, the tax remitter applies such certificate for the period of twelve consecutive months from the date of issuance. In the event that within the period of twelve months from the date of issuance of the certificate of tax residence the place of residence of the taxpayer has changed, the taxpayer is obliged to immediately document his place of residence, for tax purposes, with a new certificate.

Separate rules apply to dividends and other income from a share in the profits of legal persons on securities held in omnibus accounts. Under Article 30a, section 2a of the PIT Act, with respect to income (revenue) from dividends and other revenue from a share in the profits of legal persons transferred to taxpayers holding rights attached to securities registered in omnibus accounts whose identity has not been disclosed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder. Annual tax returns regarding this income are filed by the tax remitter (i.e., by the entities maintaining the omnibus accounts) with the tax office headed by the chief of the tax office competent for the taxation of foreign entities.

If the tax remitter does not withhold the tax and Polish tax is due, the individual is required to be registered for Polish taxation, disclose the income tax due in its annual tax return filed by the end of April of the year following the given financial year and pay the tax.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Polish Tax Residents

Pursuant to Article 1, sections 1 and 2 of the CIT Act, corporate income tax is paid by legal persons, companies in organization and organizational entities that have no legal personality (except for companies that have no legal personality, although the CIT Act also applies to limited joint stock partnerships having their seat or management board within the territory of the Republic of Poland).

In accordance with Article 3, section 1 of the CIT Act, taxpayers having their seat or management board within the territory of the Republic of Poland are required to pay tax on all of their income, irrespective of the location of the source of revenues (unlimited tax liability).

If a Polish resident disposes of real-estate property located in another country, the tax treaty between Poland and that country applies.

Gains on the disposal of securities by a corporate income taxpayer having its seat or management board within the territory of the Republic of Poland are subject to taxation under the general rules stipulated in the CIT Act. Taxable income is the difference between the proceeds from the disposal of securities (in principle, the price of securities stated in the agreement) and the tax-deductible costs (in principle, the expenditure related to the acquisition of the securities or their subscription). If the price of the securities, without a justified reason, significantly differs from the market value thereof, capital gains will be determined by a tax authority at a level that reflects their market value. Income from the disposal of securities for consideration is aggregated with the income of the taxpayer earned from other sources to form the taxable base. Pursuant to Article 19, section 1 of the CIT Act, the income of a corporate income taxpayer is taxed at a rate of 19% of the taxable base (with exceptions for so-called small taxpayers whose tax rate is reduced to 15%).

In the case of income from the disposal of securities for consideration, taxpayers are required to settle the tax themselves as the tax is not collected by the entity that pays for the securities. Taxpayers are required to make advance payments towards tax during the tax year and settle the income tax in an annual income tax return (Article 27, section 1 of the CIT Act). The deadline for filing such tax return is the end of the 3rd month following the tax year. The same deadline applies to the taxpayers' obligation to pay the due tax.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Not Polish Tax Residents

Pursuant to Article 3, section 2 of the CIT Act, taxpayers who do not have their seat or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland. Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (ii) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (iii) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (iv) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds or mutual fund institutions where real-estate property located on the territory of the Republic of Poland or rights to such real-estate property, directly or indirectly, constitute at least 50% of their assets; and (v) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Provisions of the CIT Act also apply to income obtained on the territory of the Republic of Poland by unincorporated partnerships without legal personality with their seat or management board in another state if they are treated as legal persons according to the tax legislation of that state and their entire income is taxable in that state, irrespective of where that income is earned (Article 1, section 3, point 2 of the CIT Act). Taxpayers subject to limited tax liability who earn income from the disposal of securities in Poland should follow similar taxation rules governing the disposal of securities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party.

If tax is payable in Poland, tax payers subject to limited tax liability should be registered for taxation purposes in Poland and meet applicable filing requirements.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Polish Tax Residents

As a rule, dividend income and other income from a share in the profits of legal persons with seats or management outside Poland is subject to taxation at a flat rate of 19% of the income earned. However, this rule is modified by the provisions of the relevant double tax treaty.

Pursuant to Article 20, section 3 of the CIT Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons with seats or management outside Poland are tax exempt in Poland if all of the following conditions are satisfied jointly: (i) the payer of dividends and other revenue from a share in the profits of legal persons is a company whose entire income, irrespective of where it is earned, is subject to income tax in a Member State of the European Union or another Member State of the European Economic Area other than the Republic of Poland; (ii) the recipient of income (revenue) from dividends and other revenue from a share in the profits of legal persons as referred to in section (i) is a company that is an income tax payer and has its seat or management board in the territory of the Republic of Poland; (iii) the company referred to in section (ii) directly holds no less than 10% of shares in the equity of a company as referred to in section (i); and (iv) the company referred to in section (ii) does not enjoy an exemption from income tax on its entire income, irrespective of the sources from which the income is earned.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their seat or management board within the territory of Poland has at least a 10% shareholding in the company paying out dividends continuously for two years. The exemption also applies if the two-year period of continuous holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person having its registered seat or management board within the territory of the Republic of Poland ends after the date of obtaining such income (revenues). In the case of failure to satisfy the condition of holding shares in the required amount continuously for two years, the taxpayer will be required to pay 19% tax, including default interest, on the income (revenues) by the 20th day of the month following the month in which it was deprived of the right of exemption. Interest is calculated as of the day following the day on which the taxpayer first exercised the right to an exemption.

In accordance with Article 20, section 15 of the CIT Act the tax deduction and exemption referred to above apply, in particular: (i) if the shareholding referred to in Article 20, section 2, item 3, and section 3, item 3 of the CIT Act is based on a title of ownership; and (ii) with respect to income earned from shares held on the basis of a title of ownership or other than a title of ownership, provided the exemption would apply to such income (revenue) if the shares were not transferred.

Moreover, Article 20, section 3 of the CIT Act does not apply to dividends and other income (revenues) derived from shares in the profit of legal persons to the extent in which in the country of the company referred to in Article 20 section 3, item 1 of the CIT Act the amounts paid are subject in any way to inclusion in tax-deductible expenses, deduction from income, the taxable base, or the tax of the company paying them.

The exemption does not apply if dividends or other amounts due on account of a share in the profits of legal persons are paid as a result of the paying company's liquidation.

According to Article 22b of the CIT Act, the above-referenced exemption under Article 20, section 3 of the CIT Act applies on the condition that there are legal grounds for it under a double tax treaty or another ratified international agreement to which the Republic of Poland is a party for the tax authority to obtain tax information from a tax authority of a state other than the Republic of Poland where the taxpayer has its registered seat or where the income was generated.

Pursuant to the Article 22c, section 1 of the CIT Act, Article 20, section 3 of the CIT Act does not apply if income (revenue) from dividends and other revenues from the participation in profits of legal persons is earned in connection with the conclusion of an agreement or performance of another legal act or many related legal acts whose main objective or one of the main objectives was to obtain an income tax exemption under Article 20, section 3 of the CIT Act, and obtaining such exemption does not result only in the elimination of double taxation of such income (revenue), and the acts referred to above are not real. For the purposes of Article 22c, section 1 of the CIT Act, an agreement or other legal act is not real to the extent in which it is not performed for justified economic reasons. In particular, this refers to the situation where, by the actions referred to in Article 22c, section 1 of the CIT Act, the ownership of shares in a company distributing dividends is transferred or the company earns revenue (income) which is then paid in the form of a dividend or in the form of other revenue from the participation in the profits of legal persons.

Please note that the applicability of the above exemption is not clear taking into account recently introduced source of income regulations. The investors who intend to apply the exemption should consult their tax advisors.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in omnibus accounts, with the remitter being obliged to pay the withholding tax. In such cases, investors should seek advice from their tax counsel.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Not Polish Tax Residents

Pursuant to Article 3, section 2 of the CIT Act, taxpayers who do not have their seat or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland. Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (ii) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (iii) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (iv) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds or mutual fund institutions where real-estate property located on the territory of the Republic of Poland or rights to such real-estate property, directly or indirectly, constitute at least 50% of their assets; and (v) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Provisions of the CIT Act also apply to income obtained on the territory of the Republic of Poland by unincorporated partnerships without legal personality with their seat or management board in another state if they are treated as legal persons according to the tax legislation of that state and their entire income is taxable in that state, irrespective of where that income is earned (Article 1, section 3, point 2 of the CIT Act). In the case of taxation, taxpayers subject to limited tax liability who earn income from dividends and other income from a share in the profits of legal persons should follow similar taxation rules governing the income from dividends and other income from a share in the profits of legal persons obtained by Polish tax residents

specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. Applicability of the double tax treaty requires keeping a certificate of tax residency.

As a rule, if the place of residence, for tax purposes, was documented with a certificate of tax residence with no validity period indicated, the tax remitter (if any) applies such certificate for the period of twelve consecutive months from the date of issuance. In the event that within the period of twelve months from the date of issuance of the certificate of tax residence the place of residence of the taxpayer has changed, the taxpayer is obliged to immediately document his place of residence, for tax purposes, with a new certificate.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in omnibus accounts, with the remitter being obliged to pay the withholding tax. In such cases, investors should seek advice from their tax counsel.

If tax is payable in Poland and not withheld by the remitter, tax-payers subject to limited tax liability should be registered for taxation purposes in Poland and meet applicable filing requirements.

Transfer Tax (Tax on Civil Law Transactions)

Pursuant to Article 1, section 1, item 1, letter a), in conjunction with Article 1, section 4 of the Tax on Civil Law Transactions Act, transfer tax applies to agreements for the sale or exchange of property and property rights, *provided that* they cover property located in Poland or property rights exercised in Poland, including securities. In principle, shares in a foreign (non-Polish) company are considered as rights exercisable outside of Poland. These rights are considered to be subject to the Tax on Civil Law Transactions Act only if the buyer has its permanent address or registered seat in Poland and the transaction is performed in Poland.

Transfer tax applies to sale or exchange contracts if the rights which are the subject of the transaction are to be exercised within the territory of the Republic of Poland (e.g., shares in a Polish company), or if the rights are exercised outside the Republic of Poland, *provided that* the agreement evidencing the sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The tax is 1% of the market value of the securities which are the subject of the transfer and the tax should be paid within 14 days after the sale or exchange agreement is entered into with the corresponding registration for tax and filing requirements. In principle, the tax liability is borne by the buyer in the case of a sale agreement and by the parties to the exchange in the case of an exchange agreement.

In certain situations, the tax authorities may adjust the taxable base. The tax should be paid within 14 days after the transaction is concluded.

In accordance with Article 9, item 9 of the Tax on Civil Law Transactions Act, the sale of property rights which are financial instruments:

(i) to investment companies or foreign investment companies, or

(ii) through the intermediation of investment companies or foreign investment companies, or

(iii) through organized trading, or

(iv) outside organized trading by investment companies or foreign investment companies if such financial instruments were acquired by such companies as a part of organized trading,

within the meaning of the provisions of the Act of 29 July 2005 on Trading in Financial Instruments, shall be exempt from the tax on civil law transactions.

Taxation of Gifts and Inheritance

Pursuant to Article 1, section 1 of the Gifts and Inheritance Tax Act, inheritance and gift tax is imposed on the acquisition of title to any tangible property located in the Republic of Poland and any property rights exercised in the Republic of Poland by natural persons, by among others inheritance, general legacy, further legacy, specific legacy, testamentary instruction, gift and donor's instruction. Pursuant to Article 2 of the Gifts and Inheritance Tax Act, inheritance and gift tax is also imposed on the acquisition of tangible property located abroad or of property rights exercised abroad if, on the date of the opening of the succession or conclusion of a gift agreement, the donee was a citizen or permanent resident of the Republic of Poland.

The taxable base is the value of the property rights received after deducting debts and charges (i.e., the net value), assessed based on the condition of the property rights on the day of their receipt and based on the market prices applicable on the day the tax liability arose. The tax amount is calculated according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship with the person from whom the property rights were received or inherited. Inheritances and gifts are taxed at a progressive rate from 3% to 20% of the taxable base, depending on the tax group to which the recipient was assigned. There are certain amounts which are exempt from tax in each group. Except for cases in which the tax is collected and remitted by the tax remitter, taxpayers are required to file a tax return specifying the receipt of the property rights with the competent head of the tax office. The tax return should be accompanied by documents justifying the amount of the taxable base. The tax is paid within 14 days from receiving the decision issued by the head of the tax office assessing the amount of tax liability.

Under Article 4a, section 1 of the Gifts and Inheritance Tax Act, the receipt of title to property or property rights (including securities) by a spouse, descendant, ascendant, step child, siblings, stepfather and stepmother is tax exempt, *provided that* they notify the competent head of the tax office of the receipt of title to the property rights within six months from the date the tax liability arose, or, in the case of their receipt by right of succession, within six months from the date the court decision on accession to the estate becomes final and binding. The tax exemption applies if, on the acquisition date, the acquirer was a citizen of the Republic of Poland or of any Member State of the European Union or the European Free Trade Association (EFTA), a party to the European Economic Area agreement, or resided on a permanent basis in the territory of the Republic of Poland or any such Member State.

In the case of failure to meet these conditions, the receipt of title to the property rights is subject to taxation on general terms.

In addition, tax is not imposed on the acquisition of any property rights exercised in the Republic of Poland if, on the acquisition date, neither the donee nor the decedent or donor were Polish citizens and had their permanent place of residence or seat in the Republic of Poland.

Remitter's liability

Pursuant to Article 30, paragraph 1 of the Tax Ordinance, a tax remitter failing to fulfill its duty to calculate, withhold or pay tax to a relevant tax authority is liable for the tax that has not been withheld or that has been withheld but not paid, up to the value of all its assets. The tax remitter is not liable if the relevant provisions provide otherwise or the tax has not been withheld due to the tax payer's fault. In such a case, the relevant tax authority issues a decision concerning the tax payer's liability and not tax remitter's liability.

Luxembourg taxation

Where in this overview English terms and expressions are used to refer to Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Luxembourg concepts under Luxembourg tax law. A reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*). Corporate shareholders may be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may also apply.

This overview is based on current legislation, existing administrative and judicial interpretations thereof and practice in force in Luxembourg on the date of this prospectus, all of which are subject to change.

If there is a change in the legislation, the prevailing administrative or judicial interpretation thereof or in the practice, in each case including changes having retroactive effect, the information included herein will need to be re-assessed in light of any such changes. The Issuer or its advisors are under no obligation to update the prospectus for any such changes occurring after its date of issuance or to inform any person, of any changes of law, administrative or judicial interpretation thereof or practice or other matters coming to their knowledge and occurring after the date hereof, which may affect this prospectus in any respect. Neither the Issuer nor its advisors are liable for any loss which may arise as a result of current, or changes in, applicable tax laws, administrative or judicial interpretation thereof or practice.

In particular, the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) project, the Anti-Tax Avoidance Directives proposed by the European Union ("**EU**") Commission, as well as the Multilateral Instrument to modify bilateral tax treaties, could result in significant changes to tax laws and practices in multiple jurisdictions, including Luxembourg, after the date of this prospectus and could therefore have the most significant future impact on the information given in this prospectus.

Taxation of the Issuer – Income Tax

The net taxable profit of the Issuer is subject to Luxembourg corporate income tax and municipal business tax. Corporate income tax is levied at a rate of 19% in 2017, where the taxable income exceeds EUR 30,000 (plus a 7% surcharge for the contribution to the employment fund). Municipal business tax is levied at a variable rate according to the municipality in which the company is located (6.75% in Luxembourg City). The 2017 aggregate corporate income tax and municipal business tax rate consequently amounts to 27.08% for companies established in Luxembourg City, with a taxable income exceeding EUR 30,000. The use of carried-forward losses realized as from fiscal year 2017 are time-restricted to 17 years. The carry back of tax losses is however prohibited.

Under the participation exemption regime ("**Participation Exemption Regime**"), dividends and liquidation proceeds received by the Issuer are exempt from income tax if (i) the distributing company is a qualified subsidiary ("**Qualified Subsidiary**") and (ii) at the time the dividend becomes available to the Issuer, the latter has held or commits itself to hold for an uninterrupted period of at least 12 months, a qualified shareholding ("**Qualified Shareholding**"). A 'Qualified Subsidiary' is, *inter alia*, (a) a company covered by Article 2 of the amended Directive 2011/96/EU of the Council of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States ("**EU Parent-Subsidiary Directive**") (b) a Luxembourg resident capital company, fully subject to tax, and (c) a non-resident capital company (*société de capitaux*) liable to a tax corresponding to Luxembourg corporate income tax. Based on Luxembourg Parliamentary preparatory work, an effective foreign corporate income tax

rate of at least half of the Luxembourg corporate income tax, and levied under a set of rules similar to the ones applicable in Luxembourg is considered as corresponding to Luxembourg corporate income tax. A Qualified Shareholding means shares representing a direct participation of at least 10% in the share capital of the Qualified Subsidiary or a direct participation in the Qualified Subsidiary having an acquisition price of at least EUR 1.2 million. The participation exemption may not apply to profit distributions by EU companies that (i) are tax deductible for the distributing EU resident entity, or (ii) are made in the framework of an arrangement which, having been put in place with the (or one of the) main purpose(s) of obtaining a tax advantage defeating the objects and purposes of the EU Parent-Subsidiary Directive, is not genuine having regard to all its relevant facts and circumstances.

Participations held through a tax transparent entity are considered to be held directly and proportionally to the percentage held in the net assets of the transparent entity.

In so far as a dividend from a Qualified Shareholding is Luxembourg tax exempt in a given fiscal year, are non-tax deductible up to the dividend amount (a) any expenses incurred during the same fiscal year, in economic relation with this exempt income (e.g. interest on debt financing the Qualified Shareholding, operating expenses, foreign withholding tax, write down), as well as (b) the potential write down on the Qualified Shareholding, recorded after the distribution of the tax exempt dividend. The amount of expenses exceeding the tax exempt dividend or expenses related to the qualifying participation and incurred in the absence of a dividend distribution are tax deductible but subject to recapture upon the disposal of the Qualified Shareholding at a gain (see below).

Capital gains (determined as positive the difference between the price for which shares have been disposed of and their cost or book value) realized by the Issuer on shares are subject to income tax at ordinary rates, unless the conditions of the Participation Exemption Regime are satisfied: in that case, Qualified Shareholding means shares representing a direct participation of at least 10% in the share capital of the Qualified Subsidiary or a direct participation in the Qualified Subsidiary having an acquisition price of at least EUR 6 million. If the company realizing the Luxembourg tax exempt capital gain incurred in previous fiscal year(s) tax deductible expenses in economic relation with a Qualified Shareholding, these expenses must be recaptured at the time of the sale of the participation, up to the amount of the gain. The capital gain will be subject to tax up to the amount of the expenses subject to recapture which have decreased the taxable basis of the company in any prior fiscal year, including the year of the sale. Carried forward tax losses can be deducted from the taxable basis of the company, against these expenses so-recaptured (bearing in mind that tax losses may be carried forward during a period of maximum 17 years, as mentioned above). If the Participation Exemption Regime does not apply, 50% of the gross amount of dividends received by the issuer is exempt from income tax, under certain conditions.

Taxation of the Company – Net Wealth Tax

The Issuer is subject to annual Luxembourg net wealth tax at the rate of 0.5% (or at a rate of 0.05% for the portion of the net wealth exceeding EUR 500 million) on its net assets. The net wealth tax basis is the so called "unitary value" (*valeur unitaire*), determined at January 1, of each year as the difference between: (i) assets, valued at in accordance with Luxembourg valuation rules and (ii) liabilities (excluding the equity of the Issuer e.g. share capital, share premium, legal reserve, freely distributable reserve(s), capital surplus etc.). Under the participation exemption regime (described above), a Qualified Shareholding held in a Qualified Subsidiary by the Issuer is exempt; the minimum holding period requirement is not relevant for net wealth tax purposes. Debts funding a Qualified Shareholding are non-deductible for net wealth tax purposes, up to the amount of the Qualified Shareholding.

Even if the Issuer is not subject to the regular annual net wealth tax, it is subject to the annual minimum net wealth tax ("**Minimum Net Wealth Tax**"). The Minimum Net Wealth Tax amounts to EUR 4,815 in 2017, for Luxembourg collective entities where the total of the company's financial fixed assets, receivables held against affiliated companies and companies in which they hold a shareholding, transferable securities, cash at

bank, cash in postal checking accounts, checks, and cash in hand (i.e. assets booked under captions 23, 41, 50 and 51 of the Luxembourg Standard Chart of Accounts) exceed 90 per cent of the total balance sheet and EUR 350,000. If the total balance sheet does not exceed EUR 350,000, the annual Minimum Net Wealth Tax will be limited to EUR 535.

All other companies which do not meet the aforementioned conditions are subject to the annual minimum NWT on the basis of their total balance sheet according to a progressive tax scale varying from EUR 535 to EUR 32,100.

Taxation of the Company – Other Taxes

The issue of the Shares against contributions in cash as well as amendments to the articles of association are currently subject to a EUR 75 fixed duty. The disposal of the Shares is not subject to a Luxembourg registration tax or stamp duty, unless recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

Taxation of the shareholders – Withholding tax

Dividends (including deemed dividends) paid by the Issuer to its shareholders are, as a rule, subject to a 15% withholding tax in Luxembourg, if levied on the gross dividend amount, or 17.65% if levied on the net dividend amount put at the disposal of the beneficiary. A domestic withholding exemption may apply if, at the time the income is made available, (i) the receiving entity is an eligible parent that (ii) has held or commits itself to hold for an uninterrupted period of at least 12 months a participation of at least 10% of the share capital of the Issuer or a participation of an acquisition price of at least EUR 1.2 million. Eligible parents include, *inter alia*, (a) companies covered by Article 2 of the amended EU Parent-Subsidiary Directive and permanent establishments thereof (b) companies resident in States having a double tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg corporate income tax, and Luxembourg permanent establishment thereof (c) capital companies (*société de capitaux*) or cooperative companies (*société coopérative*) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg corporate income tax, and Luxembourg permanent establishment thereof (d) Swiss capital companies (*société de capitaux*) that are effectively subject to corporate income tax in Switzerland without benefiting from an exemption. The exemption may not apply to profit distributions to EU companies that are made in the framework of an arrangement which, having been put in place with the (or one of the) main purpose(s) of obtaining a tax advantage defeating the objects and purposes of the EU Parent-Subsidiary Directive, is not genuine having regard to all its relevant facts and circumstances.

Capital gains and liquidation proceeds are not subject to a withholding tax.

The 15% withholding tax, if applicable, may be reduced pursuant to the provisions of the relevant double tax treaty, if any.

There is no withholding tax on ordinary arm’s length interest payments (except for interest on certain profit sharing bonds, hybrid instruments treated as equity and interest paid by thinly capitalized companies holding shares or performing intragroup financing activities and interest paid to Luxembourg resident individuals as per the Law of 23 December 2005 (as amended)).

No withholding tax applies upon repayment of the principal of a loan (except for hybrid instruments treated as equity under certain circumstances).

Directors’ fees - Withholding tax

Directors’ fees (*tantièmes*) paid by a Luxembourg company to its directors in consideration for their executive positions (i.e. not within the context of an employment agreement for the day-to-day management) and related

non-deductible VAT for Luxembourg tax purposes, are non-deductible for corporate income tax and municipal business tax purposes at the level of the Luxembourg company and are subject to withholding tax at a rate of 20% on the gross amount of such fees (25% on the net amount).

Taxation of Luxembourg resident shareholders

(a) Individual shareholders

Resident individuals shareholders, acting in the course of the management of either their private wealth or their professional / business activity, are subject to income tax at the progressive ordinary rate (with a top effective marginal rate of currently 45.78% including solidarity surcharges on dividends, and other payments derived from Share ownership). A 50% exemption applies to the gross amount of dividends received by resident individuals from (i) a fully taxable Luxembourg resident capital company (*société de capitaux*) (ii) a capital company (*société de capitaux*) resident in a State having a double tax treaty in place with Luxembourg and subject to a tax corresponding to Luxembourg corporate income tax or (iii) a company resident in a EU Member State and covered by Article 2 of the EU Parent-Subsidiary Directive. A total lump-sum of EUR 1,500 (doubled for individual taxpayers who are jointly taxable) is also deductible from total investment income (dividends and interest) received during the tax year. In addition, either actual income related expenses (e.g. bank fees) are deducted provided they are supported by documents, or a lump-sum deduction of EUR 25 applies (also doubled for individual taxpayers who are jointly taxable).

A tax credit is usually granted for the 15% withholding tax.

Capital gains realized on the disposal of the Shares by resident individual shareholders, acting in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either (i) as speculative gains or (ii) as gains on a substantial participation.

(i) Capital gains are deemed to be speculative gains and are subject to income tax at as miscellaneous income ordinary rates for resident individuals (with a top marginal rate of 45.78% for the year 2017) if the Shares are disposed of within 6 months post acquisition or if disposal precedes acquisition.

(ii) A participation is deemed to be substantial where a resident shareholder holds, either alone or together with his spouse/partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Issuer ("**Substantial Participation**"). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are subject to income tax as miscellaneous income according to the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation leading to a top effective rate of 22.89% for the year 2017) and may benefit from an allowance of up to EUR 50,000 granted for a ten-year period (doubled for individual taxpayers who are jointly taxable). Capital gains realized on the disposal of the Shares by resident individual shareholders, acting in the course of their professional / business activity, are subject to income tax at ordinary rates.

A disposal may include a sale, exchange, contribution or any other kind of alienation of the shares. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

(b) Corporate shareholders

Dividends and liquidation proceeds derived from, and capital gains realized on the Shares by a Luxembourg fully taxable resident company are in principle subject to corporate income tax and municipal business tax, unless the conditions of the Participation Exemption Regime are satisfied. Should such conditions not be fulfilled, a 50% exemption of the dividends received by a Luxembourg fully-taxable resident company still applies for corporate income tax and municipal business tax purposes, under certain circumstances.

A tax credit is usually as granted for the 15% withholding tax, if any applicable.

(c) Tax exempt shareholders

Certain shareholders, such as entities governed by (a) the law of June 15, 2004 on the investment company in risk capital (as amended), or (b) the law of May 11, 2007 on family estate management companies (as amended) or (c) the law of February 13, 2007 on specialized investment funds (as amended) or (d) undertakings for collective investment subject to the law of December 17, 2010 (as amended) or (e) reserved alternative investment funds within the meaning of the law of July 23, 2016 (as amended) may be exempt on income derived from, and capital gains realized on, the Shares for Luxembourg income tax purposes.

Taxation of Luxembourg non-residents shareholders

Non-resident shareholders who have neither a permanent establishment nor a permanent representative/dependent agent in Luxembourg to which the Shares are allocable, are generally not liable to Luxembourg income tax on dividends received or on capital gains realized upon sale of Shares.

As an exception, capital gains realized (i) on a substantial participation within the first 6 months after the acquisition thereof, and (ii) capital gains realized by a shareholder who was a Luxembourg resident for more than 15 years and has become a non-resident for less than five years prior to the realization of the capital gain, are subject to income tax in Luxembourg at ordinary rates (i.e. 20.33% for non-resident corporate shareholders in 2017 and at progressive rates for non-resident individual shareholders). Most double tax conventions in force prevent such capital gain taxation.

Dividends received from, and capital gains (determined as positive the difference between the price for which the Shares have been disposed of and the lower of their cost or book value) realized on, Shares held by a Luxembourg permanent establishment of a non-resident shareholder are subject to Luxembourg income tax, unless the conditions for the application of the Participation Exemption Regime are satisfied. In particular, a full exemption is available if cumulatively (i) the Shares are attributable to a qualified permanent establishment ("**Qualified Permanent Establishment**") and (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits itself to hold for an uninterrupted period of at least 12 months a Qualified Shareholding. A Qualified Permanent Establishment means (a) a Luxembourg permanent establishment of a company covered by Article 2 of the EU Parent-Subsidiary Directive, (b) a Luxembourg permanent establishment of a capital company (*société de capitaux*) resident in a State having a tax treaty with Luxembourg and (c) a Luxembourg permanent establishment of a capital company (*société de capitaux*) or a cooperative company (*société coopérative*) resident in the European Economic Area other than a EU Member State. Qualified Shareholding means shares representing a direct participation of at least 10% in the share capital of the Qualified Subsidiary or a direct participation in the Qualified Subsidiary having an acquisition price of at least EUR 1.2 million. If the Participation Exemption Regime does not apply, 50% of the gross amount of dividends received by a Luxembourg permanent establishment is exempt from income tax, under certain conditions. A tax credit is further granted for the 15% withholding tax, if any.

Other Taxes – Net Wealth Tax

Corporate shareholders resident in Luxembourg are subject to annual net wealth tax, levied at a rate of 0.5% (or at a rate of 0.05% for the portion of the net wealth exceeding EUR 500 million) on its net assets, unless they are entities governed by (a) the law of December 17, 2010 on undertakings for collective investment (amending the law of December 20, 2002), or (b) the law of March 22, 2004 on securitization (as amended), or (c) the law of June 15, 2004 on the investment company in risk capital (as amended), or (d) the law of May 11, 2007 on family estate management companies (as amended) or (e) the law of July 13, 2005 on Luxembourg pension structures (as amended) or (f) the law of February 13, 2007 on specialized investment funds (as amended) and (g) reserved alternative investment funds within the meaning of the law of July 23, 2016. However, please note that securitization companies governed by the law of March 22, 2004, or investment company in risk capital governed by the law of June 15, 2004, or Luxembourg pension structures

governed by the law of July 13, 2005 (SEPCAV or ASSEP), or reserved alternative investment funds governed by the law of July 23, 2016 may, under certain conditions, be subject to Minimum Net Wealth Tax. A Qualified Shareholding held in a Qualified Subsidiary by the Issuer is exempt; the minimum holding period requirement is not relevant for net wealth tax purposes.

Non-resident corporate shareholders are only subject to net wealth tax in Luxembourg in respect of the Shares if such holding is effectively connected to a permanent establishment through which the holder carries on a business in Luxembourg.

Individuals are not subject to Luxembourg net wealth tax.

Inheritance and gift tax

Under Luxembourg Inheritance and gift tax law, where an individual shareholder is a resident of Luxembourg at the time of his/her death, the Shares are included in his or her taxable basis for inheritance tax purposes. On the contrary, no inheritance tax is levied on the transfer of the Shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

Gift tax may be due on a gift or donation of the Shares, if the gift is embodied in a Luxembourg notarial deed or otherwise registered in Luxembourg, which is generally not required.

Other taxes and duties

The holding or disposal of the Shares is, in principle, not subject to a Luxembourg registration tax or stamp duty. A fixed or *ad valorem* registration duty may however apply upon voluntary registration of a document in relation to the Shares in Luxembourg or if such document is annexed to a document which is registrable with the *Administration de l'Enregistrement et des Domaines*, for instance in case of notification by a bailiff, or if it is deposited with the official records of the notary ("*déposé au rang des minutes d'un notaire"*), or is attached to a notarial deed.

Common Reporting Standard

The OECD has developed the Common Reporting Standard ("**CRS**") which aims at implementing automatic exchange of financial account information among participating countries.

On December 9, 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU ("**DAC 2**") was adopted in order to implement the CRS among the EU Member States. The DAC 2 was implemented into Luxembourg law by the law of December 18, 2015 ("**CRS Law**"). The CRS Law requires Luxembourg financial institutions to identify financial account holders and to determine whether they are tax resident in an EU Member State and/or a country with which Luxembourg has an exchange of information agreement. Luxembourg financial institutions will need to report financial account information of such account holders to the Luxembourg tax authorities which will remit such information to the competent foreign tax authorities of the other country.

It is the intention of the Issuer to procure that it is treated as complying with the requirements that the CRS Law places upon it. However, no assurance can be provided that the Issuer will be able to comply with the CRS Law and, in the event that it is not able to do so, it could be exposed to fines which may reduce the amounts available to it to make payments to Investors. Investors will be required to provide certain information to the Issuer to comply with the reporting obligations under the CRS Law. To ensure compliance with the CRS Law in accordance with the foregoing, it may:

a. request information or documentation, including self-certification forms, a tax identification number (if applicable), or any other relevant information in order to ascertain such Investor's status; and

b. report information concerning an Investor and its account holding in the Issuer to the Luxembourg tax authorities if such Investor is a reportable accountholder under the CRS Law.

Investors should contact their own tax advisers regarding the application of the CRS Law to their particular circumstances and their investment in the Issuer.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences to U.S. Holders (as defined below) of owning and disposing of Shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the Shares. This discussion applies only to a U.S. Holder that acquires Shares in this offering and holds them as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences or the Medicare contribution tax on net investment income, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or certain traders in securities;
- certain expatriates;
- persons holding Shares as part of a "straddle" or integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- persons that own or are deemed to own 10% or more of the Issuer's voting stock; or
- persons holding the Shares in connection with a trade or business outside the United States.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes owns Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the Shares.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (hereinafter, in this section, the "**Code**"), administrative pronouncements, judicial decisions, final, temporary and proposed Treasury Regulations and the income tax treaty between the United States and Luxembourg (hereinafter, in this section, the "**Treaty**"), all as of the date hereof and changes to any of which subsequent to the date of this Prospectus may affect the tax consequences described herein (possibly with retroactive effect).

A "U.S. Holder" is a beneficial owner of Shares that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local, and foreign tax consequences of owning and disposing of Shares in their particular circumstances.

Except as specifically described below, this discussion assumes that the Issuer was not, and will not become, a passive foreign investment company (a "**PFIC**").

Taxation of Distributions

Subject to the discussion in "*—Passive Foreign Investment Company Rules*" below, distributions paid on Shares (including the amount of any Luxembourg taxes withheld therefrom), other than certain pro rata distributions of ordinary shares to all shareholders, generally will be treated as dividends to the extent paid out of the Issuer's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Issuer does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends.

Dividends will be treated as foreign-source income for foreign tax credit purposes and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation as "qualified dividend income" and therefore may be taxable at rates applicable to long term capital gains. U.S. Holders should consult their tax advisers regarding the availability of these favorable rates on dividends in their particular circumstances. Dividends will generally be included in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend. The amount of any dividend paid in euros will be the U.S. dollar amount calculated by reference to the spot rate of exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt, and any such gain or loss will be U.S. source ordinary income or loss.

Subject to applicable limitations, Luxembourg income taxes withheld from dividends on Shares at a rate not exceeding any applicable rate under the Treaty generally will be creditable against the U.S. Holder's U.S. federal income tax liability (see sections "*Taxation—Luxembourg taxation—Taxation of the shareholders - Withholding tax*" and "*Taxation—Luxembourg taxation—Taxation of Luxembourg non-residents shareholders*"). Luxembourg taxes withheld in excess of any applicable rate under the Treaty will not be eligible for credit against a U.S. Holder's U.S. federal income tax liability. For foreign tax credit limitation purposes, dividends on Shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income." The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a credit, a U.S. Holder may elect to deduct such Luxembourg taxes in computing its taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

Sale or Other Taxable Disposition of Shares

Subject to the discussion in "*—Passive Foreign Investment Company Rules*" below, U.S. Holders will generally recognize taxable gain or loss on a sale or other taxable disposition of Shares equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. Holder's tax basis in such Shares, in each case as determined in U.S. dollars. This gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if at the time of sale or disposition the U.S. Holder has owned the Shares for more than one year. Any gain or loss generally will be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If the consideration received upon the sale or other disposition of Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received, translated at the spot rate of exchange on the date of taxable disposition. If Shares are treated as traded on an established securities market, a cash basis U.S. Holder and an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the Internal Revenue Service) will determine the U.S. dollar value of the amount realized in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent attributable to the difference between the exchange rates on the trade date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns directly or indirectly at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation.

Based on the nature of the Issuer's business and the current and anticipated composition of its income and assets and those of its subsidiaries, the Issuer does not expect to be treated as a PFIC for its current taxable year or in the foreseeable future. However, because a company's PFIC status is a factual determination that is made on an annual basis at the close of the taxable year and depends on the composition and character of the company's income and assets and the market value of its assets (which may be determined, in part, based on the market value of the Shares) from time to time, there can be no assurance that the Issuer will not be determined to be a PFIC for any taxable year.

In general, if the Issuer were a PFIC for any taxable year during which a U.S. Holder owned Shares, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of the Shares, would be allocated ratably over the U.S. Holder's holding period for the Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Issuer became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the tax on such amounts. Further, to the extent that any distribution received by a U.S. Holder on its Shares exceeds 125% of the average of the annual distributions on the Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to market treatment) of the Shares. U.S. holders should consult their own independent tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

If a U.S. Holder owns Shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a PFIC or Qualified Electing Issuer) with respect to the Issuer, generally with the U.S. Holder's federal income tax return for that year. U.S. Holders should consult their tax advisers regarding the application of the PFIC rules to their investment in the Shares.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally will be subject to information reporting and backup withholding

unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

Information with Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals (and certain entities closely-held by individuals) may be required to report information relating to their ownership in "specified foreign financial assets," which may include the Shares, unless the Shares are held in accounts at certain U.S. financial institutions. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Shares.

ADDITIONAL INFORMATION

Entities involved in the Offering

The following entities are involved in the Offering:

Legal Advisors to the Issuer and the Selling Shareholder

As to Polish, English and U.S. law

The Issuer and the Selling Shareholder is being represented by (i) White & Case LLP, with its registered office in 5 Old Broad Street, London EC2N 1DW, United Kingdom, with respect to legal matters of the United States and England & Wales and (ii) White & Case, M. Studniarek i Wspólnicy - Kancelaria Prawna sp.k., with its registered office in Warsaw at ul. Marszałkowska 142, 00-061 Warsaw, Poland, with respect to legal matters of Poland and listing on the WSE (jointly referred to as "**White & Case**"). The remuneration of White & Case does not depend on the proceeds from the sale of the Offer Shares.

White & Case has been rendering and may render in the future other legal services to the Issuer, the Group, the Selling Shareholder or to the Joint Bookrunners with respect to their business activities pursuant to relevant agreements for the provision of legal advisory services. White & Case does not hold any material interests in the Issuer. In particular, on the date of this Prospectus, it did not hold shares in the Issuer.

As to Luxembourg law

The Issuer and the Selling Shareholder is being represented by Loyens & Loeff Luxembourg S.à r.l., with its registered office in 18-20, rue Edward Steichen, L-2540 Luxembourg, with respect to legal matters of Luxembourg including the validity of the ordinary bearer shares offered in this Offering ("**Loyens**"). The remuneration of Loyens does not depend on the proceeds from the sale of the Offer Shares.

Loyens has been rendering and may render in the future other legal services to the Issuer, the Group, the Selling Shareholder or to the Joint Bookrunners with respect to their business activities pursuant to relevant agreements for the provision of legal advisory services. Loyens does not hold any material interests in the Issuer. In particular, on the date of this Prospectus, it did not hold shares in the Issuer.

Legal Advisors to the Joint Bookrunners

The Joint Bookrunners are being represented by Latham & Watkins LLP, with its registered office in 99 Bishopsgate, London EC2M 3XF, United Kingdom ("**L&W**"), with respect to legal matters of the United States and England & Wales and (ii) Weil, Gotshal & Manges – Paweł Rymarz Spółka komandytowa, with its registered office in Warsaw at ul. Emilii Plater 53 ("**Weil**"), with respect to legal matters of Poland and listing on the WSE and (iii) NautaDutilh Luxembourg Avocats S.à r.l. ("**Nauta**"), with its registered office at 2, rue Jean Bertholet, L-1233 Luxembourg, with respect to legal matters of Luxembourg. The remuneration of L&W, Weil and Nauta does not depend on the proceeds from the sale of the Offer Shares.

L&W has been rendering and L&W, Weil and Nauta may render in the future other legal services to the Issuer, the Group, the Selling Shareholder or to the Joint Bookrunners with respect to their business activities pursuant to relevant agreements for the provision of legal advisory services. Neither L&W, Weil nor Nauta hold any material interests in the Issuer. In particular, on the date of this Prospectus, they did not hold shares in the Issuer.

Global Coordinators

J.P. Morgan Securities plc with its registered seat in the United Kingdom, Merrill Lynch International with its registered seat in the United Kingdom and UBS Limited with its registered seat in the United Kingdom act as the Global Coordinators. The Global Coordinators are responsible for coordinating operations with regard to the preparation and execution of the Offering.

In connection with the Offering, the Global Coordinators will provide services to the Issuer and the Selling Shareholder, including services related to the preparation, management and conduct of the Offering. They are also charged with coordinating the marketing efforts with respect to the Offering, coordinating contacts and arranging meetings with investors, organizing the book building process in Poland and abroad, as well as with other tasks that are typically performed by underwriters of public share offerings.

The Global Coordinators do not hold any Shares in the Issuer.

Joint Bookrunners

J.P. Morgan Securities plc with its registered seat in the United Kingdom, Merrill Lynch International with its registered seat in the United Kingdom, UBS Limited with its registered seat in the United Kingdom, Bank Zachodni WBK Spółka Akcyjna with its registered seat in Poland, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered seat in Poland, act as Joint Bookrunners.

In connection with the Offering, the Joint Bookrunners will be responsible for assisting with: coordinating the marketing efforts with respect to the Offering, coordinating contacts and arranging meetings with investors, organizing the book building process in Poland and abroad, as well as with other tasks that are typically performed by underwriters of public share offerings.

The Joint Bookrunners do not hold any Shares in the Issuer.

The Co-Offering Agents

Bank Zachodni WBK Spółka Akcyjna with its registered seat in Wrocław (Poland) and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered seat in Warsaw (Poland), act as Co-Offering Agents.

In connection with the Offering, the Co-Offering Agents will be responsible for assisting with: coordinating the marketing efforts with respect to the Offering to investors in Poland, coordinating contacts and arranging meetings with investors in Poland, and organizing the book building process in Poland, as well as with other tasks that are typically performed by underwriters of public share offerings in Poland.

The Co-Offering Agents do not hold any Shares in the Issuer.

Independent Auditors

The consolidated financial statements of the Issuer and its subsidiaries as of and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16, have been audited by Ernst & Young *société anonyme* with its registered office in Luxembourg, the independent auditors, as stated in their report appearing herein.

EY is registered in the list of entities authorized to audit financial statements in Luxembourg under the identification number 42. EY is a member of EYGM Limited and a member of the Luxembourg Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises)* qualifying as *cabinet de révision agréé.*

The interim condensed consolidated financial statements of the Issuer and its subsidiaries as of and for the three-month period ended March 31, 2017, prepared in accordance with IAS 34 with early adoption of IFRS 15 and IFRS 16 have been reviewed by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, which is registered in the list of entities authorized to audit financial statements in Poland under the identification number 130. EY Poland is a member of the EYGM Limited and a member of the Polish National Council of Statutory Auditors.

There were no events of resignation or dismissal of an independent auditor appointed to audit the financial statements of the Issuer in the period covered by the Financial Statements included in this Prospectus.

Documents Available for Inspection

Copies of the following documents will, when published, be available for inspection during the validity period of the Prospectus (which is 12 months from the date of this Prospectus) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer: (i) the Issuer's Articles of Association; (ii) the Financial Statements; and (iii) copies of corporate resolutions mentioned in the Prospectus. The following documents will also be available through the Issuer's website (www.playcommunications.com): (i) this Prospectus, together with its summary translated into the Polish language; (ii) the current articles of association; (iii) copies of the documents required to be published on the Issuer's website pursuant to the WSE Corporate Governance Rules.

Costs and expenses of the Offering

The total costs and expenses of the Offering consist of the underwriters' commissions or fees and other associated expenses, *e.g.* fees for legal and accounting services, costs of printing of the Prospectus, fees incurred in connection with the marketing activities and fees relating to the approval of the Prospectus and admission of the Shares to trading on the Warsaw Stock Exchange. Assuming that the maximum number of Sale Shares will be sold at the Offer Price and full exercise of the Over-Allotment Option, the Issuer estimates the total expenses relating to the Offering will amount to approximately PLN 23.3 million (EUR 5.5 million) (including estimated advisor and other ancillary fees and expenses of the Joint Bookrunners), which excludes any underwriting commissions. See "*Use of Proceeds*."

GLOSSARY OF TECHNICAL TERMS

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

Term	*Usage by the Issuer*
Terms related to subscribers	
Subscriber	We define a subscriber as any customer to whom we provide services until such subscriber is deactivated. We report the number of subscribers as the number of SIM cards which are registered on our network and have not been disconnected.
contract subscribers	We define contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for contract subscribers include a number of SIM cards that have been issued pursuant to family calling plans.
active contract subscribers	We define active contract subscribers as subscribers who enter into a contract with us and who have not been deactivated or migrated to a prepaid tariff plan. Contract subscribers include: individual postpaid, business postpaid, mobile broadband postpaid and MIX subscribers (pursuant to which the subscriber purchases a prepaid tariff plan with a subsidized handset against a contractual obligation to make a specific number and value of top-ups at least once a month until the subscriber's contract expires). After the expiration of a contract, the SIM is still reported as contract-based until the subscriber decides to migrate to a prepaid tariff plan or to terminate its contract. Our reported figures for active contract subscribers **do not** include inactive (not used within the last 90 calendar days) technical SIMs and inactive SIM cards which are used in our "Play Elastyczny" promotion.
technical SIM	We define a technical SIM as an additional SIM card issued to tariffs which include two or more subscribers. A Technical SIM can be used by subscribers only for data transfer. The key functionality of the technical SIM card, from the Issuer's perspective, is to consolidate all family members, SIM cards and support the billing structure. A technical SIM which is not used by a subscriber for data transfer becomes inactive. Technical SIMs not actively used for data transfer do not represent active contract subscribers.

prepaid subscribers .... We define prepaid subscribers as voice prepaid subscribers or mobile broadband prepaid subscribers who have not been deactivated or have not migrated to a contract tariff plan. In all prepaid tariff plans, the SIM card can be topped up at any time. Prepaid tariff plans do not require the payment of monthly subscription fees and subscribers are required to purchase their handsets separately. Prepaid subscribers are generally deactivated if a subscriber fails to top-up the account before the grace period ends, the length of which depends on the prepaid tariff plan chosen and the last top-up value.

active prepaid subscribers ...... We define active prepaid subscribers as the number of prepaid subscribers who have used the service within the last 30 calendar days from the reporting date (where usage of service is defined as the minimum one-time usage of any of voice call, outgoing or incoming, SMS or MMS sent or use of data transmission (and excluding certain other services)).

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

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

average subscriber base (reported or active) .... We define average subscriber base in a reporting period as follows:

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

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

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

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

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

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

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

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

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

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

Migration of a subscriber:

- from a contract tariff plan to a prepaid tariff plan;
- from a prepaid tariff plan to a contract tariff plan; or
- within a segment (*e.g.*, individual contract subscriber migrating to a business plan),

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

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

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

Terms related to service usage

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

ARPU ("average revenue per user").................................... We define ARPU as service revenue recognized in accordance with IFRS 15 and divided by the average active subscriber base in a given period. ARPU is calculated on a monthly basis, therefore ARPU for over a one-month period (*e.g.*, quarterly or annual) is calculated as the sum of service revenue divided by the number of months and further divided by the average active subscriber base for a given period. See "*Presentation of Financial Information—Changes in Accounting Policies*" for a discussion of the early adoption of IFRS 15.

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

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

Terms related to costs

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

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

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

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

unit SAC cash.......................... We define unit SAC cash as the sum of the following acquisition costs: in case of contracts sold with devices such as handsets, device subsidies equal to the cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing of the contract; commission costs paid to dealers and our own sales force; costs of SIM cards and the costs of rebates for distributors of prepaid starter packs, divided by the total gross additions in a given period.

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

unit contract SAC cash .... We define unit contract SAC cash as the sum of the following contract acquisition costs: in the case of contracts sold with devices such as handsets, device subsidies equal to cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing the of contract; commission costs paid to dealers and our own sales force and the costs of SIM cards, divided by the total number of contract gross additions in a given period.

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

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

unit SRC Cash .... We define unit SRC cash as the sum of the following subscriber retention costs: (i) in the case of contracts renewed with devices such as handsets, device subsidies equal to the cost of goods sold less the amount we receive from the subscriber as payment for the device, on the day of signing of the contract; and (ii) commission costs paid to dealers and our own sales force, divided by the number of retained subscribers in a given period.

ABBREVIATIONS AND DEFINITIONS

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

1800 MHz	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 2G and 4G LTE mobile network technologies.
2014 Refinancing and Recapitalization	Refers collectively to the issue of the Old Notes, the entry into the Repaid Revolving Credit Facility and the application of proceeds therefrom.
2017 Refinancing	Refers collectively to the entering into the Senior Facilities Agreement, the redemption of the Old Notes, the offering of the Existing 2022 PIK Notes and the application of proceeds therefrom.
2100 MHz	A frequency band, used particularly in Europe, Asia Pacific and Australia. In Europe, typically employed for 3G mobile network technologies.
2G	Second generation cellular telecom networks commercially launched on the GSM standard in Europe.
3G	Third generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies at top speeds varying from 384 Kbps (UMTS) to 42 Mbps (HSPA+).
4G	Fourth generation cellular telecom networks that allow simultaneous use of voice and data services, and provide high speed of data access using a range of technologies (these speeds exceed those available for 3G).
900 MHz	A frequency band, used particularly in Europe and Asia Pacific. In Europe, typically employed for 2G and 3G mobile network technologies.
Act on Public Offering	The Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29, 2005 (unified text Journal of Laws of 2016 item 1639, as amended).
Act on Supervision over the Capital Market	The Polish Act on Supervision over the Capital Market dated July 29, 2005 (unified text Journal of Laws 2016, item 1289, as amended).
Act on Trading in Financial Instruments	The Polish Act on Trading in Financial Instruments dated July 29, 2005 (unified text Journal of Laws of 2016, item 1636, as amended).
Admission	The admission of the Shares to listing and trading on the regulated market of the WSE.
Airtime	Time spent communicating using a handset.
All-net	Within all networks.
Allotment Date	The date of the final allotment of the Offer Shares to investors.

ATO Act	Refers to the Act dated June 10, 2016 on Anti-terrorist Operations (Journal of Laws 2016, item 904), which came into force in Poland in July 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards.
Authorized Employees	natural persons employed, as at the last working day before the publication of the Prospectus, by the Issuer and/or its subsidiaries, under an employment contract for an indefinite period or a fixed term employment contract other than an employment contract for a trail period, as well as self-employed natural persons who provide services to the Issuer and/or its subsidiaries, as at the last working day before the publication of the prospectus, on a permanent and regular basis based on a contract for the provision of services and who are entitled to benefits on conditions similar to employees as well as natural persons appointed to the Issuer's and/or its subsidiaries' corporate bodies. For the avoidance of doubt, the employees or self-employed natural persons who provide the abovementioned services during their termination or dismissal notice period and temporary employees irrespective of the employing entity will be excluded.
Authorized Employees Offering	A public offering of the Offer Shares to the Authorized Employees in the Republic of Poland.
Bank Zachodni WBK Overdraft Facility	Overdraft agreement between the Group and Bank Zachodni WBK S.A. in an aggregate principal amount of PLN 150 million.
Bit	The primary unit of electronic, digital data, representing 1 binary digit (a "1" or a "0").
Broadband (BB)	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (with capacity equal to or higher than 144 Kbps).
Business Activity Freedom Act	Business Activity Freedom Act dated July 2, 2004 (unified text: Journal of Laws of 2015, No. 220, item 447 as amended).
Business Day	A day on which banks in Poland and Luxembourg are open for business.
Byte	The byte is a unit of digital information in computing and telecommunications that most commonly consists of eight bits.
CAGR	Compound Annual Growth Rate.
Call termination	The handing off of a voice call from the network upon which the call was initiated to the network upon which the intended recipient is currently residing. This usually gives rise to MTRs.
CEE	Central and Eastern Europe, excluding Russia, and comprising Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland,

	Romania, Slovak Republic, Slovenia.
CIT Act	Polish Corporate Income Tax Act dated February 15, 1992 (unified text: Journal of Laws of 2016 No. 74, item 397, as amended).
Co-Offering Agents	Bank Zachodni WBK S.A., with its registered office in Wrocław and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, with its registered office in Warsaw, acting as offering agents for the purposes of the Offering and the Admission.
Competition Act	The Polish Act on the Protection of Competition and Consumers of February 16, 2007 (Dz.U. of 2007, No 50, Item 331, as amended).
Competition Court	The District Court in Warsaw, XVII Division – the Court of Competition and Consumer Protection.
EU Concentration Control Regulation	Council regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (Offical Journal L 024,29/01/2004 P. 0001-0022).
Conversion	The conversion of the Issuer into a public limited liability company (*société anonyme*) pursuant to a notarial deed of amendment and conversion to be executed prior to the settlement of the Offering.
Coverage	The Group defines coverage, unless otherwise indicated, as the area in which cellular radio signal is strong enough to provide normal operation of a standard user handset, modem or other device.
CSO	The Central Statistical Office of Poland (Główny Urząd Statystyczny).
CSSF	Luxembourg Financial Supervisory Authority as home authority (*Commission de Surveillance du Secteur Financier)*.
Devices	Handsets, modems, routers, MCDs (Mobile Computing Devices, *e.g.*, tablets, laptops, netbooks) and other equipment sold to subscribers.
DM PKO BP; Dom Maklerski PKO Banku Polskiego	Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, with its registered office in Warsaw.
EC	European Commission.
ECB	European Central Bank.
EEA	European Economic Area.
EIB	European Investment Bank.
EIR	Effective Interest Rate.
Ethernet	Standard for 10 Mbps local area networks.

EU	European Union.
Euro or EUR	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
Eurozone	A currency union of the following member states which have adopted the euro as their sole legal tender: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.
Existing 2022 PIK Notes	The EUR 500,000,000 $5^{3}/_{8}$% / $6^{1}/_{8}$% senior PIK toggle notes due 2022 issued on March 22, 2017.
First Subscription Period	The first subscription period for the Retail Investors (July 4 through 7, 2017) during which the purchase orders placed will be subject to the Preferential Allocation.
Frequency	One of the parameters of radio waves, usually understood as a location on the radio frequency spectrum, the capacity of which is limited.
GAAR	General Anti-Abuse Rules.
GB	Gigabyte. Unit of measurement of the volume of data. Equal to 1,024 MB (Megabytes) or 1,073,741,824 B (bytes).
GBP	British pound – the lawful currency of the United Kingdom of Great Britain and Northern Ireland.
Gbps or Gb/s	Gigabits per second. Measurement of the transmission speed of units of data (gigabits) over a network.
GDP	Gross Domestic Product.
General Meeting	The meeting of shareholders of the Issuer entitled to vote, together with pledgees and usufructuaries to whom voting rights attributable to the Shares accrue or the body of the Issuer consisting of persons entitled to vote on the Shares (as applicable).
GLA	Gross lettable area, being the total area of a property that can be rented to a tenant.
Glenmore	Glenmore Investments Sp. z o.o., with its registered office at Taśmowa 7, 02-677 Warsaw, and registered in the register of entrepreneurs of the National Court Register kept by the Regional Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register, under number KRS 0000429787. On September 30, 2015, Glenmore merged with Play (the surviving company).
Global Coordinators	J.P. Morgan Securities plc, Merrill Lynch International and UBS Limited
Group, we, us, our or ourselves	Refers to the Issuer and its consolidated subsidiaries.

Group Companies	All consolidated Subsidiaries.
GSM	Global System for Mobile Communications. A pan-European standard for digital mobile telephony which provides a much higher capacity than traditional analog telephones as well as diversified services (*e.g.* voice, messaging and data) and a greater transmission security through information.
Guaranteed Allocation	The guaranteed allotment of the Offer Shares to each individual Authorized Employee that has validly placed a purchase order and paid for the Offer Shares in the Offering on the terms provided in the Prospectus covering the Offer Shares subject to his/her subscription; which shall not exceed 668 Offer Shares per each Authorized Employee.
GUS	Polish Central Statistical Office (Główny Urząd Statystyczny).
HSDPA	High-Speed Downlink Packet Access. 3G/UMTS technology enhancements, allowing for fast data transmission from network to mobile device. Supports speeds of up to 14.4 Mbps (depending on the technology used).
HSPA+	Evolved High-Speed Packet Access. A set of 3G/UMTS technology enhancements allowing for very fast data transmission between network and mobile device. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.
IAS	International Accounting Standards as adopted by the EU.
IFRS	International Financial Reporting Standards, as adopted by the EU.
IFRS with early adoption of IFRS 15 and IFRS 16	International Financial Reporting Standards, with early adoption of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases'.
IFRS 15	International Financial Reporting Standard 15 'Revenue from contracts with customers'.
IFRS 16	International Financial Reporting Standard 16 'Leases'.
IMF	International Monetary Fund.
Impera	Impera Holdings S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with a share capital of EUR 33,000, and whose registered office is at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (R.C.S. Luxembourg) under number B 188.902.
Institutional Investors	Investors but including QIBs as defined under Rule 144A and in offshore transactions as defined in Regulation S, authorized to participate in the bookbuilding process or to subscribe for the Offer Shares who received invitations to subscribe for the Offer Shares and to participate in the bookbuilding process, or to subscribe for the Offer Shares, respectively,

from any of the Joint Bookrunners, and additionally satisfying the criteria set out in clauses (1)-(4) of Part I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments and who are: (i) entities which are required to be authorized or regulated to operate in the financial markets, including credit institutions, investment firms, other authorized or regulated financial institutions, insurance companies, collective investment schemes and management companies of such schemes, pension funds and management companies of such funds, commodity and commodity derivatives dealers, and local and other institutional investors; (ii) large undertakings meeting two of the following size requirements on a company basis: a balance sheet total of at least EUR 20,000,000, net turnover of at least EUR 40,000,000 and own funds of at least EUR 2,000,000; (iii) national and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations; (iv) other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the authorization of assets or other financing transactions (qualified investors pursuant to Article 2 Section 1 letter e of the Prospectus Directive), as well as natural persons with full legal capacity and legal persons, both residents and non-residents within the meaning of the Polish foreign exchange regulations, authorized to participate in the bookbuilding process or to subscribe for the Offer Shares who received invitations to subscribe for the Offer Shares and to participate in the bookbuilding process, or to subscribe for the Offer Shares, respectively, from the Joint Bookrunners.

Institutional Offering Collectively, the International Offering and the Polish Institutional Offering.

Interconnection Point of interconnection between two telecommunications operators. Consists of equipment, including links, and a mutually compatible configuration.

International Offering The private placement of the Offer Shares for institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S and Rule 144A under the U.S. Securities Act.

Investment Funds Act Polish Investment Funds Act dated May 27, 2004 (Journal of Laws of 2004 No. 146, item 1546, as amended).

IP Internet Protocol.

IRS Interest rate swap.

Issuer Play Communications S.A., a *société anonyme*, incorporated and existing under the laws of Luxembourg, with its registered office at 4/6, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg,

	registered with the Luxembourg Trade and Companies Register (*R.C.S. Luxembourg*) under number B183803.
Issuer's Board	Board of directors of the Issuer.
IT	Information Technology.
Joint Bookrunners	J.P. Morgan Securities plc, Merrill Lynch International, UBS Limited, Bank Zachodni WBK Spółka Akcyjna, and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie.
Kbps	Kilobits per second. Measurement of the transmission speed of units of data (kilobits) over a network.
KRS, National Court Register	National Court Register (Krajowy Rejestr Sądowy).
LAN	Local Area Network.
Local Overdraft Facilities	Collectively, the Millenium overdraft facility and the Bank Zachodni WBK Overdraft Facility.
Listing Date	the date on which trading in the Shares on the WSE will commence.
LTE	Long-Term Evolution. A set of enhancements to UMTS, designed to increase the capacity and speed of mobile telephone networks according to the standard developed by 3GPP consortium. Intended as a successor of UMTS thus frequently referred to as "4G" or "4th generation." Some of the key assumptions of the system are: (i) data transmission at speeds faster than 3G; (ii) ready for new service types; (iii) architecture simplified with comparison to 3G; and (iv) provides open interfaces.
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
Maximum Price for the Authorized Employees	The maximum price per Offer Share for the Authorized Employees in the amount of PLN 37.4.
Maximum Price	The maximum price per Offer Share for the Retail Investors and for the Institutional Investors in the amount of PLN 44.0.
MB	Megabyte. Unit of measurement of the volume of data. Equal to 1,048,576 B (bytes).
Mbps or Mb/s	Megabits per second. Measurement of the transmission speed of units of data (megabits) over a network.
Member State	A Member State of the EEA.

MHz	Megahertz.
MMS	Multimedia Messaging Service.
MNO	Mobile Network Operator. A provider of wireless services with its own reserved frequency spectrum and wireless network infrastructure.
MNP	Mobile Number Portability. The migration of a subscriber from one network to another network while keeping the same telephone number.
Mobile Broadband	Wireless internet access through a portable (USB, or WiFi) or built-in modem, used with laptop tablet or other mobile device.
MTR	Mobile Termination Rate. A voice, or SMS or MMS, as applicable termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The MTR is usually subject to regulatory limits.
MVNO	Mobile Virtual Network Operator. A company that does not own a reserved frequency spectrum, but resells wireless services under its own brand name, using the network of another MNO.
NBP	The National Bank of Poland (Narodowy Bank Polski), being the central bank of Poland.
NDS	The National Depositary of Securities in Poland (Krajowy Depozyt Papierów Wartościowych S.A.) with its registered office in Warsaw.
NPS	Net Promoter Score.
Netia	Netia S.A. with its registered office in in Warsaw, Poland, a Polish telecommunications operator operating under the Netia brand.
Novator	Telco Holdings S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 16, Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*R.C.S. Luxembourg*) under number B191.962 (formerly known as NTP Limited, a private limited company incorporated in Jersey with registered number 115496 and having its registered office at 13 Castle Street, St Helier, Jersey JE4 5UT).
OFE	Polish open pension funds (*otwarte fundusze emerytalne*).
Offer Prices	The Offer Price and Offer Price for the Authorized Employees.
Offer Price for the Authorized Employees	The final offer price for the Authorized Employees that will be equal to the Offer Price less 15%.
Offer Price	The final offer price per Offer Share for the Retail Investors and the final offer price per Offer Share for the Institutional Investors.

Offer Shares	Collectively, the Sale Shares and Over-Allotment Shares.
Offering	The offering of the Offer Shares pursuant to this Prospectus.
Old Additional Notes	The EUR 125 million in aggregate principal amount of Old Senior Secured Fixed Rate Notes issued on March 19, 2015.
Old Initial Senior Secured Fixed Rate Notes	The EUR 600 million in aggregate principal amount of Old Senior Secured Fixed Rate Notes issued on January 31, 2014.
Old Notes	Collectively, the Old Senior Notes, Old Senior Secured Fixed Rate Notes, Old Senior Secured Floating Rate Notes and the Old 2020 PIK Notes, which were redeemed in connection with the 2017 Refinancing.
Old 2020 PIK Notes	The $7^{3}/_{4}$% / $8^{1}/_{2}$% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Impera.
Old Revolving Credit Facility	PLN 400,000,000 multi-currency revolving credit facility provided pursuant to an agreement dated January 24, 2014 which were canceled pursuant to the 2017 Refinancing.
Old Senior Notes	The EUR 270,000,000 $6^{1}/_{2}$% Senior Notes due 2019 issued on January 31, 2014.
Old Senior Secured Fixed Rate Notes	The EUR 725,000,000 $5^{1}/_{4}$% Senior Secured Notes due 2019 comprising the Old Initial Senior Secured Fixed Rate Notes and Old Additional Notes which were redeemed in connection with the 2017 Refinancing.
Old Senior Secured Floating Rate Notes	The PLN 130,000,000 Senior Secured Floating Rate Notes due 2019 issued on January 31, 2014.
Old Senior Secured Notes	The Old Senior Secured Fixed Rate Notes and the Old Senior Secured Floating Rate Notes.
Olympia	Olympia Development S.A.
Over-Allotment Option	The option which has been granted by the Selling Shareholder exercisable by the Stabilizing Manager and on behalf of the Global Coordinators which is exercisable for up to 30 days following the Listing Date to purchase up to 11,052,056 Over-Allotment Shares, solely to cover over-allotments, if any, made in connection with the Offering or short positions resulting from stabilization transactions.
Over-Allotment Shares	Up to 11,052,056 existing ordinary bearer shares in the share capital of the Issuer which the Selling Shareholder is granting an option to the Global Coordinators, exercisable by the Stabilizing Manager, to purchase pursuant to the Over-Allotment Option.
PFSA	The Polish Financial Supervision Authority (Komisja Nadzoru Finansowego).
PIT Act	Polish Personal Income Tax Act dated 26 July 1991 (unified text: Journal

of Laws of 2015 No. 51, item 307, as amended).

Play	P4 Sp. z o.o., with its registered office in Warsaw, 7 Taśmowa street, registered in the register of entrepreneurs of the National Court Register kept by the Regional Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register, under number KRS 0000217207.
Play 3GNS	Play 3GNS Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office at Taśmowa 7, 02-677 Warsaw, and registered in the register of entrepreneurs of the National Court Register kept by the Regional Court for the Capital City of Warsaw, XIII Commercial Department of the National Court Register, under number KRS 0000335214.
PLN or **zloty**	Polish złoty, the lawful currency of Poland.
Plus	Polkomtel Sp. z o.o. with its registered office in Warsaw, Poland, a Polish telecommunications operator operating under the Plus brand.
Polish Institutional Offering	the offering of the Offer Shares to the Institutional Investors in the Republic of Poland on the terms and conditions set forth in this Prospectus.
Polish Public Offering	Collectively, the Retail Offering, the Authorized Employees Offering and the Polish Institutional Offering.
Preferential Allocation	The preferential allocation of the Offer Shares to the Retail Investors relating to the Offer Shares covered by the purchase orders placed in the First Subscription Period.
Pricing Date	The date on which the Offer Price, the Offer Price for the Authorized Employees and the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to various categories of investors shall be determined respectively by the Selling Shareholder in agreement with the Global Coordinators and after consultation with the Co-Offering Agents and by the Selling Shareholder after a recommendation from the Global Coordinators and after consultation with the Co-Offering Agents.
Prospectus	This Prospectus constituting a prospectus in a form of a single document within the meaning of the Prospectus Directive and in accordance with the provisions of Regulation 809/2004 and Part II of the Luxembourg law dated July 10, 2005, relating to prospectuses for securities, as amended and the rules promulgated thereunder prepared in connection with the public offering of the Offer Shares and admission and introduction of the Shares to listing on the WSE.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading

	and amending Directive 2001/34/EC, as amended.
Regulation 809/2004	Commission Regulation (EC) No. 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and the dissemination of advertisements, as amended.
Regulation on the Market and Issuers	The regulation of the Minister of Finance of Poland of May 12, 2010, regarding the detailed requirements that must be satisfied by a market of official stock exchange quotations and the issuers of securities admitted to trading on such market, as amended.
Regulation S	Regulation S promulgated under the U.S. Securities Act.
Reinvestment Shares	The newly issued shares in the share capital of the Issuer to be subscribed for by each member of the Management Board as described in the section "*Management—Remuneration and Benefits*."
Relevant Member State	Each member state of the EEA.
Retail Investors	Investors who are natural persons (individual), corporate entities (legal persons) and non-corporate entities other than individuals authorized to subscribe for the Offer Shares pursuant to the Prospectus.
Retail Offering	The public offering of the Offer Shares to the Retail Investors in the Republic of Poland pursuant to the Prospectus.
Retail Syndicate	The Co-Offering Agents and other investment firms and banks authorized in Poland to accept purchase orders for the Offer Shares in the Retail Offering, (if any).
Revolving Credit Facility	The PLN 400,000,000 multi-currency revolving credit facility made available pursuant to the Senior Facilities Agreement.
Rule 144A	Rule 144A promulgated under the U.S. Securities Act.
S.A.	Public limited liability company (*société anonyme*).
Sale Shares	Up to 97,837,526 existing ordinary bearer shares in the Issuer with a nominal value of EUR 0.00012 per share.
SEC	The United States Securities and Exchange Commission.
Second Subscription Period	The second subscription period for the Retail Investors (July 8-12, 2017).
Selling Shareholder	Play Holdings 1 S.à r.l., a private limited liability company (société à responsabilité limitée) Organised and established under the laws of Luxembourg, having its registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B183758, acting as the selling shareholder in the Offering.

Senior Facilities	Collectively, the Term Loan Facilities and the Revolving Credit Facility each provided pursuant to the Senior Facilities Agreement.
Senior Facilities Agreement	The PLN 7 billion senior facilities agreement dated March 7, 2017 between, amongst others, Play, the Issuer, Alior Bank Spółka Akcyjna, Bank Zachodni WBK S.A., BNP Paribas S.A., DNB Bank ASA, DNB Bank Polska S.A., PKO Bank Polski SA, TFI PZU SA (on behalf of PZU FIZ AN BIS 2 and PZU SFIO Universum) and Raiffeisen Bank International AG as mandated lead arrangers and Bank Zachodni WBK S.A. as agent and security agent.
Shares	250,000,000 shares issued and existing in the share capital of the Issuer as at the date hereof.
SIM cards	SIM cards are subscriber identity modules. A SIM card is a smart card that securely stores the key identifying a handset service subscriber, as well as subscription information, preferences and text messages.
Smartphones	The Group defines smartphones as handsets with a touchscreen or qwerty keypad working on an open operating system that enables access to an application store such as Android, iOS, Blackberry, Windows Mobile, Bada or Symbian S60.
SMS	Short Messaging Service. Enables transmissions of alphanumeric messages of up to 160 characters among fixed line and mobile subscribers and is only available on digital networks.
Sp. z o.o.	Limited liability company (*spółka z ograniczoną odpowiedzialnością*).
Spectrum	A range of frequencies available for over-the-air transmission.
Stabilization Regulation	The Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy back programs and stabilization of financial instruments.
Stabilizing Manager	J.P. Morgan Securities plc
Subsidiaries	The subsidiaries of the Issuer.
Substitute Investors	Institutional Investors who duly submitted and paid for purchase orders in response to the Joint Bookrunners' invitations to subscribe for the Offer Shares, with respect to which: (i) the Retail Investors avoided the legal consequences of their purchase orders pursuant to Article 51a of the Act on Public Offering and Article 13(2) of the Luxembourg Prospectus Law; (ii) the Authorized Employees avoided the legal consequences of their purchase orders pursuant to Article 51a of the Act on Public Offering and Article 13(2) of Luxembourg Prospectus Law; or (iii) the Institutional Investors avoided the legal consequences of their purchase orders pursuant to Article 51a of the Act on Public Offering and Article 13(2) of

	Luxembourg Prospectus Law, or who did not submit their purchase order in response to invitations or did not pay for the submitted purchase orders on time.
Tax Ordinance	Polish act dated 29 August 1997 – the Tax Ordinance (unified text: Journal of Laws of 2005, No. 8, item 60, as amended).
Telecommunications Law	Act on Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Term Loan A Facility	PLN 2,500 million term loan facility A provided pursuant to the Senior Facilities Agreement.
Term Loan B Facility	PLN 2,800 million term loan facility B provided pursuant to the Senior Facilities Agreement.
Term Loan C Facility	PLN 1,300 million term loan facility C provided pursuant to the Senior Facilities Agreement.
Term Loan Facilities	Collectively, the Term Loan A Facility, the Term Loan B Facility and the Term Loan C Facility.
Tollerton	Tollerton Investment Limited, a company organized under the laws of Cyprus, with its registered office at 2 Arch. Makariou III & Nikolaou Gyzi Street, Kyprianou Business Center, 3rd Floor Office 302, 3060, Limassol, Cyprus.
Treaty	Treaty on the Functioning of the European Union.
U.S. or **United States**	United States of America.
U.S. dollars, **USD**, **dollars** or **$**	U.S. dollars, the lawful currency of the United States of America.
U.S. Exchange Act	The United States Securities Exchange Act of 1934, as amended.
U.S. GAAP	Generally accepted accounting principles in the United States.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
UMTS	Universal Mobile Telecommunications System. A set of third-generation (3G) handset technologies.
Underwriting Agreement	The underwriting agreement entered into on or about July 13, 2017 by the Issuer, the Selling Shareholder, and the Joint Bookrunners.
UOKiK	Office for Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).
UOKiK President	The President of the Office for Competition and Consumer Protection.
USSD	Unstructured Supplementary Service Data. Allows for the transmission of information via a GSM network. Contrasting with SMS, it offers real time connection during a session. A USSD message can be up to 182

alphanumeric characters in length.

VAS	Value-Added Services. All services provided on mobile networks beyond standard voice calls.
WSE	The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and, unless the context requires otherwise, the regulated market operated by such company.
WSE Best Practices	Code of Best Practice for WSE listed companies (attachment to Resolution No. 17/1249/2015 of the Exchange Board dated May 19, 2015 and adopted in accordance with §29.1 of the Exchange Rules), being a set of rules and recommendations concerning corporate governance prevailing on the WSE.
WSE Rules	The Warsaw Stock Exchange Rules of 4 January 2006, as amended.
WIBOR	The Warsaw Interbank Offered Rate is the average interest rate estimated by leading banks in Warsaw that the average leading bank would be charged if borrowing from other banks. Unless specified otherwise, this refers to three-month WIBOR for loans for a three-month period.
Yield	The distribution available to a holder of a share in any financial year divided by the market price of the share.

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PLAY

Play Holdings 2 S.à r.l. and its subsidiaries
Interim condensed
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Independent Auditor's Report on review of interim condensed consolidated financial statements to the Shareholders of Play Holdings 2 S. á r. l.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Play Group ('the Group') for which the holding company is Play Holdings 2 S. á r. l. as of 31 March 2017 and the related interim condensed consolidated statement of financial position as at 31 March 2017, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the three-month period then ended and other explanatory notes ('the interim condensed consolidated financial statements').

Responsibilities of the Group's Management for the financial statements

The Group's Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' ('IAS 34'), with the early adoption of IFRS 15 and IFRS 16. The Group's Management is also responsible for such internal control as the Management determines is necessary to enable preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2400 (Revised), 'Engagements to Review Historical Financial Statements', which requires us to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with IAS 34, with the early adoption of IFRS 15 and IFRS 16. This Standard also requires us to comply with relevant ethical requirements.

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2017, and its financial performance and cash flows for the three-month period then ended, in accordance with IAS 34, with the early adoption of IFRS 15 and IFRS 16.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

Rondo ONZ 1, 00-124 Warsaw, Poland

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Marcin Zieliński

Partner

Warsaw, 9 May 2017

Interim condensed consolidated statement of financial position

	Notes	March 31, 2017	December 31, 2016
		Unaudited	
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,178,711	1,089,437
Right-of-use assets	4	769,801	745,509
Intangible assets	5	2,628,252	2,628,786
Assets under construction	6	382,995	540,416
Contract costs	7	353,430	350,681
Long term finance receivables	8	2,113,131	341,001
Other long term receivables	9	12,481	12,164
Finance assets at fair value through profit or loss	10	-	134,246
Deferred tax asset	30	85,248	134,446
Total non-current assets		**7,524,049**	**5,976,686**
Current assets			
Inventories	11	175,849	149,685
Short term finance receivables	8	66,890	274
Trade and other receivables	12	1,162,194	1,259,939
Contract assets	13	1,079,267	997,780
Current income tax receivables		9,152	-
Prepaid expenses	14	20,137	21,239
Cash and cash equivalents	15	116,281	340,994
Total current assets		**2,629,770**	**2,769,911**
TOTAL ASSETS		**10,153,819**	**8,746,597**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	16	52	52
Share premium		5,644,191	5,644,191
Retained losses		(4,283,140)	(4,301,631)
Total equity		**1,361,103**	**1,342,612**
Non-current liabilities			
Long-term finance liabilities	17	6,855,505	5,176,417
Long-term provisions	18	50,387	47,520
Long-term retention programs liabilities	19	87,460	150,064
Deferred tax liability	30	539	314
Other non-current liabilities		10,407	10,873
Total non-current liabilities		**7,004,298**	**5,385,188**
Current liabilities			
Short-term finance liabilities	17	371,588	277,150
Trade and other payables	20	951,244	1,177,581
Contract liabilities		45,116	44,933
Current income tax payable		15,841	173,759
Accruals	21	28,129	54,429
Short-term provisions	18	56	1,006
Short-term retention programs liabilities	19	104,600	17,740
Deferred income	22	271,844	272,199
Total current liabilities		**1,788,418**	**2,018,797**
TOTAL LIABILITIES AND EQUITY		**10,153,819**	**8,746,597**

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

Interim condensed consolidated statement of comprehensive income

	Notes	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
		Unaudited	Unaudited
Operating revenue	23	**1,580,766**	**1,442,616**
Service revenue		1,161,332	1,067,091
Sales of goods and other revenue		419,434	375,525
Operating expenses		**(1,282,474)**	**(1,099,983)**
Interconnection, roaming and other services costs	24	(389,248)	(348,986)
Contract costs, net	25	(107,902)	(99,454)
Cost of goods sold		(327,184)	(333,484)
General and administrative expenses	26	(267,626)	(177,021)
Depreciation and amortization	27	(190,514)	(141,038)
Other operating income	28	27,776	18,801
Other operating costs	28	(12,729)	(36,049)
Operating profit		**313,339**	**325,385**
Finance income	29	101,286	3,637
Finance costs	29	(353,333)	(108,114)
Profit before income tax		**61,292**	**220,908**
Income tax charge	30	(42,801)	(84,033)
Net profit for the period		**18,491**	**136,875**
Other comprehensive income for the period		**-**	**-**
Total comprehensive income for the period		**18,491**	**136,875**

No profit for the current and comparative period was attributable to non-controlling interest.

No comprehensive income for the current and comparative period was attributable to non-controlling interest.

Interim condensed consolidated statement of changes in equity

	Attributable to the Company's shareholders				
	Share capital	Share premium	Retained losses	Total equity	Notes
As at January 1, 2017	**52**	**5,644,191**	**(4,301,631)**	**1,342,612**	
Net profit for the period	-	-	18,491	18,491	
As at March 31, 2017, unaudited	**52**	**5,644,191**	**(4,283,140)**	**1,361,103**	16

	Attributable to the Company's shareholders				
	Share capital	Share premium	Retained losses	Total equity	Notes
As at January 1, 2016	**52**	**5,644,191**	**(5,013,619)**	**630,624**	
Net profit for the period	-	-	136,875	136,875	
As at March 31, 2016, unaudited	**52**	**5,644,191**	**(4,876,744)**	**767,499**	16

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

Interim condensed consolidated statement of cash flows

	Notes	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
		Unaudited	Unaudited
Profit before income tax		**61,292**	**220,908**
Depreciation and amortization		190,514	141,038
Change in contract costs (net)		(2,749)	1,402
Interest expense (net)		177,677	82,867
Loss on finance instruments at fair value through profit or loss		166,620	11,439
Foreign exchange (gains)/losses		(92,037)	9,843
Gain on disposal of non-current assets		(2,508)	(957)
Impairment of non-current assets		(92)	1,815
Change in provisions and retention programs liabilities		20,987	(24,856)
Changes in working capital and other	32	(35,652)	(199,379)
Change in contract assets		(81,487)	(1,516)
Change in contract liabilities		183	7,389
Cash provided by operating activities		**402,748**	**249,993**
Income tax paid		(159,398)	(51,280)
Net cash provided by operating activities		**243,350**	**198,713**
Proceeds from sale of non-current assets		668	2,572
Proceeds from loans given	8	18,335	-
Proceeds from debt securities (Repayment of notes by Impera Holdings S.A.)	8	388,250	-
Purchase of fixed assets and intangibles and prepayments for assets under construction		(211,184)	(1,828,652)
Purchase of debt securities (Notes issued by Impera Holdings S.A.)	8	(68,922)	(69,733)
Net cash provided by/(used in) investing activities		**127,147**	**(1,895,813)**
Proceeds from finance liabilities	33	6,443,000	190,000
Repayment of finance liabilities and relating finance costs	33	(4,811,004)	(176,123)
Purchase of notes issued by Impera Holdings S.A.	8, 33	(2,226,993)	-
Net cash provided by/(used in) financing activities		**(594,997)**	**13,877**
Net change in cash and cash equivalents		**(224,500)**	**(1,683,223)**
Effect of exchange rate change on cash and cash equivalents		(213)	(26)
Cash and cash equivalents at the beginning of the period		**340,994**	**1,556,801**
Cash and cash equivalents at the end of the period	31	**116,281**	**(126,448)**

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

Notes

1. The Company and the Play Group

Play Holdings 2 S. à r. l. (the "Company") was incorporated under Luxembourg law on January 10, 2014. The Company's registered office is in Luxembourg. The Company and its subsidiaries (together, the "Play Group" or the "Group") operate in the mobile telecommunications sector in Poland.

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

The Company's immediate parent is Play Holdings 1 S. à r. l., wholly owned by Impera Holdings S.A. (formerly Play Topco S.A.), which is controlled by Tollerton Investments Limited, owning 50.3% of Impera Holdings S.A. shares.

49.7% of Impera Holdings S.A. shares are owned by Telco Holdings S.à r.l.

These interim condensed consolidated financial statements comprise:

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

as at and for the three-month period ended March 31, 2017, further "consolidated financial statements".

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

Entity	Location	Principal activity	Ownership and percentage of voting rights	
			As at March 31, 2017	As at December 31, 2016
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%
Play Finance 2 S.A.	Luxembourg	Financing	100%	100%
P4 Sp. z o.o.	Poland	Operating	100%	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	100%	100%
Tonhil Investments S.A.	Poland	Holding	100%	100%

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

2. Summary of significant accounting policies

2.1 Basis of preparation

These interim condensed consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" endorsed by the European Union. For the purpose of these interim condensed consolidated financial statements the Group has adopted the following standards, amendments to standards and interpretations issued and effective as at March 31, 2017:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses......	January 19, 2016	January 1, 2017	Not endorsed yet	-	Fully implemented
Amendments to IAS 7 Disclosure Initiative	January 29, 2016	January 1, 2017	Not endorsed yet	-	Fully implemented
IFRS 15: 'Revenue from Contracts with Customers', including amendments and clarifications	May 28, 2014; September 11, 2015	January 1, 2018	January 1, 2018	Permitted	Fully implemented; early adopted
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 12, 2016	January 1, 2018	Not endorsed yet	-	Fully implemented; early adopted
IFRS 16: 'Leases'	January 13, 2016	January 1, 2019	Not endorsed yet	Permitted	Fully implemented; early adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective for the three-month period ended March 31, 2017 and have not been adopted early:

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the years ended December 31, 2016, December 31, 2015

and December 31, 2014, prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16, issued on January 31, 2017.

These consolidated financial statements were approved for issuance by the Management Board of the Company on May 9, 2017.

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

The consolidated financial statements are prepared under the historical cost convention except for liabilities relating to retention programs and derivatives which are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below and in Note 2.6.

Going concern

The consolidated financial statements disclose all matters of which the Group is aware and which are relevant to the Group's ability to continue as a going concern, including all significant events, mitigating factors and the Group's plans. The Group generates positive operating cash flows and has secured financing of further development of telecommunications infrastructure. Accordingly, the consolidated financial statements have been prepared on a basis which assumes that the Group will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

Assessment of impact of IFRS 9

The Group plans to adopt IFRS 9 'Financial Instruments' on the required effective date. So far the Group 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 Group in the future. Overall, the Group expects no significant impact on its statement of financial position or equity except for the effect of applying the impairment requirements of IFRS 9.

2.2 Consolidation

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

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

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

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

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

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

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

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances

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

- the 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,

- the actual spot rate applied as at this date resulting from the type of transaction - in case of foreign currency purchases and sales.

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	March 31, 2017	December 31, 2016
EUR	4.2198	4.4240
GBP	4.9130	5.1445
USD	3.9455	4.1793
XDR	5.3447	5.6716

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

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

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

2.4 Financial risk management

The Play Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements.

2.4.1 Currency risk

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

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

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

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

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

None of the derivatives were used during the three-month period ended March 31, 2016. During the three-month period ended March 31, 2017, the Group had entered among others into several forward foreign exchange contracts which were used to exchange PLN into EUR for the purpose of the repayment of the EUR-denominated notes with the proceeds from PLN-denominated bank loans - see Note 17.1.1 (forward contracts at the amount of EUR 940,000 thousand) and for the purpose of purchase of EUR-denominated Notes of Impera Holdings S.A. – see Note 8 (forward contracts at the amount of EUR 520,000 thousand).

2.4.2 Interest rate risk

Historically the Group financing had comprised mainly fixed-rate borrowings and the exposure on interest rate risk had related primarily to the Floating Rate Senior Secured Notes and finance leases with floating

interest rates. In March 2017, the fixed-rate borrowings have been replaced with floating rate borrowings – see Note 17.1.1. This has increased the interest risk going forward.

The 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 (WIBOR 1M, 3M)	Effect on result before tax
	+50	(1,090)
Three-month period ended March 31, 2017	-50	1,090
	+50	(146)
Three-month period ended March 31, 2016	-50	146

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

The sensitivity analysis assumes that a 50 basis points change in the 3M WIBOR PLN and a 50 basis points change in the 1M WIBOR PLN interest rates had occurred during the whole period and had been applied to the appropriate floating rate liabilities during the three-month period ended March 31, 2017 and three-month period ended March 31, 2016.

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

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

None of the derivatives were used during the three-month period ended March 31, 2017 and three-month period ended March 31, 2016.

2.4.3 Credit risk

The exposure to credit risk has not changed significantly in comparison to the year ended December 31, 2016.

2.4.4 Liquidity risk

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

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

March 31, 2017, unaudited	**Liabilities payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Bank loans	489,593	3,241,198	4,125,864	7,856,655
Lease	177,987	534,103	505,883	1,217,973
Other debt	7,503	13,341	-	20,844
	675,083	**3,788,642**	**4,631,747**	**9,095,472**

December 31, 2016	**Liabilities payable within:**			
	1 year	**2 to 5 years**	**over 5 years**	**Total**

Notes	252,910	4,948,341	-	5,201,251
Lease	179,033	530,224	466,007	1,175,264
Other debt	1,150	1,522	-	2,672
	433,093	**5,480,087**	**466,007**	**6,379,187**

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

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

2.5 Fair value estimation

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

The methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 2.6.1 and 2.6.3 respectively.

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

2.6 Critical accounting estimates and judgments

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

2.6.1 Valuation of the liabilities relating to retention programs

The main input used for the valuation of retention programs liabilities is the fair value of the Group. The fair value of the Group as at March 31, 2017 and December 31, 2016 was established using the multiply method on the basis of business projections for years 2017–2020 and 2016-2018 respectively.

The estimated fair value of the Group as at March 31, 2017 has changed in comparison to December 31, 2016.

The following table lists other major inputs to the models used for the plans:

	March 31, 2017	**December 31, 2016**
Liquidity event date	March 31, 2020	December 31, 2018
Volatility	22%	25%
Probability that liquidity event will not occur till liquidity event date mentioned above	50%	50%

Had the major inputs remained the same as at December 31, 2016, the value of retention programs liabilities as at March 31, 2017 and relating costs for the three-month period ended March 31, 2017 would be higher by PLN 53,430 thousand.

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

The Group has assessed, that for Fixed Rate Senior Secured Notes and Senior Notes issued in January 2014 the respective early redemption options require separate recognition due to differences between option's

exercise price and Notes' value at amortized cost and due to the fact that implied fee for early redemption to be paid to the lender reimburses the lender for an amount higher than the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015, as well as with respect to Senior Facility Agreement signed in March 2017 it was concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of liabilities. Thus close relation between embedded derivative and host contract was confirmed. Therefore this early redemption option was not separated from host debt contract of Floating Rate Senior Secured Notes issued in January 2014, Fixed Rate Senior Secured Notes issued in March 2015 and Senior Facility Agreement signed in March 2017 for accounting and valuation purposes.

2.6.3 Valuation of early redemption options

For purposes of historical valuation of early redemption options to fair value (please see Note 10) the Group applied valuation model which was designed based on Black-Derman-Toy model (BDT) framework. BDT model is a one-factor model and is one of the most used yield-based models to valuate notes and interest rate (American-style) options.

Critical assumptions behind designed model and implemented valuation techniques were as follows:

- model was arbitrage-free and consistent with the term structure of interest rates observed as at valuation date,
- value of an option was determined as payoff from its exercise in the future discounted to valuation date,
- binomial tree technique was used as primary tool for estimation of future path of interest rates and Notes prices. Length of period for binomial tree was assumed as 1 month. An equal probability (of 50%) was assigned for increase or decrease of interest rates within next period of time,
- short risk free rates are lognormally distributed at all times,
- risk free rate was presented by ECB EUR AAA Bond rate, *i.e.* applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date was determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" was assumed as a benchmark). No volatility of credit spread through maturity / exercise date was assumed,
- volatility of risk free rate was determined as constant through maturity / exercise date.

Thus critical valuation inputs of the option were as follows:

- credit spread,
- risk free rate term structure,
- volatility of risk free rate.

The above inputs were unobservable inputs.

Due to the nature of embedded derivative (American-style call option on debt instrument which is not quoted on active markets) and due to designed valuation model that used unobservable inputs subject to significant assumptions the analyzed early redemption options were categorized within Level 3 of fair value hierarchy.

2.6.4 Valuation of the assets retirement obligation provision

As at March 31, 2017 the assets retirement obligation provision was calculated using discount rate of 3.15% (3.62% as at December 31, 2016), representing interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the right-of-use assets that will be subject to retirement obligation. There were no significant changes of the discount period or other assumptions in comparison to the period applied for the calculation in the year ended December 31, 2016.

2.6.5 Deferred tax

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Play Group's income taxes. This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting purposes, such as the valuation of fixed assets, accruals and provisions. These differences result in deferred income tax assets and liabilities, which are recognized in the consolidated statement of financial position.

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

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

2.6.6 Impairment of Play Group's long-lived assets

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

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2016. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2017-2021.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2016. As a result no impairment loss has been recognized.

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

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

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.

As no impairment indicators were identified as at March 31, 2017, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were not tested for impairment as at this date.

2.6.7 Deferred charges - distribution costs of prepaid products

Costs of distribution of prepaid products are deferred until the service is provided, *i.e.* a pre-paid product is delivered to an end-user, and expensed at that time. However, as P4 has no means of knowing the exact moment at which the prepaid products are delivered to end-users, due to the vast majority of sales being through independent third party channels, it is estimated that the distribution services are rendered when pre-paid products are first activated in P4's billing system. The distribution costs of prepaid products that were not activated after a pre-determined period from the date of delivering the products to the distributors are treated as incurred and expensed at that time.

2.6.8 Impairment of billing receivables

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. The collectability ratio used for calculation as at March 31, 2017 is higher than in comparative period.

2.6.9 Significant judgments and estimates relating to application of IFRS 15

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers. These include:

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,
- determining the standalone selling prices.

The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses.

Significant financing component

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

Material right considerations

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

Agent vs. principal considerations in relation to cooperation with dealers

The Company cooperates with a network of dealers who sell post-paid services (including these bundled with handsets) and prepaid services. The Group has assessed that the dealers act as agents in this process, for the following reasons:

a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service – the Group is responsible for delivering airtime services to the end-customer and organizes the process of repairs of the equipment within the guarantee period;

b) prices of services and prices of equipment to customers are determined by the Group and not by the dealer;

c) dealers are remunerated in the form of commissions;

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

2.6.10 Significant judgments and estimates relating to application of IFRS 16

The application of IFRS 16 requires the Group 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, the contract term and determining the interest rate used for discounting of future cash flows.

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

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

2.7 Segment reporting

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

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

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

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

	Three-month period ended March 31, 2017	**Three-month period ended March 31, 2016**
	Unaudited	**Unaudited**
Operating profit	**313**	**325**
Add depreciation and amortization	191	141
Add advisory services provided by shareholders	8	8
Add valuation of retention programs and special bonuses	36	(23)
Add other one-off costs	16	16
Adjusted EBITDA	**564**	**467**

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

Other one-off costs for the three-month period ended March 31, 2017 comprised: (i) one-off costs of PLN 11.2 million related to prepaid registration process to comply with new regulations introduced by the Act dated June 10, 2016 on Anti-terrorist Operations, which came into force in Poland on July 25, 2016 and amended the Polish Telecommunications Act to require the de-anonymization of prepaid phone cards; (ii) one-off costs of strategic projects out of usual scope of our business of PLN 2.4 million; (iii) income from reversal of provision for universal service obligation for the years 2007 and 2008 based on the Office of

Electronic Communications' (the "UKE") decision in the amount of PLN 1.9 million and other one-off costs of PLN 1.0 million.

Other one-off costs for the three-month period ended March 31, 2016 comprised: (i) one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12.7 million due to unfavorable court ruling and other one-off costs of PLN 3.4 million.

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

3. Property, plant and equipment

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2017	46	858,585	125,567	1,066,942	345	122,018	2,173,503
Transfers and reclassifications	-	53,773	22,679	68,375	6	13,515	158,348
Disposals	-	(815)	(2,265)	(17,104)	(35)	(3,252)	(23,471)
As at March 31, 2017, unaudited	**46**	**911,543**	**145,981**	**1,118,213**	**316**	**132,281**	**2,308,380**
Accumulated depreciation							
As at January 1, 2017	4	390,861	96,046	548,752	323	47,894	1,083,880
Charge	-	9,599	4,494	44,756	12	6,790	65,651
Transfers and reclassifications	-	(2,048)	3,254	(5)	-	2,053	3,254
Disposals	-	(812)	(2,262)	(16,917)	(35)	(3,090)	(23,116)
As at March 31, 2017, unaudited	**4**	**397,600**	**101,532**	**576,586**	**300**	**53,647**	**1,129,669**
Accumulated impairment							
As at January 1, 2017	-	-	34	-	-	152	186
Reversal of impairment charge	-	-	(32)	-	-	(55)	(87)
Utilization of impairment charge	-	-	(2)	-	-	(97)	(99)
As at March 31, 2017, unaudited	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at March 31, 2017, unaudited	**42**	**513,943**	**44,449**	**541,627**	**16**	**78,634**	**1,178,711**

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

During the three-month period ended March 31, 2017 the Group has not capitalized any interest expense or exchange rate differences.

	Land	Buildings	IT equipment	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2016	46	796,404	101,546	905,081	-	60,098	1,863,175
Transfers and reclassifications	-	18,640	1,010	40,218	-	3,315	63,183
Disposals	-	(1,902)	(907)	(22,426)	-	(688)	(25,923)
As at March 31, 2016, unaudited	**46**	**813,142**	**101,649**	**922,873**	**-**	**62,725**	**1,900,435**
Accumulated depreciation							
As at January 1, 2016	4	360,362	88,999	471,981	-	34,082	955,428
Charge	-	6,513	3,497	32,101	-	2,087	44,198
Disposals	-	(595)	(892)	(22,217)	-	(645)	(24,349)
As at March 31, 2016, unaudited	**4**	**366,280**	**91,604**	**481,865**	**-**	**35,524**	**975,277**
Accumulated impairment							
Net book value as at March 31, 2016, unaudited	**42**	**446,862**	**10,045**	**441,008**	**-**	**27,201**	**925,158**

During the three-month period ended March 31, 2016 the Group has not capitalized any interest expense or exchange rate differences.

4. Right-of-use assets

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other fixed assets	Total
Cost							
As at January 1, 2017	132,530	1,174,013	82,525	74,056	25,767	718	1,489,609
Additions	9,596	46,108	-	739	-	-	56,443
Asset retirement obligation	-	5,007	-	-	-	-	5,007
Transfers and reclassifications	(7,513)	7,513	(8,897)	-	-	-	(8,897)
Disposals	(113)	(8,214)	(749)	(241)	(358)	-	(9,675)
As at March 31, 2017, unaudited	**134,500**	**1,224,427**	**72,879**	**74,554**	**25,409**	**718**	**1,532,487**
Accumulated depreciation							
As at January 1, 2017	44,524	572,474	58,716	54,518	13,203	665	744,100
Charge	2,484	24,990	3,626	2,377	1,875	3	35,355
Charge from asset retirement obligation	-	496	-	-	-	-	496
Charge correction	63	(6,541)	-	172	-	-	(6,306)
Transfers and reclassifications	(377)	377	(3,254)	-	-	-	(3,254)
Disposals	-	(6,375)	(745)	(241)	(344)	-	(7,705)
As at March 31, 2017, unaudited	**46,694**	**585,421**	**58,343**	**56,826**	**14,734**	**668**	**762,686**
Net book value as at March 31, 2017, unaudited	**87,806**	**639,006**	**14,536**	**17,728**	**10,675**	**50**	**769,801**

Charge correction represents the amount of adjustment of depreciation of right-of-use assets which had been recognized in prior periods.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 7 thousand in current period.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 2,532 thousand in current period.

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other fixed assets	Total
Cost							
As at January 1, 2016	113,374	1,104,525	89,116	92,219	26,097	-	1,425,331
Additions	2,005	15,913	-	408	-	-	18,326
Asset retirement obligation	-	2,144	-	-	-	-	2,144
Transfers and reclassifications	-	(18)	-	-	1,184	-	1,166
Disposals	(379)	(5,426)	(186)	(1,145)	(2,572)	-	(9,708)
As at March 31, 2016, unaudited	**115,000**	**1,117,138**	**88,930**	**91,482**	**24,709**	**-**	**1,437,259**
Accumulated depreciation							
As at January 1, 2016	35,875	501,646	44,821	61,681	13,384	-	657,407
Charge	2,284	24,220	4,254	3,011	1,778	-	35,547
Charge from asset retirement obligation	-	508	-	-	-	-	508
Transfers and reclassifications	-	(5)	-	-	-	-	(5)
Disposals	-	(2,546)	(174)	(1,141)	(2,561)	-	(6,422)
As at March 31, 2016, unaudited	**38,159**	**523,823**	**48,901**	**63,551**	**12,601**	**-**	**687,035**
Net book value as at March 31, 2016, unaudited	**76,841**	**593,315**	**40,029**	**27,931**	**12,108**	**-**	**750,224**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 899 thousand in comparative period.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 2,532 thousand in comparative period.

5. Intangible assets

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2017	2,779,955	830,955	238,301	29,904	3,879,115
Transfers and reclassifications	-	99,622	-	(11,272)	88,350
As at March 31, 2017, unaudited	**2,779,955**	**930,577**	**238,301**	**18,632**	**3,967,465**
Accumulated amortization					
As at January 1, 2017	557,879	672,922	-	14,931	1,245,732
Charge	46,284	43,453	-	(725)	89,012
As at March 31, 2017, unaudited	**604,163**	**716,375**	**-**	**14,206**	**1,334,744**
Accumulated impairment					
As at January 1, 2017	-	-	-	4,597	4,597
Impairment charge	-	-	-	(128)	(128)
Transfers and reclassifications	-	4,469	-	(4,469)	-
As at March 31, 2017, unaudited	**-**	**4,469**	**-**	**-**	**4,469**
Net book value as at March 31, 2017, unaudited	**2,175,792**	**209,733**	**238,301**	**4,426**	**2,628,252**

The transfers recorded during three-month period ended March 31, 2017 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software and other intangible assets.

On August 23, 2005 P4 was granted by UKE a reservation of the 2100 MHz frequency for the period from July 1, 2006 to December 31, 2022. On March 16, 2007 P4 started providing mobile telecommunications services and started to amortize the 2100 MHz license from March 1, 2007. The license is amortized over the period for which it was granted. As at March 31, 2017 the carrying value of the 2100 MHz license was PLN 125,589 thousand.

On December 9, 2008 P4 was granted a reservation of the 900 MHz frequency for the period from December 9, 2008 to December 31, 2023. P4 started to amortize the 900 MHz license from January 2009. The license is amortized over the period for which it was granted. As at March 31, 2017 the carrying value of the 900 MHz license was PLN 97,964 thousand.

On February 13, 2013, P4 was granted a reservation of the 1800 MHz frequency for the period from February 13, 2013 to December 31, 2027. The license is amortized over the period for which it was granted. As at March 31, 2017 the carrying value of the 1800 MHz license was PLN 369,207 thousand.

On January 25, 2016, P4 was granted a reservation of the 800 MHz frequency. On June 23, 2016, the UKE President issued new decisions on reservation of 800 MHz frequency and changed the allocation of the frequency blocks among operators (P4 was allocated the Block C instead of the Block D). The reservation is granted till

June 22, 2031. The license is amortized over the period for which it was granted. As at March 31, 2017 the carrying value of the 800 MHz license was PLN 1,378,198 thousand.

On January 25, 2016, P4 was granted a reservation of the 2600 MHz frequency for the period from January 25, 2016 to January 24, 2031. The license is amortized over the period for which it was granted. As at March 31, 2017 the carrying value of the 2600 MHz license was PLN 204,834 thousand.

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

	Telecommunications licenses	Computer and network software	Goodwill	Other intangible assets	Total
Cost					
As at January 1, 2016	1,061,522	781,608	238,301	21,626	2,103,057
Additions	1,718,433	-	-	-	1,718,433
Transfers and reclassifications	-	5,627	-	4,019	9,646
Disposals	-	(3)	-	-	(3)
As at March 31, 2016, unaudited	**2,779,955**	**787,232**	**238,301**	**25,645**	**3,831,133**
Accumulated amortization					
As at January 1, 2016	380,388	582,856	-	13,041	976,285
Charge	38,640	20,983	-	1,168	60,791
Disposals	-	(3)	-	-	(3)
As at March 31, 2016, unaudited	**419,028**	**603,836**	**-**	**14,209**	**1,037,073**
Accumulated impairment					
As at January 1, 2016	-	-	-	-	-
Impairment charge	-	-	-	1,832	1,832
As at March 31, 2016, unaudited	**-**	**-**	**-**	**1,832**	**1,832**
Net book value as at March 31, 2016, unaudited	**2,360,927**	**183,396**	**238,301**	**9,604**	**2,792,228**

6. Assets under construction

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
Cost	**Unaudited**	**Unaudited**
As at January 1	543,114	395,385
Additions	80,518	77,924
Radio network	47,312	52,993
Core network and network operations center	4,456	8,018
IT	27,033	13,890
Other capital expenditures	1,717	3,023
Transfers and reclassifications	(237,801)	(73,995)
Disposals	(15)	(9)
As at March 31	**385,816**	**399,305**
Accumulated impairment		
As at January 1	2,698	1,849
Impairment charge/(reversal)	123	(18)
As at March 31	**2,821**	**1,831**
Net book value as at March 31	**382,995**	**397,474**

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction. Assets under construction include right-of-use assets under construction which amounted to PLN 20,257 thousand as at March 31, 2017 and nil as at March 31, 2016.

Transfers and reclassifications represent mainly transfers from assets under construction to property, plant and equipment and to intangible assets.

7. Contract costs

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
Cost	**Unaudited**	**Unaudited**
As at January 1	703,567	605,668
Additions	104,322	92,045
Disposals	(87,488)	(81,232)
As at March 31	**720,401**	**616,481**
Accumulated amortization		
As at January 1	352,886	295,724
Charge (including impairment)	101,573	93,447
Disposals (including impairment)	(87,488)	(81,232)
As at March 31	**366,971**	**307,939**
Net book value as at March 31	**353,430**	**308,542**

8. Finance receivables

	March 31, 2017	December 31, 2016
	Unaudited	
Long term finance receivables		
EUR 8.22% Senior Notes due in 2020, tranche A, B, C	-	249,788
EUR 6.11% Senior Notes due in 2020, tranche D	-	72,853
EUR Notes due in 2023	2,113,131	-
Loans given to Impera Holdings due in 2019	-	18,360
	2,113,131	**341,001**
Short term finance receivables		
EUR Notes due in 2023	66,890	-
Loans given to Impera Holdings due in 2019	-	274
Short term finance receivables	**66,890**	**274**

Debt securities

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

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

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

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

The notes receivables are measured at amortized cost using the effective interest rate. Fees received in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized fees amounted to PLN 34,287 thousand as at March 31, 2017. The effective interest rate was 5.69% as at March 31, 2017.

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

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

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

- the discount rate was an effective interest rate of cash flows with recalculated interest value.

Loans given

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

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

9. Other long-term receivables

	March 31, 2017	December 31, 2016
	Unaudited	
Long-term receivables	12,889	12,572
Impairment of long-term receivables	(408)	(408)
	12,481	**12,164**

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

10. Finance assets at fair value through profit or loss

Finance assets at fair value through profit or loss comprised early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 2.6.2 and Note 2.6.3).

	March 31, 2017	December 31, 2016
	Unaudited	
Senior Secured Notes	-	83,522
Senior Notes	-	50,724
	-	**134,246**

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

a) for Senior Secured Notes:

(i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem:

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

(ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:

- 102.625% - in period from February 1, 2016 to February 1, 2017,
- 101.313% - in period from February 1, 2017 to February 1, 2018,
- 100.000% - in period from February 1, 2018 to February 1, 2019.

b) for Senior Notes:

(i) at any time prior to August 1, 2016 the Senior Notes Issuer was entitled to redeem:

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

(ii) at any time on or after August 1, 2016 the Issuer was entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:

- 103.250% - in period from August 1, 2016 to August 1, 2017,
- 101.625% - in period from August 1, 2017 to August 1, 2018,
- 100.000% - in period from August 1, 2018 to August 1, 2019.

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

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

	Senior Secured Notes	Senior Notes	Total
Valuation as at January 1, 2017	83,522	50,724	134,246
Valuation as at March 31, 2017, unaudited	-	-	-
Impact of change in fair value on profit or loss for the three-month period ended March 31, 2017, unaudited	**(83,522)**	**(50,724)**	**(134,246)**
Valuation as at January 1, 2016	8,580	10,639	19,219
Valuation as at March 31, 2016, unaudited	792	6,988	7,780
Impact of change in fair value on profit or loss for the three-month period ended March 31, 2016, unaudited	**(7,788)**	**(3,651)**	**(11,439)**

The Senior Secured Notes liability and Senior Notes liability had been fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017 (see Note 17.2). Therefore the early redemption option assets were derecognized in the three-month period ended March 31, 2017.

11. Inventories

	March 31, 2017	December 31, 2016
	Unaudited	
Goods for resale	150,343	121,686
Goods in dealers' premises	37,967	39,619
Prepaid deliveries	-	2
Impairment of goods for resale	(12,461)	(11,622)
	175,849	**149,685**

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

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

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Beginning of period	**11,622**	**7,203**
- charged to income statement	839	1,490
- utilized	-	(1,431)
End of period	**12,461**	**7,262**

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

12. Trade and other receivables

	March 31, 2017	December 31, 2016
	Unaudited	
Trade receivables	1,299,250	1,400,747
Impairment of trade receivables	(138,512)	(143,191)
Trade receivables (net)	**1,160,738**	**1,257,556**
VAT and other government receivables	1,118	2,127
Other receivables	338	256
Other receivables (net)	**1,456**	**2,383**
	1,162,194	**1,259,939**

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

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

The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

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

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Beginning of period	**143,191**	**92,970**
- charged/(credited) to income statement	(4,477)	18,174
- write-downs applied	(202)	-
End of period	**138,512**	**111,144**

The amount charged to income statement in the three-month period ended March 31, 2016 comprises among others a one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12,735 thousand due to unfavorable court ruling and impairment allowance for receivables from installments sales resulting from increased sales volumes in installment model.

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

13. Contract assets

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

Impairment of contract assets results from disconnecting the customer due to breach of the contract.

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

14. Prepaid expenses

	March 31, 2017	December 31, 2016
	Unaudited	
Distribution and selling costs	8,838	8,815
Network and IT maintenance	3,045	2,626
Other	8,254	9,798
	20,137	**21,239**

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

15. Cash and cash equivalents

	March 31, 2017	December 31, 2016
	Unaudited	
Petty cash	483	702
Balances deposited with banks	115,745	339,336
Other cash assets	53	956
	116,281	**340,994**

16. Shareholders’ equity

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.

As at March 31, 2017 and as at December 31, 2016, the Play Group's share capital consisted of 12,501 shares issued, paid and authorized with a par value of EUR 1 per share. Play Holdings 1 S. à r. l. was the owner of 12,501 shares, constituting 100% of the Play Group's share capital.

17. Finance liabilities

	March 31, 2017 Unaudited	December 31, 2016
Long-term finance liabilities		
Long-term bank loans	6,151,258	-
Long-term notes liabilities	-	4,505,269
Long-term lease liabilities	691,294	669,635
Other debt	12,953	1,513
	6,855,505	**5,176,417**
Short-term finance liabilities		
Short-term bank loans	192,439	-
Short-term notes liabilities	-	102,941
Short-term lease liabilities	172,089	173,079
Other debt	7,060	1,130
	371,588	**277,150**
	7,227,093	**5,453,567**

17.1 Bank loans

	March 31, 2017 Unaudited	December 31, 2016
Long-term bank loans		
SFA	6,151,258	-
	6,151,258	**-**
Short-term bank loans		
SFA	192,439	-
Bank loan - Bank Zachodni WBK	-	-
Bank loan - Bank Millennium	-	-
	192,439	**-**

17.1.1 Senior Facilities Agreement (SFA)

On March 7, 2017 the Play Group entered into PLN 7,000,000 thousand Senior Facilities Agreement with Alior Bank Spółka Akcyjna, Bank Zachodni WBK S.A., BNP Paribas S.A., DNB Bank ASA, DNB Bank Polska S.A., PKO Bank Polski S.A., TFI PZU S. A. on behalf of PZU FIZ AN BIS 2, TFI PZU SA on behalf of PZU SFIO Universum and Raiffeisen Bank International AG as mandated lead arrangers and Bank Zachodni WBK S.A. as an agent.

As at March 31, 2017 the Group has drawn down the amount of PLN 6,443,000 thousand under the above facility agreement. Additionally, under the SFA, the Group can use PLN 400,000 thousand revolving credit facility, which was undrawn as at March 31, 2017.

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

The loan drawn down under Facility A in the amount of PLN 2,443,000 thousand is repayable in quarterly installments. The first installment is due in March 2018, the last installment is due in 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 99,303 thousand as at March 31, 2017. The effective interest rate was 4.74% for Facility A, 5.04% for Facility B and 5.80% for Facility C as at March 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.

17.1.2 Revolving Credit Facility

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

17.1.3 Bank Zachodni WBK loan

The Play Group has an overdraft agreement with Bank Zachodni WBK S.A. for the amount of PLN 150,000 thousand. The funds can be used to finance working capital needs.

The facility in the amount of PLN 150,000 thousand is available until May 31, 2017. Interest is calculated based on 1M WIBOR rate plus margin.

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

17.1.4 Millennium Bank loan

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

The facility is available until November 12, 2017. Interest is calculated based on 1M WIBOR rate plus margin.

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

17.2 Notes

	March 31, 2017	December 31, 2016
	Unaudited	
Long-term notes liabilities		
EUR 5.25% Senior Secured Notes due 2019	-	2,631,938
PLN Floating Rate Senior Secured Notes due 2019	-	129,297
EUR 6.5% Senior Notes due 2019	-	1,183,033
2015 EUR 5.25% Senior Secured Notes due 2019	-	561,001
	-	**4,505,269**
Short-term notes liabilities		
Accrued interest related to notes	-	102,941
	-	**102,941**

17.2.1 EUR 5.25% Senior Secured Notes due 2019

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

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

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

17.2.2 PLN Floating Rate Senior Secured Notes due 2019

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

The notes liability was measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 703 thousand as at December 31, 2016. The effective interest rate was 5.70% as at December 31, 2016.

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

17.2.3 EUR 6.50% Senior Notes due 2019

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

Proceeds from Senior Notes of EUR 170,000 thousand were initially deposited into escrow account and on July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction. The proceeds were used for distribution of share premium.

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

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

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

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

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

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

The notes liability was fully repaid in March, 2017, using proceeds from Senior Facilities Agreement drawn down in March, 2017.

17.3 Leases

	March 31, 2017	December 31, 2016
	Unaudited	
Long-term lease liabilities		
Telecommunications sites	590,699	564,680
Points of sale	38,111	33,390
Dark fiber optic cable	9,161	10,581
Collocation centers	15,673	16,931
Offices & Warehouse	26,236	29,813
Computers and telecommunications equipment	8,019	9,803
Motor vehicles	3,395	4,437
	691,294	**669,635**
Short-term lease liabilities		
Telecommunications sites	111,248	109,607
Points of sale	22,304	22,290
Dark fiber optic cable	8,876	9,162
Collocation centers	6,274	6,234
Offices & Warehouse	5,422	4,766
Computers and telecommunications equipment	12,640	15,136
Motor vehicles	5,325	5,884
	172,089	**173,079**

17.4 Assets pledged as security for finance liabilities

The Senior Facility is secured by:

- pledge over the shares in Play Holdings 2 S.à r.l. established by Play Holdings 1 S.à r.l. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- financial and registered pledge over the shares in P4 sp. z o.o. established by Play Holdings 2 S.à r.l. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- civil and registered pledge over the rights of the general partner in Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. established by 3GNS sp. z o.o. as pledgor in favor of Bank Zachodni WBK S.A. as pledgee;
- civil and registered pledge over the rights of the limited partner in Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. established by P4 sp. z o.o. as pledgor in favor of Bank Zachodni WBK S.A. as pledgee;
- pledges over bank accounts established by Play Holdings 2 S.à r.l. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- financial pledges over bank accounts established by P4 sp. z o.o. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- financial pledges over bank accounts established by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- powers of attorney to the bank accounts granted by P4 sp. z o.o. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. in favor of Bank Zachodni WBK S.A.;
- registered pledge over the collection of assets (including, without limitation, material intellectual property and insurance (if any)) of P4 sp. z o.o. established by P4 sp. z o.o. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;

- registered pledge over the collection of assets (including, without limitation, material intellectual property and insurance (if any)) of Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. established by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. as pledgor in favor of Bank Zachodni WBK S. A. as pledgee;
- assignment relating to intra-group receivables executed by P4 sp. z o.o. as assignor in favor of Bank Zachodni WBK S.A. as assignee;
- assignment relating to intra-group receivables executed by Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. as assignor in favor of Bank Zachodni WBK S.A. as assignee; and
- submissions to enforcement executed by P4 sp. z o.o., Play Holdings 2 S.à r.l. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp.k. in favor of Bank Zachodni WBK S.A.

The Senior Secured Notes, the 2015 Senior Secured Notes and the Revolving Credit Facility were secured by:

- a pledge over, or assignment by way of security of, all of the issued and outstanding capital stock in each of the Senior Secured Notes Issuer (Play Finance 2 S.A.) and the Senior Secured Note Guarantors (Collectively, Play Holdings 2 S. à r. l., Play Holdings 3 S. à r. l. before merger with Play Holdings 2 S. à r. l., P4 Sp. z o.o., the Senior Notes Issuer and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k.);
- an assignment by way of security or pledge of the Senior Secured Notes Proceeds Bonds (intergroup notes issued by P4 Sp. z o.o. and by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 2 S.A.);
- a pledge over substantially all of the assets (*i.e.*, whole business) of each of P4 Sp. z o.o. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k. (including, without limitation, any bank accounts, material trademarks and other movable property and assets owned by such entities);
- a pledge over the bank accounts of the Senior Secured Notes Issuer and each of the Senior Secured Notes Guarantors; and
- a pledge over any receivables of the Senior Secured Notes Issuer and each of the Senior Secured Note Guarantors (including, without limitation, the Senior Secured Notes Proceeds Bonds).

The Senior Notes were secured by:

- junior-priority security interests over the following property and assets:
    - a pledge over the issued and outstanding capital stock of each of the Senior Notes Issuer (Play Finance 1 S.A.), P4 Sp. z o.o., Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k., Play Holdings 2 S. à r. l. and Play Holdings 3 S. à r. l. before merger with Play Holdings 2 S. à r. l.; and
    - a pledge or assignment of the Senior Notes Proceeds Bonds (intergroup notes issued by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 1 S.A.).

18. Provisions

	March 31, 2017	**December 31, 2016**
	Unaudited	

Assets retirement provision	44,086	38,902
Other long-term provisions	6,301	8,618
Short-term provisions	56	1,006
	50,443	**48,526**

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2017	**38,902**	**8,618**	**1,006**	**48,526**
Increase	5,287	80	-	**5,367**
Decrease:	(103)	(2,397)	(950)	**(3,450)**
- reversal of provisions	(103)	(2,067)	(169)	**(2,339)**
- utilization	-	(330)	(781)	**(1,111)**
As at March 31, 2017, unaudited	**44,086**	**6,301**	**56**	**50,443**

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2016	**38,255**	**8,217**	**996**	**47,468**
Increase	2,386	421	-	**2,807**
Decrease:	(23)	(233)	(34)	**(290)**
- reversal of provisions	(23)	(233)	(34)	**(290)**
As at March 31, 2016, unaudited	**40,618**	**8,405**	**962**	**49,985**

19. Retention programs liabilities

During the three-month period ended March 31, 2017 and during the comparative period, the Play Group operated following cash-settled share-based retention programs:

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

A detail description of these retention programs is disclosed in the Group's annual consolidated financial statements as at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 issued on January 31, 2017.

The agreements relating to SF 1 and SF 2 Plans were terminated in the three-month period ended March 31, 2017. The member of the program received a payout based on the agreed liquidity option.

The agreement relating to one member of PSA 1, PSA 2 and PSA 3 Plans was transformed into EGA MB Plan in the three-month period ended March 31, 2017.

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

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	VDP 3	VDP 3

As at January 1	**19,707,094**	**20,443,338**
Forfeited during the period	-	(659,033)
As at March 31	**19,707,094**	**19,784,305**
Exercisable at March 31	-	-

Fair value of the programs:

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

	Long-term retention programs liabilities	**Short-term retention programs liabilities**
As at January 1, 2017	**150,064**	**17,740**
Exercised during the period	-	(12,134)
Changes in valuation during the period	36,390	-
Transferred during the period	(98,994)	98,994
As at March 31, 2017, unaudited	**87,460**	**104,600**
Vested at March 31, 2017	73,402	95,948

	Long-term retention programs liabilities	**Short-term retention programs liabilities**
As at January 1, 2016	**163,040**	**22,294**
Exercised during the period	-	(1,601)
Changes in valuation during the period	(23,409)	-
Transferred during the period	(2,359)	2,359
As at March 31, 2016, unaudited	**137,272**	**23,052**
Vested at March 31, 2016	119,070	10,570

20. Trade and other payables

	March 31, 2017	**December 31, 2016**
	Unaudited	
Trade payables	699,450	761,621
Investment payables	142,812	320,617
Government payables	101,465	89,991
Employee payables	143	104
Other	7,374	5,248
	951,244	**1,177,581**

21. Accruals

Accruals include accruals for bonuses and unused holidays.

22. Deferred income

	March 31, 2017	**December 31, 2016**
	Unaudited	
Airtime from prepaid products	132,392	133,276
Fees related to post-paid contracts	139,452	138,923
	271,844	**272,199**

23. Operating revenue

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

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Service revenue	**1,161,332**	**1,067,091**
Usage revenue	872,191	818,385
Interconnection revenue	289,141	248,706
Sales of goods and other revenue	**419,434**	**375,525**
	1,580,766	**1,442,616**

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Usage revenue by category		
Retail contract revenue	702,103	635,987
Retail prepaid revenue	139,109	158,143
Other revenue	30,979	24,255
	872,191	**818,385**

Other usage revenue consists mainly of revenues from MVNOs to which we provide telecommunications services and revenues generated by subscribers of foreign mobile operators that have entered into international roaming agreements with us for using our network.

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Revenue recognized in the reporting periods that was included in the contract liability balance at the beginning of the period	39,375	11,214

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

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

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

	March 31, 2017	December 31, 2016
	Unaudited	
Transaction price allocated to the remaining performance obligation within:		
1 year	1,553,795	1,512,888
later than 1 year and not later than 2 years	500,245	460,961
later than 2 years and not later than 3 years	94,324	77,923
later than 3 years	204	99
	2,148,567	**2,051,871**

24. Interconnection, roaming and other service costs

	Three-month period ended	Three-month period ended

	March 31, 2017	March 31, 2016
	Unaudited	Unaudited
Interconnection costs	(306,548)	(275,863)
National roaming/network sharing	(44,953)	(39,215)
Other services costs	(37,747)	(33,908)
	(389,248)	**(348,986)**

Other service costs include international roaming costs, costs of distribution of prepaid offerings (commissions paid to distributors for sales of top ups) and fees paid to content providers in transactions in which we act as a principal.

25. Contract costs, net

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Contract costs incurred	(110,651)	(98,052)
Contract costs capitalized	104,322	92,045
Amortization and impairment of contract costs	(101,573)	(93,447)
	(107,902)	**(99,454)**

26. General and administrative expenses

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Employee benefits	**(97,637)**	**(28,338)**
Salaries	(53,031)	(44,921)
Social security	(8,216)	(6,776)
Special bonuses	-	(50)
Retention programs	(36,390)	23,409
External services	**(151,483)**	**(132,240)**
Network maintenance, leased lines and energy	(31,555)	(28,510)
Advertising and promotion expenses	(49,463)	(49,164)
Customer relations costs	(19,024)	(15,292)
Office and points of sale maintenance	(3,800)	(3,538)
IT expenses	(6,868)	(7,884)
People related costs - cars, trainings and other	(3,713)	(3,299)
Finance and legal services	(3,763)	(4,821)
Advisory services provided by shareholders	(7,500)	(7,798)
Other external services	(25,797)	(11,934)
Taxes and fees	**(18,506)**	**(16,443)**
	(267,626)	**(177,021)**

The increase in costs of other external services was primarily caused by costs of prepaid registration process and strategic projects out of usual scope of the Group's business. The increase in costs of salaries and social securities was mainly due to the increase of the number of employees due to growing scope of Group operations and due to increase in costs of performance-related bonuses.

As the Play Group has employees in Poland as well as in Luxembourg, it is legally required to pay monthly social security contributions to the pension administration in both countries. During the three-month period ended March 31, 2017 and the three-month period ended March 31, 2016, the rate of social security contributions amounted to 9.76% of gross salaries for the employees in Poland and 8% of gross salaries for the employees in Luxembourg. The Group is not required to make any contributions in excess of this statutory rate.

27. Depreciation and amortization

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Depreciation and amortization		
Depreciation of property, plant and equipment	(65,651)	(44,193)
Amortization of intangibles	(89,012)	(60,791)
Depreciation of right-of-use assets	(35,851)	(36,054)
	(190,514)	**(141,038)**

28. Other operating income and other operating costs

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Other operating income		
Income from early contract termination	8,181	9,128
Gain on disposal of non-current assets	2,405	957
Reversal of impairment of other non-current assets	129	17
Reversal of bad debt	3,470	-
Reversal of provisions	2,208	253
Exchange rate gains	2,522	-
Income from subleasing of right-of-use assets	1,940	1,881
Interest income on trade receivables and cash	2,441	3,284
Other miscellaneous operating income	4,480	3,281
	27,776	**18,801**
Other operating costs		
Impairment of contract assets	(11,361)	(12,971)
Impairment of other non-current assets	(37)	(1,832)
Bad debt	-	(20,592)
Exchange rate losses	-	(35)
Other miscellaneous operating costs	(1,331)	(619)
	(12,729)	**(36,049)**

29. Finance income and finance costs

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Finance income		
Interest income	9,036	3,637
Exchange rate gains	92,250	-
	101,286	**3,637**
Finance costs		
Interest expense, including:	(186,713)	(86,858)
- on lease liabilities	*(15,377)*	*(15,638)*
Net loss on finance instruments at fair value through profit or loss	(166,620)	(11,439)
- early redemption options	*(134,246)*	*(11,439)*
- hedging instruments	*(32,374)*	-
Exchange rate losses	-	(9,817)
	(353,333)	**(108,114)**

The increase in interest expense resulted mainly from redemption costs related to repayment of Senior Notes liabilities in March 2017. Please see Note 17.2.

The loss on finance assets at fair value through profit or loss in the three-month period ended March 31, 2017 resulted from the de-recognition of early redemption options embedded in the Senior Secured Notes Indenture and Senior Notes Indenture (please see also Note 10) as a result of the repayment of the Notes, as well as losses on derivatives used to hedge the currency risk related to repayment of the EUR-denominated Notes (please see also Note 2.4.1).

30. Taxation

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Current tax benefit/(charge)	6,622	(4,286)
Deferred tax charge	(49,423)	(79,747)
Income tax charge	**(42,801)**	**(84,033)**

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

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Profit before income tax	**61,292**	**220,908**
Tax calculated at tax rates applicable to profit (19%)	(11,645)	(41,973)
Effect of difference between tax rates in Luxembourg and in Poland	6,937	890
Expenses not subject to tax	(4,478)	(5,872)
Income not subject to tax	2,524	
Adjustments relating to previous tax years	6,622	(28,373)
Change in unrecognized deferred tax asset arising from tax losses	(42,761)	(2,595)
Taxable income not included in accounting profit	-	(6,110)
Income tax charge	**(42,801)**	**(84,033)**

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg was 22.80% as at March 31, 2017 and 29.22% as at March 31, 2016 and as at December 31, 2016.

The line "Effect of difference between tax rates in Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland. As at March 31, 2017 and as at March 31, 2016 Luxembourg entities incurred tax losses which resulted in positive effect of the higher tax rate in the above reconciliation.

Deferred income tax

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.

As at March 31, 2017 deferred income tax was recognized according to the Group's estimation which assumes that the Group will achieve taxable profits in the future. The estimation is based upon long term financial projections and the budget for the year 2017.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Therefore Play Group offset deferred income tax assets and liabilities on the level of the standalone financial statements of consolidated entities.

Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

	March 31, 2017	December 31, 2016
	Unaudited	
Temporary differences:		
net deductible timing differences	160,362	705,167
unutilized tax loss carry-forwards	430,114	10,861
	590,476	**716,028**
Potential deferred income tax net asset arising from:		
net deductible timing differences	40,260	133,894
unutilized tax loss carry-forwards	89,176	3,045
	129,436	**136,939**
Recognized deferred income tax assets	**85,248**	**134,446**
Recognized deferred income tax liability	**(539)**	**(314)**
Not recognized deferred income tax assets	**44,727**	**2,807**

As at March 31, 2017 and December 31, 2016 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation.

In Luxembourg tax losses can be carried forward indefinitely. In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum.

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

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

	March 31, 2017	March 31, 2016
	Unaudited	**Unaudited**
Cash and cash equivalents in statement of financial position	116,281	46,636
Bank overdrafts	-	(173,084)
Cash and cash equivalents in statement of cash flows	**116,281**	**(126,448)**

32. Changes in working capital and other

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	**Unaudited**
(Increase)/decrease of inventories	(26,164)	(51,075)
(Increase)/decrease of receivables	97,745	(96,904)
(Increase)/decrease of prepaid expenses	1,102	(2,437)
Increase/(decrease) of payables excluding investment payables	(80,897)	20,830
Increase/(decrease) of accruals	(26,300)	(43,323)
Increase/(decrease) of deferred income	(355)	(25,465)
(Increase)/decrease of long term receivables	(317)	(21)
Increase/(decrease) of other non-current liabilities	(466)	(984)
	(35,652)	**(199,379)**

33. Cash flows relating to finance liabilities

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Proceeds from finance liabilities		
loans	6,443,000	190,000
	6,443,000	**190,000**
Repayment of finance liabilities and relating finance costs		
loans	(100,260)	(1,568)
- interests	*(8,660)*	*(919)*
- other	*(91,600)*	*(649)*
notes	(4,660,706)	(125,701)
- principal	*(4,425,794)*	-
- interests	*(156,223)*	*(125,701)*
- other	*(78,689)*	-
leases	(49,486)	(48,854)
other debt	(552)	-
- principal	*(541)*	-
- interests	*(11)*	-
	(4,811,004)	**(176,123)**

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

The Group presents cash outflows in the amount of PLN 2,226,993 thousands relating to purchase of notes issued by Impera Holdings S.A. in March 2017 (See Note 8) in cash flows from financing activities in the three-month period ended March 31, 2017. The purpose of the notes was to facilitate the repayment by Impera Holdings S.A. of the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014, proceeds of which had been used to finance distribution of share premium to Impera Holdings S.A. shareholders.

34. Commitments

34.1 2100 MHz and 900 MHz license requirements

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

34.2 1800 MHz license requirements

The 1800 MHz frequency reservation decision granted to P4 on June 14, 2013 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment must be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, P4 had to commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of these consolidated financial statements, the Group has fulfilled all these obligations.

34.3 800 MHz license requirements

The 800 MHz frequency reservation decision granted to P4 on January 25, 2016 and replaced by decision granted to P4 on June 23, 2016 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network covering 84% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunications network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, P4 had to commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation.

34.4 2600 MHz license requirements

4 reservation decisions in the 2600 MHz spectrum granted to P4 on January 25, 2016 require that P4 must commence provision of services which utilize 2600 MHz frequencies no later than in 36 months from the date of the frequency reservation.

35. Contingencies and legal proceedings

35.1 Tax contingent liability

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

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

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

The Play Group is not aware of any circumstances, which may currently give rise to a potential material liability in this respect.

35.2 Universal service liability to Orange Polska S.A.

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

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

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

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

Based on those decisions the Group has prepared the estimation of P4's share in the universal service contributions for the years 2006-2009, 2010 and 2011. Accordingly the provision has been recognized in these consolidated financial statements.

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008 - on November 30, 2011, for the year 2009 - on December 9, 2011, for the year 2010 – on May 22, 2012, for the year 2011 – on October 14, 2013. On December 13, 2016 UKE issued Decisions relating P4's contribution to universal service for the years 2007 and 2008 and set the amount of P4's contribution at the level which is in line with the provisions recognized in these consolidated financial statements. Decisions relating to P4's contribution to universal service for the years 2009, 2010 and 2011 are expected in the first half of 2017.

35.3 Legal and regulatory proceedings

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodyfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Plus and PIRC and requested that the UKE President dismiss the applications for annulment. President of UKE in its decision of August 3, 2016 upheld the decision refusing to invalidate the 1800 MHz tender. The President UKE's decision was appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel, PIRC and Sferia. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

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

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

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

In February 2016, Polkomtel, T-Mobile and Net Net sp. z o.o. applied to the UKE President for reconsideration of the decision on reservation of 800/2600 MHz frequencies for P4. Polkomtel, T-Mobile and Net Net sp. z o.o. demand inter alia the cancelation of the decision on reservation of 800 MHz and relocation of the 800 MHz block of frequency. The motions initiate administrative procedures before the President of UKE. In June 2016, The UKE President issued new decisions on reservation of 800/2600 MHz frequencies and in case of P4 decided about the relocation of the 800 MHz block of frequency (P4 received the Block C

instead of the Block D). The UKE President's decisions on reservation of 800/2600 MHz frequencies were appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel. T-Mobile also appealed against the decisions on reservation of 800 MHz with regard to Block C and E. The Voivodship Administrative Court in judgments of 30 January 2017 dismissed Polkomtel's and T-Mobile's complaints against the P4's decisions. The judgements may be appealed against at the Supreme Administrative Court. It is difficult to assess the legal risk at this stage.

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at March 31, 2017, the Group recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of the pending cases.

36. Related party transactions

36.1 Transactions with Shareholders and with entities related via Shareholders

	March 31, 2017	December 31, 2016
	Unaudited	
Loans given	-	18,634
Notes due in 2020	-	322,641
Notes due in 2023	2,180,021	-
Other long term receivables	36	25
Trade receivables	3,395	59
Trade and other payables	12,427	4,928

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	Unaudited	Unaudited
Advisory services provided by shareholders	(7,500)	(7,798)
General and administrative expenses	(42)	-
Other operating income	45	265
Recharge of operating costs	-	45
Other operating costs	-	(27)
Interest income	8,315	3,590

For more information regarding repayment or purchase of intercompany notes please see Note 8.

36.2 Remuneration of Management and Supervisory Board

Cost of remuneration (including accrued bonuses) of members of Management Boards of Group entities incurred for the three-month period ended March 31, 2017 amounted to PLN 2,386 thousand (PLN 2,362 thousand for the three-month period ended March 31, 2016).

Cost of remuneration of members of supervisory board of P4 incurred during the three-month period ended March 31, 2017 amounted to PLN 614 thousand (for the three-month period ended March 31, 2016 PLN 607 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 19). The valuation of the programs resulted in cost of PLN 34,903 thousand for the three-month period ended March 31, 2017 and income of PLN 24,556 thousand for the three-month period ended March 31, 2016.

Relating costs and income are included in general and administrative expenses in the consolidated statement of comprehensive income.

Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Supervisory Board or the Management Board of P4, Play Holdings 2 S. à r. l. or supervisory or management bodies of any other entities within the Group.

37. Events after the reporting period

On April 21, 2017, Impera Holdings S.A. issued a press release which stated that after 10 years of developing Play into a leading Polish mobile operator, the shareholders and management of Play were reviewing the best options to set the company up for its next stage of growth and that a possible option could take the form of an initial public offering.

With regards to the above statement, due to the fact that Play Holdings 2 S. à r. l. is not a joint stock company, it is impracticable to calculate Earnings Per Share.

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

PLAY

Play Holdings 2 S.à r.l. and its subsidiaries

Consolidated financial statements

Prepared in accordance with IFRS

with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2016,

December 31, 2015 and December 31, 2014

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Independent auditor's report

To the Shareholders of

Play Holdings 2 S.à r.l.

2, rue du Fort Bourbon

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Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Play Holdings 2 S.à r.l., which comprise the consolidated statement of financial position as at 31 December 2016, 31 December 2015 and 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of changes in net assets attributable to the shareholders of P4 sp. z o.o., the consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, with the early adoption of IFRS 15 and IFRS 16 and for such internal control as the Board of Managers determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Play Holdings 2 S.à r.l. as at 31 December 2016, 31 December 2015 and 31 December 2014 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, with the early adoption of IFRS 15 and IFRS 16.

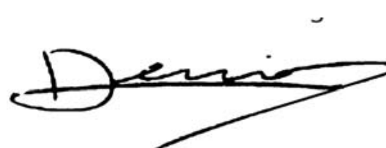
Other matters

Play Holdings 2 S.à r.l. had also prepared separate set of its consolidated financial statements for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 in accordance with the International Financial Reporting Standards as adopted by the EU on which Ernst & Young Société anonyme based in Luxembourg, issued separate auditor's reports to the Shareholders of Play Holdings 2 S.à r.l. dated 7 February 2017, 1 February 2016 and 6 February 2015 respectively. All main differences between these sets of consolidated financial statements relating mainly to early adoption of IFRS 15 and IFRS 16 have been quantified and presented in note 2.2 to the accompanying consolidated financial statements.

Ernst & Young

Société anonyme

Cabinet de révision agréé



Gaël Denis

Luxembourg, 7 February 2017

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Play Holdings 2 S. à r. l. and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014

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

Consolidated statement of financial position

	Notes	December 31, 2016	December 31, 2015 See Note 2.2	December 31,2 014 See Note 2.2
ASSETS				
Non-current assets				
Property, plant and equipment	3	1,089,437	907,747	860,351
Right-of-use assets	4	745,509	767,924	719,313
Intangible assets	5	2,628,786	1,126,772	1,261,636
Assets under construction	6	540,416	393,536	285,466
Contract costs	7	350,681	309,944	257,114
Long term finance receivables	8	341,001	153,441	—
Other long term receivables	9	12,164	11,134	14,336
Finance assets at fair value through profit or loss	10	134,246	19,219	57,611
Deferred tax asset	31	134,446	184,146	281,475
Total non-current assets		**5,976,686**	**3,873,863**	**3,737,302**
Current assets				
Inventories	11	149,685	212,209	194,935
Trade and other receivables	12	1,260,213	876,894	716,015
Contract assets	13	997,780	1,000,880	885,990
Current income tax receivables		—	—	559
Prepaid expenses	14	21,239	41,771	34,670
Cash and cash equivalents	15	340,994	1,556,801	497,981
Total current assets		**2,769,911**	**3,688,555**	**2,330,150**
TOTAL ASSETS		**8,746,597**	**7,562,418**	**6,067,452**
EQUITY AND LIABILITIES				
Capital and reserves attributable to shareholders of the Company				
Share capital	17	52	52	52
Share premium		5,644,191	5,644,191	5,635,996
Retained losses		(4,301,631)	(5,013,619)	(5,563,897)
Total equity		**1,342,612**	**630,624**	**72,151**
Non-current liabilities				
Long-term finance liabilities	18	5,176,417	4,996,618	4,383,193
Long-term provisions	19	47,520	46,472	53,523
Long-term retention programs liabilities	20	150,064	163,040	95,702
Deferred tax liability	31	314	36	—
Other non-current liabilities		10,873	11,379	12,730
Total non-current liabilities		**5,385,188**	**5,217,545**	**4,545,148**
Current liabilities				
Short-term finance liabilities	18	277,150	277,245	278,475
Trade and other payables	21	1,177,581	976,949	836,115
Contract liabilities		44,933	22,322	21,346
Current income tax payable		173,759	61,296	8,078
Accruals	22	54,429	68,539	61,226
Short-term provisions	19	1,006	996	1,653
Short-term retention programs liabilities	20	17,740	22,294	14,129
Deferred income	23	272,199	284,608	229,131
Total current liabilities		**2,018,797**	**1,714,249**	**1,450,153**
TOTAL LIABILITIES AND EQUITY		**8,746,597**	**7,562,418**	**6,067,452**

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

Play Holdings 2 S. à r. l. and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014

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

Consolidated statement of comprehensive income

	Notes	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Operating revenue	24	**6,117,558**	**5,436,503**	**4,589,665**
Service revenue		4,492,818	4,059,534	3,398,442
Sales of goods and other revenue		1,624,740	1,376,969	1,191,223
Operating expenses		**(4,753,520)**	**(4,373,058)**	**(3,794,130)**
Interconnection, roaming and other services costs	25	(1,495,831)	(1,330,623)	(1,098,504)
Contract costs, net	26	(398,912)	(376,269)	(318,265)
Cost of goods sold		(1,366,156)	(1,181,221)	(984,781)
General and administrative expenses	27	(858,538)	(887,685)	(852,438)
Depreciation and amortization	28	(634,083)	(597,260)	(540,142)
Other operating income	29	70,662	78,488	64,208
Other operating costs	29	(144,449)	(76,080)	(86,259)
Operating profit		**1,290,251**	**1,065,853**	**773,484**
Finance income	30	134,953	7,576	74,727
Finance costs	30	(499,096)	(367,978)	(432,609)
Profit before income tax		**926,108**	**705,451**	**415,602**
Income tax benefit/(charge)	31	(214,120)	(155,173)	83,259
Net profit for the period		**711,988**	**550,278**	**498,861**
Other comprehensive income for the period		—	—	—
Total comprehensive income for the period		**711,988**	**550,278**	**498,861**

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

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

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

Consolidated statement of changes in equity

See also Note 2.2

	Attributable to the Company's shareholders				
	Share capital	**Share premium**	**Retained losses**	**Total equity**	**Notes**
As at January 1, 2016	**52**	**5,644,191**	**(5,013,619)**	**630,624**	
Net profit for the period	—	—	711,988	711,988	
As at December 31, 2016	**52**	**5,644,191**	**(4,301,631)**	**1,342,612**	**17**

See also Note 2.2

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

See also Note 2.2

	Attributable to the Company's shareholders				
	Share capital	**Share premium**	**Retained losses**	**Total equity**	**Notes**
As at January 1, 2014	—	—	—	—	
Issue of shares	52	—	—	52	
Issue of shares—contribution in kind of P4 Sp. z o.o. and its subsidiaries	—	7,052,087	(6,090,919)	961,168	
Distribution of share premium	—	(1,416,091)		(1,416,091)	
Net profit for the period from the date of Incorporation to December 31, 2014	—	—	527,022	527,022	
As at December 31, 2014	**52**	**5,635,996**	**(5,563,897)**	**72,151**	**17**

The value of total equity from issue of shares as a result of contribution in kind of P4 Sp. z o.o. and its subsidiaries equals book value of net assets of P4 Sp. z o.o. and its subsidiaries as at the date of contribution.

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

Consolidated statement of changes in net assets attributable to shareholders of P4 Sp. z o.o.

	Net assets attributable to shareholders of P4 Sp. z o.o.	Notes
As at January 1, 2014	**989,330**	
Net loss for the period from 1 January to the Date of Contribution	(28,162)	
Settlement of contribution of P4 Sp. z o.o. and its subsidiaries to Play Group	(961,168)	
As at December 31, 2014	**—**	**17**

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

Consolidated statement of cash flows

	Notes	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Profit before income tax		**926,108**	**705,451**	**415,602**
Depreciation and amortization		634,083	597,260	540,142
Changes in contract costs (net)		(40,737)	(52,830)	(58,400)
Interest expense (net)		316,870	302,743	327,362
(Gain)/Loss on valuation of finance assets		(115,027)	38,392	(50,719)
Foreign exchange losses		162,211	19,329	87,924
Gain on disposal of non-current assets		(8,796)	(3,900)	(3,531)
Impairment of non-current assets		6,275	1,664	(1,664)
Change in provisions and retention programs liabilities		(17,118)	61,180	33,851
Changes in working capital and other	33	(249,891)	(26,286)	65,488
Change in contract assets		3,100	(114,890)	(167,223)
Change in contract liabilities		22,611	976	2,498
Cash provided by operating activities		**1,639,689**	**1,529,089**	**1,191,330**
Interest received		81	68	1,901
Income tax paid		(52,241)	(4,213)	(10,539)
Transfers from restricted cash (operating)		—	200	—
Net cash provided by operating activities		**1,587,529**	**1,525,144**	**1,182,692**
Proceeds from sale of non-current assets		5,511	7,832	7,632
Proceeds from loans given		—	79	26
Purchase of fixed assets and intangibles and prepayments for assets under construction		(2,195,861)	(436,787)	(456,869)
Loans given		(17,851)	—	(55)
Purchase of debt securities (Notes issued by Play Topco S.A.)		(141,056)	(143,993)	—
Transfer to other finance assets		—	—	(720,256)

	Note			
Transfer from other finance assets		—	—	705,184
Net cash used in investing activities		**(2,349,257)**	**(572,869)**	**(464,338)**
Proceeds from finance liabilities	34	385,000	543,772	3,816,016
Distribution of share premium		—	—	(1,416,091)
Repayment of finance liabilities and relating finance costs	34	(839,168)	(436,965)	(2,927,907)
Transfers from restricted cash		—	—	134,722
Other proceeds from financing activities		—	—	22,488
Other payments relating to financing activities		—	—	(22,435)
Net cash provided by/(used in) financing activities		**(454,168)**	**106,807**	**(393,207)**
Net change in cash and cash equivalents		**(1,215,896)**	**1,059,082**	**325,147**
Effect of exchange rate change on cash and cash equivalents		89	(62)	59
Cash and cash equivalents at the beginning of the period		**1,556,801**	**497,781**	**172,575**
Cash and cash equivalents at the end of the period	**32**	**340,994**	**1,556,801**	**497,781**

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

Notes

1. The Company and the Play Group

Play Holdings 2 S. à r. l. (the "Company") was incorporated under Luxembourg law on January 10, 2014 ("Date of Incorporation"). The Company's registered office is in Luxembourg. The Company and its subsidiaries (together, the "Play Group" or the "Group") operate in the mobile telecommunications sector in Poland.

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

The Company's immediate parent is Play Holdings 1 S. à r. l., wholly owned by Play Topco S.A., which is controlled by Tollerton Investments Limited, owning 50.3% of Play Topco S.A. shares.

49.7% of Play Topco S.A.'s shares are owned by Telco Holdings S. à r. l.

These consolidated financial statements comprise:

- consolidated statement of financial position;
- consolidated statement of comprehensive income;
- consolidated statement of changes in equity;
- consolidated statement of changes in net assets attributable to shareholders of P4 Sp. z o.o.;
- consolidated statement of cash flows;
- summary of significant accounting policies and other notes

as at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, further "consolidated financial statements".

Subsidiaries of the Company

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

Entity	Location	Principal activity	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
			Ownership and percentage of voting rights		
Subsidiaries held directly and indirectly:					
Play Holdings 3 S. à r. l.	Luxembourg	Holding	merged with Play Holdings 2	100%	100%
Play Finance 1 S.A.	Luxembourg	Financing	100%	100%	100%
Play Finance 2 S.A.	Luxembourg	Financing	100%	100%	100%
P4 Sp. z o.o.	Poland	Operating	100%	100%	100%
Glenmore Investments Sp. z o.o.	Poland	Strategy	merged with P4	merged with P4	100%
3GNS Sp. z o.o.	Poland	Holding	100%	100%	100%
Play 3GNS Spółka z ograniczoną odpowiedzialnością sp. k.	Poland	Brand management	100%	100%	100%
Tonhil Investments S.A.	Poland	Holding	100%	—	—

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

On January 23, 2014 ("Date of Contribution"), 100% of shares in P4 Sp. z o.o. were contributed in kind to the Company's capital. See also Note 17. Due to the fact that the contribution of shares in P4 to Play Holdings 2 S. à r. l. was not a business combination and did not result in any change of economic substance of the Group, the consolidated financial statements of Play Holdings 2 S. à r. l. and its subsidiaries comprise full year ended December 31, 2014 as comparative period.

2. Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective as at December 31, 2016. For the purpose of these consolidated financial statements the Group has early adopted the following standards, amendments to standards and interpretations:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'	November 21, 2013	July 1, 2014	February 1, 2015	Permitted	Fully implemented
Improvements to IFRS 2010-2012 Cycle	December 12, 2013	July 1, 2014	February 1, 2015	Permitted	Fully implemented
Amendments to IFRS 11: 'Accounting for Acquisitions of Interests in Joint Operations'	May 6, 2014	January 1, 2016	January 1, 2016	Permitted	Fully implemented
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	January 1, 2016	January 1, 2016	Permitted	Fully implemented
Amendments to IAS 16 and IAS 41: Bearer Plants	June 30, 2014	January 1, 2016	January 1, 2016	Permitted	Fully implemented

Amendments to IAS 27: Equity Method in Separate Financial Statements	August 12, 2014	January 1, 2016	January 1, 2016	Permitted	Fully implemented
Improvements to IFRS 2012-2014 Cycle	September 25, 2014	January 1, 2016	January 1, 2016	Permitted	Fully implemented
Amendments to IAS 1: Disclosure Initiative	December 18, 2014	January 1, 2016	January 1, 2016	Permitted	Fully implemented
IFRS 15: 'Revenue from Contracts with Customers', including amendments and clarifications	May 28, 2014; September 11, 2015; 12 April 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	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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended December 31, 2016 and have not been adopted early:

New regulation	Issued on	Effective for annual periods beginning on or after	In EU effective for annual periods beginning on or after	Early adoption	Group's assessment of the regulation
IFRS 14 'Regulatory Deferral Accounts'	January 30, 2014	January 1, 2016	Not endorsed yet	—	Assessment in progress
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	Deferred indefinitely	—	Assessment in progress
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 IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	January 19, 2016	January 1, 2017	Not endorsed yet	—	Assessment in progress
Amendments to IAS 7 Disclosure Initiative	January 29, 2016	January 1, 2017	Not endorsed yet	—	Assessment in progress
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 12, 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	Not endorsed yet	—	Assessment in progress
Annual Improvements to IFRS Standards 2014-2016 Cycle	December 8, 2016	January 1, 2018 / January 1, 2017	Not endorsed yet	—	Assessment in progress
IFRIC Interpretation 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 Investmenty Property	December 8, 2016	January 1, 2018	Not endorsed yet	—	Assessment in progress

The Group has issued consolidated financial statements for the same period ("Historical Financial Statements"), *i.e.* year ended December 31, 2016 that were authorized for issuance on January 31, 2017 ("Historical YE16 FS").

The main differences between these sets of consolidated financial statements comprise of early adoption of IFRS 15 and IFRS 16 as further described in Note 2.2.

These consolidated financial statements were approved for issuance by the Management Board of the Company on January 31, 2017.

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

The consolidated financial statements are prepared under the historical cost convention except for liabilities relating to retention programs and derivatives which are valued at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below and in Note 2.30.

Going concern

The consolidated financial statements disclose all matters of which the Group is aware and which are relevant to the Group's ability to continue as a going concern, including all significant events, mitigating factors and the Group's plans. The Group has paid for the new frequencies reservation, generates positive operating cash

flows and has secured financing of further development of telecommunications infrastructure. Accordingly, the consolidated financial statements have been prepared on a basis which assumes that the Group will continue as a going concern and which contemplates the recoverability of assets and the satisfaction of liabilities and commitments in the normal course of business.

Assessment of impact of IFRS 9

The Group plans to adopt IFRS 9 'Financial Instruments' on the required effective date. So far the Group 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 Group in the future. Overall, the Group expects no significant impact on its statement of financial position or equity except for the effect of applying the impairment requirements of IFRS 9.

2.2 Changes in accounting policies

As indicated in Note 2.1 the Group has early adopted IFRS 15 and IFRS 16 which resulted in changes in accounting policies and consequently in differences to the financial data as presented in the Historical YE16 FS. The main differences between these sets of financial statements are explained below.

IFRS 15 Adjustments

For mobile devices sold in bundled packages, the Group previously limited revenue to the amount that was not contingent on the provision of future telecommunications services. That was typically the amount received from the customer on signing a contract. Under IFRS 15, the total consideration in the contract (*e.g.* for mobile devices, telecommunications services and activation fees) is allocated to all products and services—*e.g.* mobile devices and mobile telecommunications services—based on their relative stand-alone selling prices. This resulted in a shift from service revenue to revenue from sales of goods (IFRS 15 [8]) and creation of contract assets (IFRS 15 [5]), which includes also some items previously presented as trade and other receivables (IFRS 15 [4]).

IFRS 15 requires also reclassification of some items previously presented in deferred income (IFRS 15 [7]) to contract liabilities (IFRS 15 [6]). Contract liabilities are then netted off against contract assets on a contract-by-contract basis.

In the previous years the Group capitalized so called subscriber acquisition and retention costs ("SAC") relating to postpaid contracts and "mix" contracts in the month of service activation. Components of SAC included:

- subsidy granted to end customer to price of handset or other device, *i.e.* cost of sales of handset or other device less price charged to end customer (IFRS 15 [11]),
- commission on sale,
- dispatch cost directly attributable to a contract.

The subscriber acquisition and retention costs were capitalized (IFRS 15 [9]) and recognized as intangible assets,—IFRS 15 [1] and amortized in depreciation and amortization (IFRS 15 [12]).

Under IFRS 15 the Group capitalizes solely costs of commissions paid to acquire or retain subscribers who enter into a fixed term or mix contract. Capitalized costs of commissions constitute “contract cost” asset (IFRS 15 [2]) and are depreciated on a straight-line basis in the operating expenses in the “contract costs, net” line (IFRS 15 [10]).

IFRS 16 Adjustments

Under previous accounting standard IAS 17 ‘Lease’ the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (both as a lessor or a lessee). Leases classified as a finance lease were recognized as Property, plant and equipment. Assets leased under the finance lease agreements comprised mostly vehicles or computers.

Under the new standard IFRS 16 ‘Leases’, the Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. Based on the accounting policy applied the Group recognizes a right-of-use asset (IFRS 16 [B]) and a lease liability (IFRS 16 [C]) 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. Accordingly, the recurring expenses relating to use of leased assets, previously presented in general and administrative expenses (IFRS 16 [D]) are now capitalized and depreciated in depreciation and amortization (IFRS 16 [E]). The discount on lease liability is periodically unwound into finance costs (IFRS 16 [F]).

Assets previously classified as finance lease agreements as well as asset retirement obligation relating to leased property were reclassified from property, plant and equipment to right-of-use assets (IFRS 16 [A]).

Play Holdings 2 S. á r. l. and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014

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

The following tables present the impact of changes resulting from the early adoption of IFRS 15 and IFRS 16 on Historical Financial Statements for the year ended December 31, 2016, December 31, 2015 and December 31, 2014.

STATEMENT OF FINANCIAL POSITION	December 31, 2016 Historical YE16 FS	Change	December 31, 2016	December 31, 2015 Historical YE16 FS	Change	December 31, 2015	December 31, 2014 Historical YE16 FS	Change	December 31, 2014	Ref.
ASSETS										
Non-current assets										
Property, plant and equipment	1,147,708	(58,271)	1,089,437	993,083	(85,336)	907,747	941,595	(81,244)	860,351	IFRS 16 [A]
Right-of-use assets	—	745,509	745,509	—	767,924	767,924	—	719,313	719,313	IFRS 16 [B]
Intangible assets	3,730,884	(1,102,098)	2,628,786	2,241,951	(1,115,179)	1,126,772	2,259,234	(997,598)	1,261,636	IFRS 15 [1]
Assets under construction	540,416	—	540,416	393,536	—	393,536	285,466	—	285,466	
Contract costs	—	350,681	350,681	—	309,944	309,944	—	257,114	257,114	IFRS 15 [2]
Long term finance receivables	341,001	—	341,001	153,441	—	153,441	—	—	—	
Other long term receivables	12,164	—	12,164	11,134	—	11,134	14,336	—	14,336	
Finance assets at fair value through profit or loss	134,246	—	134,246	19,219	—	19,219	57,611	—	57,611	
Deferred tax asset	142,862	(8,416)	134,446	181,935	2,211	184,146	291,011	(9,536)	281,475	
Total non-current assets	**6,049,281**	**(72,595)**	**5,976,686**	**3,994,299**	**(120,436)**	**3,873,863**	**3,849,253**	**(111,951)**	**3,737,302**	
Current assets										
Inventories	149,685	—	149,685	212,209	—	212,209	194,935	—	194,935	IFRS 15 [3]
Trade and other receivables	1,396,361	(136,148)	1,260,213	1,017,269	(140,375)	876,894	746,260	(30,245)	716,015	IFRS 15 [4]
Contract assets	—	997,780	997,780	—	1,000,880	1,000,880	—	885,990	885,990	IFRS 15 [5]
Current income tax receivables	—	—	—	—	—	—	559	—	559	
Prepaid expenses	22,985	(1,746)	21,239	44,304	(2,533)	41,771	34,791	(121)	34,670	IFRS 15 [3]
Cash and cash equivalents	340,994	—	340,994	1,556,801	—	1,556,801	497,981	—	497,981	
Total current assets	**1,910,025**	**859,886**	**2,769,911**	**2,830,583**	**857,972**	**3,688,555**	**1,474,526**	**855,624**	**2,330,150**	
TOTAL ASSETS	**7,959,306**	**787,291**	**8,746,597**	**6,824,882**	**737,536**	**7,562,418**	**5,323,779**	**743,673**	**6,067,452**	

Play Holdings 2 S. à r. l. and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS Prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014

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

	December 31, 2016 Historical YE16 FS	Change	December 31, 2016	December 31, 2015 Historical YE16 FS	Change	December 31, 2015	December 31, 2014 Historical YE16 FS	Change	December 31, 2014	Ref.
EQUITY AND LIABILITIES										
Capital and reserves attributable to shareholders of the Company										
Share capital	52	—	52	52	—	52	52	—	52	
Share premium	5,644,191	—	5,644,191	5,644,191	—	5,644,191	5,635,996	—	5,635,996	
Retained losses	(4,337,511)	35,880	(4,301,631)	(5,004,186)	(9,433)	(5,013,619)	(5,604,550)	40,653	(5,563,897)	
Total equity	**1,306,732**	**35,880**	**1,342,612**	**640,057**	**(9,433)**	**630,624**	**31,498**	**40,653**	**72,151**	
Non-current liabilities										
Long-term finance liabilities	4,521,023	655,394	5,176,417	4,353,543	643,075	4,996,618	3,795,168	588,025	4,383,193	IFRS 16 [C]
Long-term provisions	47,520	—	47,520	46,472	—	46,472	53,523	—	53,523	
Long-term retention programs liabilities	150,064	—	150,064	163,040	—	163,040	95,702	—	95,702	
Deferred tax liability	314	—	314	36	—	36	—	—	—	
Other non-current liabilities	10,873	—	10,873	11,379	—	11,379	12,730	—	12,730	
Total non-current liabilities	**4,729,794**	**655,394**	**5,385,188**	**4,574,470**	**643,075**	**5,217,545**	**3,957,123**	**588,025**	**4,545,148**	
Current liabilities										
Short-term finance liabilities	125,091	152,059	277,150	120,617	156,628	277,245	119,541	158,934	278,475	IFRS 16 [C]
Trade and other payables	1,192,199	(14,618)	1,177,581	987,345	(10,396)	976,949	842,193	(6,078)	836,115	
Contract liabilities	—	44,933	44,933	—	22,322	22,322	—	21,346	21,346	IFRS 15 [6]
Current income tax payable	173,759	—	173,759	61,296	—	61,296	8,078	—	8,078	
Accruals	54,429	—	54,429	68,539	—	68,539	61,226	—	61,226	
Short-term provisions	1,006	—	1,006	996	—	996	1,653	—	1,653	
Short-term retention programs liabilities	17,740	—	17,740	22,294	—	22,294	14,129	—	14,129	
Deferred income	358,556	(86,357)	272,199	349,268	(64,660)	284,608	288,338	(59,207)	229,131	IFRS 15 [7]
Total current liabilities	**1,922,780**	**96,017**	**2,018,797**	**1,610,355**	**103,894**	**1,714,249**	**1,335,158**	**114,995**	**1,450,153**	
TOTAL LIABILITIES AND EQUITY	**7,959,306**	**787,291**	**8,746,597**	**6,824,882**	**737,536**	**7,562,418**	**5,323,779**	**743,673**	**6,067,452**	

Play Holdings 2 S. à r. l. and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with IFRS with early adoption of IFRS 15 and IFRS 16

As at and for the years ended December 31, 2016, December 31, 2015 and December 31, 2014

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

STATEMENT OF COMPREHENSIVE INCOME	Year ended December 31, 2016 Historical YE16 FS	Change	Year ended December 31, 2016	Year ended December 31, 2015 Historical YE16 FS	Change	Year ended December 31, 2015	Year ended December 31, 2014 Historical YE16 FS	Change	Year ended December 31, 2014	Ref.
Operating revenue	**6,037,534**	**80,024**	**6,117,558**	**5,362,702**	**73,801**	**5,436,503**	**4,392,378**	**197,287**	**4,589,665**	
Service revenue	5,393,914	(901,096)	4,492,818	4,981,892	(922,358)	4,059,534	4,161,080	(762,638)	3,398,442	IFRS 15 [8]
Sales of goods and other revenue	643,620	981,120	1,624,740	380,810	996,159	1,376,969	231,298	959,925	1,191,223	IFRS 15 [8]
Operating expenses	**(4,808,555)**	**55,035**	**(4,753,520)**	**(4,304,384)**	**(68,674)**	**(4,373,058)**	**(3,688,996)**	**(105,134)**	**(3,794,130)**	
Interconnection, roaming and other services costs	(1,495,831)	—	(1,495,831)	(1,330,623)	—	(1,330,623)	(1,098,504)	—	(1,098,504)	
Other subscriber acquisition and retention costs not eligible for capitalization	(80,579)	80,579		(81,403)	81,403		(77,571)	77,571		IFRS 15 [9]
Contract costs, net	—	(398,912)	(398,912)	—	(376,269)	(376,269)	—	(318,265)	(318,265)	IFRS 15 [10]
Cost of goods sold	(632,160)	(733,996)	(1,366,156)	(377,879)	(803,342)	(1,181,221)	(233,465)	(751,316)	(984,781)	IFRS 15 [11]
General and administrative expenses	(1,020,406)	161,868	(858,538)	(1,046,712)	159,027	(887,685)	(1,005,183)	152,745	(852,438)	IFRS 16 [D]
Depreciation and amortization, including:	(1,579,579)	945,496	(634,083)	(1,467,767)	870,507	(597,260)	(1,274,273)	734,131	(540,142)	
Amortization of subscriber acquisition and retention costs assets	(1,062,153)	1,062,153	—	(985,595)	985,595	—	(842,719)	842,719	—	IFRS 15 [12]
Depreciation of right-of-use assets	—	(147,907)	(147,907)	—	(150,768)	(150,768)	—	(144,328)	(144,328)	IFRS 16 [E]
Other operating income	57,222	13,440	70,662	70,426	8,062	78,488	55,966	8,242	64,208	
Other operating costs	(136,298)	(8,151)	(144,449)	(71,480)	(4,600)	(76,080)	(77,726)	(8,533)	(86,259)	
Operating profit	**1,149,903**	**140,348**	**1,290,251**	**1,057,264**	**8,589**	**1,065,853**	**681,622**	**91,862**	**773,484**	
Finance income	156,484	(21,531)	134,953	18,041	(10,465)	7,576	86,841	(12,114)	74,727	
Finance costs	(436,219)	(62,877)	(499,096)	(308,021)	(59,957)	(367,978)	(368,354)	(64,255)	(432,609)	IFRS 16 [F]
Profit before income tax	**870,168**	**55,940**	**926,108**	**767,284**	**(61,833)**	**705,451**	**400,109**	**15,493**	**415,602**	
Income tax benefit/(charge)	(203,493)	(10,627)	(214,120)	(166,920)	11,747	(155,173)	86,202	(2,943)	83,259	
Net profit for the period	**666,675**	**45,313**	**711,988**	**600,364**	**(50,086)**	**550,278**	**486,311**	**12,550**	**498,861**	
Total comprehensive income for the period	**666,675**	**45,313**	**711,988**	**600,364**	**(50,086)**	**550,278**	**486,311**	**12,550**	**498,861**	

STATEMENT OF CASH FLOW	Year ended December 31, 2016 Historical YE16 FS	Change	Year ended December 31, 2016	Year ended December 31, 2015 Historical YE16 FS	Change	Year ended December 31, 2015	Year ended December 31, 2014 Historical YE16 FS	Change	Year ended December 31, 2014	Ref.
Profit before income tax	**870,168**	**55,940**	**926,108**	**767,284**	**(61,833)**	**705,451**	**400,109**	**15,493**	**415,602**	
Depreciation and amortization	1,579,579	(945,496)	634,083	1,467,767	(870,507)	597,260	1,274,273	(734,131)	540,142	IFRS 15 [12], IFRS 16 [E]
Changes in contract costs (net)	—	(40,737)	(40,737)	—	(52,830)	(52,830)	—	(58,400)	(58,400)	IFRS 15 [2]
Interest expense (net)	236,175	80,695	316,870	232,841	69,902	302,743	253,798	73,564	327,362	IFRS 16 [F]
(Gain)/Loss on valuation of finance assets	(115,027)	—	(115,027)	38,392	—	38,392	(50,719)	—	(50,719)	
Foreign exchange losses	158,498	3,713	162,211	18,809	520	19,329	85,119	2,805	87,924	
Gain on disposal of non-current assets	(2,830)	(5,966)	(8,796)	(3,143)	(757)	(3,900)	(2,529)	(1,002)	(3,531)	
Impairment of non-current assets	55,800	(49,525)	6,275	48,679	(47,015)	1,664	42,291	(43,955)	(1,664)	IFRS 15 [1]
Change in provisions and retention programs liabilities	(17,118)	—	(17,118)	61,180	—	61,180	33,851	—	33,851	
Changes in working capital and other	(218,138)	(31,753)	(249,891)	(129,056)	102,770	(26,286)	32,223	33,265	65,488	
Change in contract assets	—	3,100	3,100	—	(114,890)	(114,890)	—	(167,223)	(167,223)	IFRS 15 [5]
Change in contract liabilities	—	22,611	22,611	—	976	976	—	2,498	2,498	IFRS 15 [6]
Cash provided by operating activities	**2,547,107**	**(907,418)**	**1,639,689**	**2,502,753**	**(973,664)**	**1,529,089**	**2,068,416**	**(877,086)**	**1,191,330**	
Interest received	20,794	(20,713)	81	10,533	(10,465)	68	14,015	(12,114)	1,901	
Income tax paid	(52,241)	—	(52,241)	(4,213)	—	(4,213)	(10,539)	—	(10,539)	
Transfers from restricted cash (operating)	—	—	—	200	—	200	—	—	—	
Net cash provided by operating activities	**2,515,660**	**(928,131)**	**1,587,529**	**2,509,273**	**(984,129)**	**1,525,144**	**2,071,892**	**(889,200)**	**1,182,692**	
Proceeds from sale of non-current assets	5,511	—	5,511	7,832	—	7,832	7,632	—	7,632	
Proceeds from loans given	—	—	—	79	—	79	26	—	26	
Purchase of fixed assets and intangibles and prepayments for assets under construction	(3,292,662)	1,096,801	(2,195,861)	(1,587,827)	1,151,040	(436,787)	(1,507,279)	1,050,410	(456,869)	IFRS 15 [1]
Loans given	(17,851)	—	(17,851)	—	—	—	(55)	—	(55)	
Purchase of debt securities (Notes issued by Play Topco S.A.)	(141,056)	—	(141,056)	(143,993)	—	(143,993)	—	—	—	
Transfer to other finance assets	—	—	—	—	—	—	(720,256)	—	(720,256)	
Transfer from other finance assets	—	—	—	—	—	—	705,184	—	705,184	
Net cash used in investing activities	**(3,446,058)**	**1,096,801**	**(2,349,257)**	**(1,723,909)**	**1,151,040**	**(572,869)**	**(1,514,748)**	**1,050,410**	**(464,338)**	

STATEMENT OF CASH FLOW— (Continued)	**Year ended December 31, 2016 Historical YE16 FS**	**Change**	**Year ended December 31, 2016**	**Year ended December 31, 2015 Historical YE16 FS**	**Change**	**Year ended December 31, 2015**	**Year ended December 31, 2014 Historical YE16 FS**	**Change**	**Year ended December 31, 2014**	**Ref.**
Proceeds from finance liabilities	385,000	—	385,000	543,772	—	543,772	3,816,016	—	3,816,016	
Distribution of share premium	—	—	—	—	—	—	(1,416,091)	—	(1,416,091)	
Repayment of finance liabilities and relating finance costs	(670,498)	(168,670)	(839,168)	(270,054)	(166,911)	(436,965)	(2,766,697)	(161,210)	(2,927,907)	IFRS 16 [C]
Transfers from restricted cash	—	—	—	—	—	—	134,722	—	134,722	
Other proceeds from financing activities	—	—	—	—	—	—	22,488	—	22,488	
Other payments relating to financing activities	—	—	—	—	—	—	(22,435)	—	(22,435)	
Net cash provided by/(used in) financing activities	**(285,498)**	**(168,670)**	**(454,168)**	**273,718**	**(166,911)**	**106,807**	**(231,997)**	**(161,210)**	**(393,207)**	
Net change in cash and cash equivalents	**(1,215,896)**	**—**	**(1,215,896)**	**1,059,082**	**—**	**1,059,082**	**325,147**	**—**	**325,147**	
Effect of exchange rate change on cash and cash equivalents	89	—	89	(62)	—	(62)	59	—	59	
Cash and cash equivalents at the beginning of the period	**1,556,801**	**—**	**1,556,801**	**497,781**	**—**	**497,781**	**172,575**	**—**	**172,575**	
Cash and cash equivalents at the end of the period	**340,994**	**—**	**340,994**	**1,556,801**	**—**	**1,556,801**	**497,781**	**—**	**497,781**	

STATEMENT OF CHANGES IN EQUITY	Year ended December 31, 2016 Historical YE16 FS	Change	Year ended December 31, 2016	Year ended December 31, 2015 Historical YE16 FS	Change	Year ended December 31, 2015	Year ended December 31, 2014 Historical YE16 FS	Change	Year ended December 31, 2014
Share capital opening balance	52	—	52	52	—	52	—	—	—
Share capital closing balance	**52**	**—**	**52**	**52**	**—**	**52**	**52**	**—**	**52**
Share premium opening balance	5,644,191	—	5,644,191	5,635,996	—	5,635,996	—	—	—
Share premium closing balance	**5,644,191**	**—**	**5,644,191**	**5,644,191**	**—**	**5,644,191**	**5,635,996**	**—**	**5,635,996**
Retained losses opening balance	(5,004,186)	(9,433)	(5,013,619)	(5,604,550)	40,653	(5,563,897)	—	—	—
Net profit for the period	666,675	45,313	711,988	600,364	(50,086)	550,278	519,578	7,444	527,022
Retained losses closing balance	**(4,337,511)**	**35,880**	**(4,301,631)**	**(5,004,186)**	**(9,433)**	**(5,013,619)**	**(5,604,550)**	**40,653**	**(5,563,897)**
Total equity opening balance	640,057	(9,433)	630,624	31,498	40,653	72,151	—	—	—
Net profit for the period	666,675	45,313	711,988	600,364	(50,086)	550,278	519,578	7,444	527,022
Total equity closing balance	**1,306,732**	**35,880**	**1,342,612**	**640,057**	**(9,433)**	**630,624**	**31,498**	**40,653**	**72,151**

Changes to Equity and Net assets attributable to shareholders of P4 sp. z o.o. relate to net impact on net profit and retained losses of the adjustments described above.

2.3 Consolidation

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

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

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

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

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

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

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

- the 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,
- the actual spot rate applied as at this date resulting from the type of transaction—in case of foreign currency purchases and sales.

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, 2016	December 31, 2015	December 31, 2014
EUR	4.4240	4.2615	4.2623
GBP	5.1445	5.7862	5.4648
USD	4.1793	3.9011	3.5072
XDR	5.6716	5.4092	5.0768

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

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

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost includes direct costs (materials, direct labor and work contracted out) and directly attributable own work costs. Fixed assets under construction represent the accumulation of costs associated with the construction of the telecommunications and data transmission networks and other tangible fixed assets; they are presented as Assets under construction. The Play Group includes in the construction cost of its assets all eligible borrowing costs (including interest expense and exchange differences arising from foreign currency borrowings relating to purchases of qualifying assets regarded as an adjustment to interest costs) and

expenditures that are directly attributable to the acquisition or to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Costs relating to fixed assets under construction are transferred to the related property, plant and equipment account and depreciation begins when they become available for use.

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

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

Depreciation is calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives, as follows:

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

Fixed assets under construction are not depreciated.

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 disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

2.6 Right-of-use assets and lease liabilities

The Group is a party to lease contracts for, among others:

a) land for telecommunications constructions,

b) buildings:

- office space, warehouses and points of sale space,
- collocation centers,
- other space for other telecommunications equipment,

c) telecommunications network and equipment- dark fiber-optic cables,

d) computers,

e) motor vehicles.

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

Lessee—accounting

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

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

The right-of-use assets are initially measured at cost, which comprises:

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

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

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

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

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

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunications constructions and other space for other telecommunications equipment ("sites") which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost

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

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

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

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

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

The lease term determined by the Group comprises:

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

After the commencement date the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

Lessor—accounting

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the Group are as follows:

- the lease transfers ownership of the asset to the lessee by the end of the lease term,
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,

- the lease term is for at least $^3/_4$ of the economic life of the asset even if title is not transferred,
- at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset; or
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Currently, the Group is a party of sublease transaction for which underlying right-of-use assets (comprising in particular office and point-of-sale space) are re-leased by the Group. These transactions are classified as operating lease and payments made are recognized on a straight-line basis over the period of the lease. Any variable elements resulting from the change of indexes or other factors being the basis for the rental fee are recognized directly in the profit and loss.

2.7 Intangible assets

2.7.1 Licenses

Licenses are stated at cost less accumulated amortization and accumulated impairment losses. Amortization of the license commences once the related network is capable of operating in the manner intended by the Group and is calculated on a straight-line basis until the end of the grant period.

2.7.2 Computer software costs

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

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

2.7.3 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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

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

2.7.4 Intangible assets under construction

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

2.8 Contract costs

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

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

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

- for postpaid contracts—over the Adjusted Contract Term, which is the period after which the Group expects to offer a subsequent retention contract to a customer, which is usually a few months before the contractual term lapses,
- for "mix" contracts—over the term during which a customer is expected to fulfill their obligation in relation to all top-ups required under a contract.

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

Contract costs capitalized are impaired if the customer is disconnected or if the asset's carrying amount exceeds projected discounted cash flows relating to the contract. An impairment loss is recognized in profit or loss to the extent of the carrying amount of an contract costs asset over the remaining amount of consideration

that the Group expects to receive in exchange for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

2.9 Impairment of non-financial assets

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

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

2.10 Inventories

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

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

2.11 Trade and other receivables

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

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

Trade receivables are derecognized when:

- the rights to receive cash flows from the asset have expired,

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.12 Contract assets

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

2.13 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 received.

2.14 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.

Cash and cash equivalents are carried at nominal value in the statement of financial position.

2.15 Cash and cash equivalents in statement of cash flows

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

2.16 Retirement benefits

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

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

The Play Group has no other employee retirement plans.

2.17 Retention programs

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

Under the terms of the programs, Members of the Management Board of P4 and Key Personnel of the Group are entitled to remuneration paid in cash which value is dependent on the fair value of P4 as at the disposal of the shares by the shareholder or shareholders (liquidity event).

Liabilities relating to share-based retention programs are measured at the fair value of the liability at each end of the reporting period. Changes in the fair value of the liability are recognized in the statement of comprehensive income.

2.18 Financial liabilities

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

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

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

2.19 Embedded derivatives

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

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

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

Otherwise the early redemption option is not regarded as closely related and as such is subject to separate recognition and measurement.

The assessment of whether an embedded derivative meets the conditions for its separation from the host contract is made on initial recognition of the contract.

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

2.20 Trade liabilities

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

2.21 Provisions

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

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

2.22 Deferred income

Deferred income on sales of services comprises amounts relating to services that will be delivered in the future, which are billed to a customer in advance but not yet due.

2.23 Contract liabilities

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer or the amount is due.

2.24 Revenue

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

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

- voice and SMS telecommunications;
- data transfer;
- value added services;
- interconnection;

- international roaming;
- sales of handsets and other equipment.

Revenues from voice, SMS telecommunications and data transfer include charges for telecommunications traffic originated in the P4's network, including revenues from prepaid products.

Goods and services may be sold separately or in bundled packages. For bundled packages, including *e.g.* mobile devices, monthly fees and activation fees from contract subscribers, the Group accounts for revenue from individual goods and services separately if they are distinct—*i.e.* if a good or service can be distinguished from other components of the bundled package and if a customer can benefit from it separately. The consideration for the bundled packages comprises cash flows from the customers expected to be received in relation to goods and services delivered over the Adjusted Contract Term (see Note 2.8). The consideration (transaction price) is allocated between separate goods and services in a bundle based on their relative stand-alone selling prices. The stand-alone selling prices for mobile devices are determined based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for telecommunications services are set based on prices for non-bundled offers with the same range of services.

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

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

Telecommunications revenue from the sale of prepaid products in single-element contracts (i.e. with one performance obligation for airtime services) is recognized at the face value of a prepaid top-up sold, net of VAT. The difference between the face value of a prepaid offerings and the value for which the offerings are sold by P4 to its distributors, constitutes commission earned by the distributors, who act as agents. P4 acts as a principal in such agreements. The costs of prepaid commissions are treated as other service costs (see also Note 2.30.7). The revenue from the sale of prepaid products is deferred until an end-user commences using the product, and recognized in the profit or loss as telecommunications services are provided, based on the actual airtime usage at an agreed tariff, or upon expiration of the obligation to provide the service. Revenues from the value added services are recognized in the amount of full consideration if P4 acts as principal in the relation with the customer or in the amount of the commission earned if P4 acts as agent.

Interconnection revenues are derived from calls and other traffic that originate in other operators' networks but use P4's network. P4 receives interconnection fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

International roaming revenues are derived from calls and other traffic generated by foreign operators' customers in P4's network. P4 receives international roaming fees based on agreements entered into with other telecommunications operators. These revenues are recognized in the profit or loss in the period in which the services were rendered.

Revenue from sale of handsets, other equipment and other goods is recognized when a promised good is transferred to the customer (typically upon delivery). The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data. For mobile devices sold

separately (i.e. without the telecommunications contract), a customer usually pays full price at the point of sale.

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

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

2.25 Interest income

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

2.26 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 countries where the Company and its subsidiaries operate and generate 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.

2.27 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, the Company or its subsidiaries have 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.

2.28 Financial risk management

The Play Group's overall risk management program focuses on minimizing the potential adverse effects of the financial risks on the performance of the Group. The financial risk is managed under policies covering specific areas such as currency risk, interest rate risk, credit risk and liquidity risk, as well as covenants provided in financing agreements.

2.28.1 Currency risk

A significant portion of the Group's borrowings is denominated in EUR. International roaming costs and revenue are recorded in foreign currencies, including XDR. Also some operating costs are born in foreign currencies, mainly EUR. Currency risk management is aimed at managing within acceptable limits both the volatility of cash flows (in respect of PLN) arising from fluctuations in the exchange rate of the PLN against other currencies, and the adverse effect of movements in exchange rates on the earnings (in respect of PLN).

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

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

None of the derivatives were used during the year ended December 31, 2016, year ended December 31, 2015 and year ended December 31, 2014.

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

Year ended December 31, 2016

	EUR	GBP	USD	XDR	PLN	Total
Long term receivables—debt securities	322,641	—	—	—	—	322,641
Long term loans	18,360	—	—	—	—	18,360
Other long term receivables before the impairment provision	1,359	—	—	—	11,213	12,572
Trade and other receivables before the impairment provision	15,542	81	2,871	11,918	1,372,992	1,403,404
Cash and cash equivalents	19,054	187	736	—	321,017	340,994
Assets	**376,956**	**268**	**3,607**	**11,918**	**1,705,222**	**2,097,971**
Long-term finance liabilities	4,444,183	—	4,025	—	728,209	5,176,417
Long-term retention programs liabilities	133,163	—	—	—	16,901	150,064
Other non-current liabilities	—	—	—	—	10,873	10,873
Short-term finance liabilities	124,913	—	774	—	151,463	277,150
Trade and other payables	98,303	—	4,780	29,146	1,045,352	1,177,581
Short-term retention programs liabilities	10,913	—	—	—	6,827	17,740
Liabilities	**4,811,475**	**—**	**9,579**	**29,146**	**1,959,625**	**6,809,825**

Year ended December 31, 2015

	EUR	GBP	USD	XDR	PLN	Total
Long term receivables—debt securities	153,441	—	—	—	—	153,441
Other long term receivables before the impairment provision	1,230	—	—	—	10,876	12,106
Trade and other receivables before the impairment provision	8,852	349	239	9,247	951,177	969,864
Cash and cash equivalents	48,232	—	855	—	1,507,714	1,556,801
Assets	**211,755**	**349**	**1,094**	**9,247**	**2,469,767**	**2,692,212**
Long-term finance liabilities	4,272,911	—	—	—	723,707	4,996,618
Long-term retention programs liabilities	150,744	—	—	—	12,296	163,040
Other non-current liabilities	—	—	—	—	11,379	11,379
Short-term finance liabilities	125,148	—	—	—	152,097	277,245
Trade and other payables	189,154	34	7,867	21,386	758,508	976,949
Short-term retention programs liabilities	22,294	—	—	—	—	22,294
Liabilities	**4,760,251**	**34**	**7,867**	**21,386**	**1,657,987**	**6,447,525**

Year ended December 31, 2014

	EUR	GBP	USD	XDR	PLN	Total
Long term receivables—debt securities	—	—	—	—	—	—
Other long term receivables before the impairment provision	1,040	—	—	—	14,462	15,502
Trade and other receivables before the impairment provision	4,834	830	86	6,255	788,955	800,960
Cash and cash equivalents	11,851	—	1,344	—	484,786	497,981
Assets	**17,725**	**830**	**1,430**	**6,255**	**1,288,203**	**1,314,443**
Long-term finance liabilities	3,704,223	—	—	—	678,970	4,383,193
Long-term retention programs liabilities	95,702	—	—	—	—	95,702
Other non-current liabilities	—	—	—	—	12,730	12,730
Short-term finance liabilities	117,717	—	—	—	160,758	278,475
Trade and other payables	115,218	—	99	11,720	709,078	836,115
Short-term retention programs liabilities	—	—	—	—	14,129	14,129
Liabilities	**4,032,860**	**—**	**99**	**11,720**	**1,575,665**	**5,620,344**

Other assets and liabilities are denominated in PLN.

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

	Change in EUR rate	Effect on result before tax
December 31, 2016	+5%	(217,248)
	−5%	217,248
December 31, 2015	+5%	(222,707)
	−5%	222,707
December 31, 2014	+5%	(196,539)
	−5%	196,539

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

The result is more sensitive to movement in EUR/PLN exchange rates in 2016 and 2015 than in 2014 mainly because of the increased amount of euro-denominated debt and retention programs liabilities, partially off-set by the increase in euro-denominated receivables due to purchase of debt securities. Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

2.28.2 Interest rate risk

In the year ended December 31, 2016 and December 31, 2015 and in the year ended December 31, 2014, the exposure on interest rate risk related primarily to bonds and finance leases with floating interest rates.

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 1M, 3M)	Effect on result before tax
Year ended December 31, 2016	+50	(661)
	−50	661
Year ended December 31, 2015	+50	(659)
	−50	659
Year ended December 31, 2014	+50	(1,753)
	−50	1,753

The result is less sensitive to changes in interest rates in 2016 and in 2015 than in 2014 because of lower amount of floating rate debt (the Group refinanced its floating rate bank loans mostly with fixed rate bonds in January 2014). Effect on equity would comprise effect on profit before tax as well as corresponding tax effect.

The sensitivity analysis assumes that a 50 basis points change in the 3M EURIBOR, a 50 basis points change in the 3M WIBOR PLN and a 50 basis points change in the 1M 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, 2016, year ended December 31, 2015 and year ended December 31, 2014.

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

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

None of the derivatives were used during the year ended December 31, 2016, year ended December 31, 2015 and year ended December 31, 2014.

2.28.3 Credit risk

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

The table below shows the balance of three major counterparties at the end of the reporting period and the percentage that the balance represents in total Group’s trade and other receivables:

	December 31, 2016	
	%	Balance
Counterparty A	7.0%	97,276
Counterparty B	2.1%	29,402
Counterparty C	1.9%	25,975
	10.9%	**152,653**

	December 31, 2015	
	%	Balance
Counterparty A	4.2%	43,217
Counterparty B	2.6%	26,294
Counterparty C	2.3%	23,220
	9.1%	**92,731**

	December 31, 2014	
	%	Balance
Counterparty A	5.0%	39,049
Counterparty D	2.5%	19,152
Counterparty E	2.0%	15,545
	9.5%	**73,746**

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

Cash is deposited only in high credit quality financial institutions.

Management and control of credit risk regarding receivables from counterparties A, B, C, D, and E is based on:

- investigation of financial standing in relation to the Group's business partners (current and potential);
- investigation of individual credit limit needs of business partners;
- security of credit limits by using hard security instruments (deposit, bank guarantee) and soft security instruments (submission for execution based on clause 777 of code of civil procedure, bill of exchange);
- insurance of trade receivables in external institutions;

- periodical monitoring of different caution signals: lack of payment, lack of new orders for mobile devices;
- immediate response in case of appearance of any caution signals.

2.28.4 Liquidity risk

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

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

Other non-current liabilities, which comprise deposits received from business partners (mainly dealers) as a collateral for their liabilities towards the Group, were classified as due within over five years from the end of the reporting period as the Group expects that they will be settled only after termination of cooperation with its partners. The table below presents the maturity of bank loans, notes and finance lease liabilities in contractual values (*i.e.* excluding the impact of nominal expenses incurred in relation to the liability), increased by projected value of interest payments. Values are not discounted.

December 31, 2016

	Liabilities payable within:			
	1 year	**2 to 5 years**	**over 5 years**	**Total**
Notes	252,910	4,948,341	—	5,201,251
Lease	179,033	530,224	466,007	1,175,264
Other debt	1,150	1,522	—	2,672
	433,093	**5,481,958**	**464,136**	**6,379,187**

December 31, 2015

	1 year	2 to 5 years	over 5 years	Total
	Liabilities payable within:			
Notes	243,905	5,015,574	—	5,259,479
Lease	183,130	538,218	433,931	1,155,279
	427,035	**5,553,792**	**433,931**	**6,414,758**

December 31, 2014

	Liabilities payable within:			
	1 year	2 to 5 years	over 5 years	Total
Notes	217,417	4,629,618	—	4,847,035
Lease	195,855	510,511	360,277	1,066,643
	413,272	**5,140,129**	**360,277**	**5,913,678**

2.28.5 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

2.29 Fair value estimation

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

The methods and assumptions used to estimate the fair values of liabilities relating to retention programs and derivatives are described in Notes 2.30.1 and 2.30.3 respectively.

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

2.30 Critical accounting estimates and judgments

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

2.30.1 Valuation of the liabilities relating to retention programs

The main input used for the valuation of retention programs liabilities is the fair value of the Group. The fair value of the Group as at December 31, 2016, December 31, 2015 and December 31, 2014 was established

using the multiply method on the basis of business projections for years 2017-2019, 2016-2018 and 2015-2017 respectively.

The estimated fair value of the Group as at December 31, 2016 has changed in comparison to December 31, 2015 and December 31, 2014.

The following table lists other major inputs to the models used for the plans:

	December 31, 2016	December 31, 2015	December 31, 2014
Liquidity event date	December 31, 2018	December 31, 2018	December 31, 2017
Volatility	25%	34%	27%
Probability that liquidity event will not occur till liquidity event date mentioned above	50%	50%	50%

Had the major inputs remained the same as at December 31, 2015, the value of retention programs liabilities as at December 31, 2016 and relating costs for the year ended December 31, 2016 would be higher by PLN 7,824 thousand.

2.30.2 Assessment of close relation of embedded early redemption options to the host debt contract—performed as at issue date

The Group has assessed, that for Fixed Rate Senior Secured Notes and Senior Notes issued in January 2014 the respective early redemption options require separate recognition due to differences between option's exercise price and Notes' value at amortized cost and due to the fact that implied fee for early redemption to be paid to the lender reimburses the lender for an amount higher than the lost interest for the remaining term of Notes.

With respect to Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015 it was concluded that option's exercise price approximates debt amortized cost value and that it can be moreover assessed that implied fee for early redemption reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of Notes. Thus close relation between embedded derivative and host contract was confirmed. Therefore this early redemption option was not separated from host debt contract of Floating Rate Senior Secured Notes issued in January 2014 and Fixed Rate Senior Secured Notes issued in March 2015 for accounting and valuation purposes.

2.30.3 Valuation of early redemption options

For purposes of valuation of early redemption options to fair value the Group applies valuation model which is designed based on Black-Derman-Toy model (BDT) framework. BDT model is a one-factor model and is one of the most used yield-based models to valuate bonds and interest rate (American-style) options.

Critical assumptions behind designed model and implemented valuation techniques are as follows:

- model is arbitrage-free and consistent with the term structure of interest rates observed as at valuation date,
- value of an option is determined as payoff from its exercise in the future discounted to valuation date,

- binomial tree technique is used as primary tool for estimation of future path of interest rates and Notes prices. Length of period for binomial tree is assumed as 1 month. An equal probability (of 50%) is assigned for increase or decrease of interest rates within next period of time,

- short risk free rates are lognormally distributed at all times,
- risk free rate is presented by ECB EUR AAA Bond rate, i.e. applicable for euro area central government bonds (in EUR),
- applicable credit spread at each valuation date is determined as implied credit spread from most actual debt issue of the Group and adjusted by the actual change in broad market credit index for corporations with rating as of the Group (actually CDS index for entities rated "BB" is assumed as a benchmark). No volatility of credit spread through maturity / exercise date is assumed,
- volatility of risk free rate is determined as constant through maturity / exercise date.

Thus critical valuation inputs of the option are as follows:

- credit spread,
- risk free rate term structure,
- volatility of risk free rate.

The above inputs are unobservable inputs.

Due to the nature of embedded derivative (American-style call option on debt instrument which is not quoted on active markets) and due to designed valuation model that uses unobservable inputs subject to significant assumptions the analyzed early redemption options are categorized within Level 3 of fair value hierarchy. The tables below present results of sensitivity analysis of early redemption options' valuations (separately for each Notes' category) to changes of key unobservable valuation inputs (key risk factors).

Early redemption option embedded in Senior Notes:

Risk factor	**decrease**		**Actual (base)**	**increase**	
Credit spread	**−0.50%**	**−0.25%**	**3.44%**	**+0.25%**	**+0.50%**
Option fair value..	66,157	58,412	50,723	43,763	37,949
Impact on profit before tax..........................	15,434	7,688	—	(6,960)	(12,774)
Risk free rate	**−0.00%**	**−0.00%**	**0.00%**	**+1.00%**	**+2.00%**
Option fair value..	50,726	50,725	50,723	44,404	41,930
Impact on profit before tax..........................	3	2	—	(6,320)	(8,794)

Early redemption option embedded in Senior Secured Notes:

Risk factor	decrease		Actual (base)	increase	
Credit spread	**−0.50%**	**−0.25%**	**2.93%**	**+0.25%**	**+0.50%**
Option fair value	109,988	96,712	83,522	70,418	57,398
Impact on profit before tax	26,465	13,190	—	(13,104)	(26,124)
Risk free rate	**−0.00%**	**−0.00%**	**0.00%**	**+0.50%**	**+1.00%**
Option fair value	83,523	83,523	83,522	69,833	64,337
Impact on profit before tax	1	0	—	(13,690)	(19,186)

Actual (base) values of risk factors are presented as at December 31, 2016. Actual value for risk free rate is presented as average rate of quoted yields (only those above zero) for full yearly periods from December 31, 2016 to given Notes maturity.

Decrease / increase of each risk factor is presented in nominal values, *e.g.* 0.50% decrease of credit spread from credit spread base value of 5% means that credit spread would fall from 5.00% to 4.50%.

Decrease / increase of risk free rate means parallel shift of zero coupon risk free curve down / up. It is assumed, that risk free rate could not fall below zero. So the maximum decrease is assumed up to the amount of 1Y risk free rate or zero.

Magnitude of decrease / increase of risk factors was determined as reasonable and possible to occur.

Change of option value is positively correlated to changes of volatility (i.e. the greater the volatility of risk free rate, the greater the option value) and negatively correlated to changes of credit spread and risk free rate levels. However, by risk free rate close or equal nil, the impact of the changes of volatility is insignificant. Option value is mostly sensitive to change of credit spread. Potential change of the Group's rating in the future will trigger change of benchmark for credit spread calculation and therefore such event will also have an impact on option value calculated from applied valuation model.

2.30.4 Valuation of the assets retirement obligation provision

As at December 31, 2016 the assets retirement obligation provision was calculated using discount rate of 3.62% (3.00% as at December 31, 2015 and 2.95% as at December 31, 2014), representing interest rate of 10-years treasury bonds as at that date.

The discount period equals the average remaining useful life of the fixed assets that will be subject to retirement obligation. The discount period applied for the calculation in the years ended December 31, 2016 and December 31, 2015 has changed in comparison to December 31, 2014.

2.30.5 Deferred tax

As part of the process of preparing the consolidated financial statements, the Group is required to estimate the Play Group's income taxes. This process involves estimating the Play Group's actual current tax exposure together with assessing the temporary differences resulting from different treatments for tax and accounting

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

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

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

2.30.6 Impairment of Play Group's long-lived assets

Under IAS 36 "Impairment of Assets" the Group is obliged to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Play Group must estimate the recoverable amount of the asset or of the cash generating unit ("CGU") to which the asset belongs. As at December 31, 2016, no impairment indicators were identified.

In accordance with the provisions of IAS 36, goodwill recognized on the acquisition of the Germanos Group and intangible assets with indefinite useful life were tested for impairment as at December 31, 2016. The goodwill was allocated to the CGU identified as the entire Play Group, as the performance is assessed and decisions on future resource allocation are made for the entire Group.

The recoverable amount of a CGU was determined based on value in use calculations. These calculations are based on the Play Group's latest available financial projections for the years 2017-2021.

The key assumptions for the calculations are presented below:

- The EUR/PLN exchange rate is on the level of 4.3 PLN for 1 EUR;
- Play Market Share in Customer Base is expected to increase during the forecast period;
- Play new subscribers added ("gross adds") are expected to decrease slightly during the forecast period as the Polish mobile market becomes more saturated over time;
- The costs of national roaming/network sharing and interconnection costs assumed by the Group in the financial projections are the best estimate of rates taking into account actual rates as per the agreements with national roaming/network sharing providers, roll-out speed and coverage targets with traffic growth assumption as well as market opportunities to lower national roaming/network sharing rates;
- Unit subscriber acquisition cost (calculated on cash basis) is expected to remain stable;
- Unit subscriber retention cost (calculated on cash basis) is expected to decrease;

- ARPU Outbound (monthly revenue from retail usage per average subscriber) is expected to increase slightly which reflects planned customer mix;
- The discount rate used (of 9.91%) reflects the risks specific to the Play Group's operations;
- The growth rate used to extrapolate cash flow projections beyond the forecast period (2022 onwards) is conservatively determined at 0%.

The results of this test indicated that the recoverable amount of the CGU is higher than the carrying amount of the CGU's long lived assets, including goodwill as at December 31, 2016. As a result no impairment loss has been recognized.

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

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

As a result of these and other uncertainties, including possible significant changes in mobile technology, the actual recoverable amount of the CGU may differ significantly in the future from the Play Group's current estimates.

However,

- If the total number of new subscribers added by P4 ("gross adds") in the projection period was 10% lower than the Group's assumptions, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.
- If the Blended ARPU Outbound (monthly revenue from retail usage per average subscriber) in the projection period was 5% lower than the Group's assumptions, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.
- If the revised estimated discount rate applied to the discounted cash flows was increased by 2 p.p., compared with the Group's estimates, with other assumptions unchanged, the Group would not recognize any impairment against the cash-generating unit.

2.30.7 Deferred charges-distribution costs of prepaid products

Costs of distribution of prepaid products are deferred until the service is provided, i.e. a prepaid product is delivered to an end-user, and expensed at that time. However, as P4 has no means of knowing the exact moment at which the prepaid products are delivered to end-users, due to the vast majority of sales being through independent third party channels, it is estimated that the distribution services are rendered when prepaid products are first activated in P4's billing system. The distribution costs of prepaid products that were not activated after a pre-determined period from the date of delivering the products to the distributors are treated as incurred and expensed at that time.

2.30.8 Impairment of billing receivables

For billing receivables, the impairment provision is calculated on the basis of the collectability ratio in previous periods, including revenue from sale of billing receivables. The collectability ratio used for calculation as at December 31, 2016 is higher than in comparative periods.

2.30.9 Significant judgments and estimates relating to application of IFRS 15

The application of IFRS 15 requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers. These include:

- determining the timing of satisfaction of performance obligations,
- determining the transaction price allocated to them,
- determining the standalone selling prices.

The significant judgments in the relation to the above are described in Note 2.24. The transaction price is calculated as total consideration receivable from the customer over the Adjusted Contract Term, described in Note 2.8.

The significant judgments in relation to recognition and measurement of contract costs are described in Note 2.8.

Significant financing component

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

Material right considerations

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

Agent vs. principal considerations in relation to cooperation with dealers

The Group cooperates with a network of dealers who sell post-paid services (including these bundled with handsets) and prepaid services. The Group has assessed that it acts as a principal in this process, for the following reasons:

a) the Group bears primary responsibility for fulfilling the promise to provide the specified good and service-the Group is responsible for delivering airtime services to the end-customer and organizes the process of repairs of the equipment within the guarantee period,

b) prices of services and prices of equipment to customers are determined by the Group and not by the dealer;

c) dealers are remunerated in the form of commissions;

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

2.30.10 Significant judgments and estimates relating to application of IFRS 16

The application of IFRS 16 requires the Group 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, the contract term and determining the interest rate used for discounting of future cash flows.

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

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

2.31 Segment reporting

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

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

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

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

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Operating profit	**1,290**	**1,066**	**773**
Add depreciation and amortization	634	597	540
Add advisory services provided by shareholders	36	28	21
Add valuation of retention programs and special bonuses	7	93	84
Add one-off taxes and fees	0	—	14
Add One-off salaries and social security	2	—	—
Add One-off advertising and promotion expenses	0	—	—
Add one-off finance and legal services	7	3	4
Add one-off cost/(reversal) of provisions	20	(11)	(5)
Add one-off impairment of overdue receivables	13	—	4
Add one-off other operating costs	25	9	0
Adjusted EBITDA	**2,035**	**1,786**	**1,436**

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

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

3. Property, plant and equipment

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

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

During the year ended December 31, 2016 the Group has not capitalized any interest expense or exchange rate differences.

As at December 31, 2016 contractual commitments for purchase of property, plant and equipment and intangible assets amount to PLN 85,724 thousand.

	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2015	46	691,837	111,593	926,038	—	49,616	1,779,130
Transfers and reclassifications	—	111,530	4,967	187,824	—	23,332	327,653
Disposals	—	(6,963)	(15,014)	(208,781)	—	(12,850)	(243,608)

As at December 31, 2015	**46**	**796,404**	**101,546**	**905,081**	**—**	**60,098**	**1,863,175**
Accumulated depreciation							
As at January 1, 2015	4	274,028	90,719	516,700	—	37,328	918,779
Charge	—	90,831	13,745	163,268	—	9,479	277,323
Transfers and reclassifications	—	95	(454)	—	—	—	(359)
Disposals	—	(4,592)	(15,011)	(207,987)	—	(12,725)	(240,315)
As at December 31, 2015	**4**	**360,362**	**88,999**	**471,981**	**—**	**34,082**	**955,428**
Net book value as at December 31, 2015	**42**	**436,042**	**12,547**	**433,100**	**—**	**26,016**	**907,747**

During the year ended December 31, 2015 the Group has not capitalized any interest expense or exchange rate differences.

As at December 31, 2015 contractual commitments for purchase of property, plant and equipment and intangible assets amount to PLN 75,585 thousand.

	Land	Buildings	Computers	Telecommunications network and equipment	Motor vehicles	Other fixed assets	Total
Cost							
As at January 1, 2014	46	538,300	94,599	824,453	—	45,640	1,503,038
Additions	—	101	—	—	—	—	101
Transfers and reclassifications	—	163,228	19,136	219,932	—	6,114	408,410
Disposals	—	(9,792)	(2,142)	(118,347)	—	(2,138)	(132,419)
As at December 31, 2014	**46**	**691,837**	**111,593**	**926,038**	**—**	**49,616**	**1,779,130**
Accumulated depreciation							
As at January 1, 2014	3	196,798	68,578	518,551	—	30,406	814,336
Charge	1	83,841	10,678	114,922	—	8,575	218,017
Transfers and reclassifications	—	106	13,366	—	—	—	13,472
Disposals	—	(6,717)	(1,903)	(116,773)	—	(1,653)	(127,046)
As at December 31, 2014	**4**	**274,028**	**90,719**	**516,700**	**—**	**37,328**	**918,779**
Accumulated impairment							
As at January 1, 2014	—	—	245	4,132	—	—	4,377
Reversal of impairment charge	—	—	(28)	(2,640)	—	—	(2,668)
Utilization of impairment charge	—	—	(217)	(1,492)	—	—	(1,709)
As at December 31, 2014	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Net book value as at December 31, 2014	**42**	**417,809**	**20,874**	**409,338**	**—**	**12,288**	**860,351**

During the year ended December 31, 2014 the Group capitalized PLN 546 thousand of interest expense and PLN 224 thousand of exchange rate differences arising from foreign currency borrowings relating to purchases of property, plant and equipment and intangible assets regarded as an adjustment to interest costs. The rate used to determine the amount of borrowing costs eligible for capitalization was 4.20%, which is the effective interest rate of the CDB borrowing.

As at December 31, 2014 contractual commitments for purchase of property, plant and equipment and intangible assets amount to PLN 130,808 thousand.

4. Right-of-use assets

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

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,810 thousand in current period.

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

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

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

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,175 thousand in the year ended December 31, 2015. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed. The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 11,888 thousand in the year ended December 31, 2015.

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: Computers	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other fixed assets	Total
Cost							
As at January 1, 2014	82,676	903,203	44,216	95,591	23,870	—	1,149,556
Additions	15,483	82,846	—	6,758	—	—	105,087
Asset retirement obligation	—	8,397	—	—	—	—	8,397
Transfers and reclassifications	—	(334)	19,439	4,429	7,224	—	30,758
Disposals	—	(20,359)	(177)	(714)	(3,973)	—	(25,223)
As at December 31, 2014	**98,159**	**973,753**	**63,478**	**106,064**	**27,121**	**—**	**1,268,575**
Accumulated depreciation							
As at January 1, 2014	20,262	344,921	20,057	42,851	12,307	—	440,398
Charge	7,120	89,609	18,846	20,660	6,895	—	143,130
Charge from asset retirement obligation	—	1,198	—	—	—	—	1,198
Transfers and reclassifications	—	(106)	(13,366)	—	—	—	(13,472)
Disposals	—	(17,171)	(178)	(672)	(3,971)	—	(21,992)
As at December 31, 2014	**27,382**	**418,451**	**25,359**	**62,839**	**15,231**	**—**	**549,262**
Net book value as at December 31, 2014	**70,777**	**555,302**	**38,119**	**43,225**	**11,890**	**—**	**719,313**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,464 thousand in the year ended December 31, 2014.

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

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 12,353 thousand in the year ended December 31, 2014.

5. Intangible assets

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

The transfers recorded during year ended December 31, 2016 relate mainly to transfers from assets under construction to intangible assets due to the completion of computer software.

On August 23, 2005 P4 was granted by Urząd Komunikacji Elektronicznej ("UKE") a reservation of the 2100 MHz frequency for the period from July 1, 2006 to December 31, 2022. On March 16, 2007 P4 started providing mobile telecommunications services and started to amortize the 2100 MHz license from March 1, 2007. The license is amortized over the period for which it was granted. As at December 31, 2016 the carrying value of the 2100 MHz license was PLN 131,049 thousand.

On December 9, 2008 P4 was granted a reservation of the 900 MHz frequency for the period from December 9, 2008 to December 31, 2023. P4 started to amortize the 900 MHz license from January 2009. The license is amortized over the period for which it was granted. As at December 31, 2016 the carrying value of the 900 MHz license was PLN 101,593 thousand.

On February 13, 2013, P4 was granted a reservation of the 1800 MHz frequency for the period from February 13, 2013 to December 31, 2027. The license is amortized over the period for which it was granted. As at December 31, 2016 the carrying value of the 1800 MHz license was PLN 377,793 thousand.

On January 25, 2016, P4 was granted a reservation of the 800 MHz frequency. On June 23, 2016, the UKE President issued new decisions on reservation of 800 MHz frequency and changed the allocation of the frequency blocks among operators (P4 was allocated the Block C instead of the Block D). The reservation is granted till June 22, 2031. The license is amortized over the period for which it was granted. As at December 31, 2016 the carrying value of the 800 MHz license was PLN 1,403,106 thousand.

On January 25, 2016, P4 was granted a reservation of the 2600 MHz frequency for the period from January 25, 2016 to January 24, 2031. The license is amortized over the period for which it was granted. As at December 31, 2016 the carrying value of the 2600 MHz license was PLN 208,535 thousand.

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

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

Utilization of impairment charge	—	—	—	—	—
As at December 31, 2015	**—**	**—**	**—**	**—**	**—**
Net book value as at December 31, 2015	**681,134**	**198,752**	**238,301**	**8,585**	**1,126,772**

	Telecommunications licenses	**Computer and network software**	**Goodwill**	**Other intangible assets**	**Total**
Cost					
As at January 1, 2014	1,061,522	647,287	238,604	17,438	1,964,851
Additions	—	—	—	—	—
Transfers and reclassifications	—	125,767	—	1,953	127,720
Disposals	—	(8,153)	(303)	(1,457)	(9,913)
As at December 31, 2014	**1,061,522**	**764,901**	**238,301**	**17,934**	**2,082,658**
Accumulated amortization					
As at January 1, 2014	238,989	401,291	—	12,356	652,636
Charge	70,699	104,278	—	2,868	177,845
Charge correction resulted from reversal of impairment charge	—	—	—	—	—
Transfers and reclassifications	—	—	—	—	—
Disposals	—	(7,983)	—	(1,476)	(9,459)
As at December 31, 2014	**309,688**	**497,586**	**—**	**13,748**	**821,022**
Accumulated impairment					
As at January 1, 2014	—	—	—	—	—
Impairment charge	—	—	—	—	—
Utilization of impairment charge	—	—	—	—	—
As at December 31, 2014	**—**	**—**	**—**	**—**	**—**
Net book value as at December 31, 2014	**751,834**	**267,315**	**238,301**	**4,186**	**1,261,636**

The movements in goodwill recorded during the year ended December 31, 2014 result from the disposal of part of business acquired in 2013.

6. Assets under construction

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Cost			
As at January 1	395,385	286,447	346,155
Additions	611,065	504,908	509,217
Radio network	391,279	259,467	328,845
Core network and network operations center	72,978	73,096	63,801
IT	116,452	111,418	96,989
Other capital expenditures	30,356	60,927	19,582
Transfers and reclassifications	(462,530)	(395,063)	(566,888)
Disposals	(806)	(907)	(2,037)
As at December 31	**543,114**	**395,385**	**286,447**
Accumulated impairment			
As at January 1	1,849	981	1,579
Impairment charge	1,491	1,686	977
Utilization of impairment provision	(642)	(818)	(1,575)
As at December 31	**2,698**	**1,849**	**981**
Net book value as at December 31	**540,416**	**393,536**	**285,466**

Assets under construction comprise expenditures on property, plant and equipment as well as intangible assets being under construction. Assets under construction include also right-of-use under construction amounting to PLN 10,140 as at December 31, 2016, PLN 0 as at December 31, 2015 and PLN 10,744 as at December 31, 2014.

Transfers and reclassifications represent mainly transfers from assets under construction to property, plant and equipment and to intangible assets.

7. Contract costs

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Cost			
As at January 1	605,668	484,039	384,688
Additions	421,951	395,403	342,704
Disposals	(324,052)	(273,774)	(243,353)
As at December 31	**703,567**	**605,668**	**484,039**
Accumulated amortization			
As at January 1	295,724	226,925	185,974
Charge (including impairment)	381,214	342,573	284,304
Disposals (including impairment)	(324,052)	(273,774)	(243,353)
As at December 31	**352,886**	**295,724**	**226,925**
Net book value as at December 31	**350,681**	**309,944**	**257,114**

8. Long term finance receivables

	December 31, 2016	December 31, 2015	December 31, 2014
Long term receivables—debt securities			
EUR 8.22% Senior Notes due in 2020, tranche A, B, C	249,788	153,441	—
EUR 6.11% Senior Notes due in 2020, tranche D	72,853	—	—
Long term loans			
Loans given to Play Topco due in 2019	18,360	—	—
	341,001	**153,441**	**—**

Debt securities

On February 26, 2015, the Group purchased EUR 18,047 thousand in aggregate principal amount of A Series Bonds issued by Play Topco S.A. On August 26, 2015, the Group purchased EUR 16,260 thousand in aggregate principal amount of B Series Bonds issued by Play Topco S.A. On February 25, 2016, the Group purchased EUR 15,950 thousand in aggregate principal amount of C Series Bonds issued by Play Topco S.A. On August 26, 2016, the Group purchased EUR 16,550 thousand in aggregate principal amount of D Series Bonds issued by Play Topco S.A. The purpose of the bonds was to facilitate the interest payments on the EUR 415,000 thousand 7.75%/8.50% Senior PIK Toggle Notes due 2020 issued on August 6, 2014 by Play Topco S.A. The notes mature on February 28, 2020 (Repurchase Date). Interest on the A, B and C Series Bonds is calculated at the rate of 8.22% per annum and interest on the D Series is calculated at the rate of 6,11% per annum. Interest accrued on all tranches is payable on the Bonds Repurchase Date.

The bonds receivables are measured at amortized cost using the effective interest rate. The effective interest rate on tranches A, B and C was 8.23% and on tranche D amounted to 6.12% as at December 31, 2016. As at December 31, 2015 the effective interest rate on tranches A and B amounted to 8.23%.

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

Critical assumptions and implemented valuation techniques for measuring the fair value are as follows:

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

Loans given

On September 5, 2016, the Group granted a loan to Play Topco S.A. in the total available amount of EUR 5,000 thousand. The actual amount drawn as at December 31, 2016 totaled EUR 4,150 thousand. Interest on the loan is calculated at the rate of 6M EURIBOR plus margin. The repayment of the loan is due in 2019.

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

9. Other long-term receivables

	December 31, 2016	December 31, 2015	December 31, 2014
Long-term receivables	12,572	12,106	15,502
Impairment of long-term receivables	(408)	(972)	(1,166)
	12,164	**11,134**	**14,336**

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

10. Finance assets at fair value through profit or loss

Finance assets at fair value through profit or loss comprise early redemption options separated from Senior Secured Notes Indenture and Senior Notes Indenture (see Note 2.30.2 and Note 2.30.3).

	December 31, 2016	December 31, 2015	December 31, 2014
Senior Secured Notes	83,522	8,580	38,948
Senior Notes	50,724	10,639	18,663
	134,246	**19,219**	**57,611**

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

a) for Senior Secured Notes:

(i) at any time prior to February 1, 2016 the Senior Secured Notes Issuer was entitled to redeem:

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

(ii) at any time on or after February 1, 2016 the Senior Secured Notes Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:

- 102.625%—in period from February 1, 2016 to February 1, 2017,
- 101.313%—in period from February 1, 2017 to February 1, 2018,
- 100.000%—in period from February 1, 2018 to February 1, 2019.

b) for Senior Notes:

(i) at any time prior to August 1, 2016 the Senior Notes Issuer was entitled to redeem:

- on any one or more occasions, up to 40% of the aggregate principal amount with the net cash proceeds from certain equity offerings at a redemption price equal to 106.50% of the principal amount, or

- all or a portion of principal amount at a redemption price equal to 100.00% of the principal amount plus the applicable premium as of redemption date. The premium was determined as maximum of 1% of the principle amount or excess of the present value of sum of 103.25% and interests payments due through August 1, 2016 discounted to redemption date computed using discount rate equal to the Bund rate as of redemption date plus 50 basis points over the principal amount of the Senior Notes.

(ii) at any time on or after August 1, 2016 the Issuer is entitled to redeem up to 100% of the aggregate principal amount at a redemption price (expressed as percentages of principal amount) equal to:

- 103.250%—in period from August 1, 2016 to August 1, 2017,
- 101.625%—in period from August 1, 2017 to August 1, 2018,
- 100.000%—in period from August 1, 2018 to August 1, 2019.

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

Change in fair value of early redemption options impacts profit or loss. The table below presents reconciliation of change in fair value in the reporting periods.

	Senior Secured Notes	Senior Notes	Total
Valuation as at January 1, 2016	8,580	10,639	19,219
Valuation as at December 31, 2016	83,522	50,724	134,246
Impact of change in fair value on profit or loss for the year ended December 31, 2016	**74,942**	**40,085**	**115,027**
Valuation as at January 1, 2015	38,948	18,663	57,611
Valuation as at December 31, 2015	8,580	10,639	19,219
Impact of change in fair value on profit or loss for the year ended December 31, 2015	**(30,368)**	**(8,024)**	**(38,392)**
Valuation as at initial recognition date (January 31, 2014)	4,768	2,124	6,892
Valuation as at December 31, 2014	38,948	18,663	57,611
Impact of change in fair value on profit or loss for the year ended December 31, 2014	**34,180**	**16,539**	**50,719**

11. Inventories

	December 31, 2016	December 31, 2015	December 31, 2014
Goods for resale	121,686	166,643	153,716
Goods in dealers' premises	39,619	34,611	31,149
Prepaid deliveries	2	18,158	16,573
Impairment of goods for resale	(11,622)	(7,203)	(6,503)
	149,685	**212,209**	**194,935**

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

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

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Beginning of period	**7,203**	**6,503**	**4,494**
—charged to income statement	5,985	1,421	2,457
—utilized	(1,566)	(721)	(448)
End of period	**11,622**	**7,203**	**6,503**

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

12. Trade and other receivables

	December 31, 2016	December 31, 2015	December 31, 2014
Trade receivables	1,400,747	967,401	797,439
Impairment of trade receivables	(143,191)	(92,970)	(84,945)

Trade receivables (net)	**1,257,556**	**874,431**	**712,494**
VAT and other government receivables	2,127	2,161	3,061
Loans given	274	—	80
Other receivables	256	302	380
Other receivables (net)	**2,657**	**2,463**	**3,521**
	1,260,213	**876,894**	**716,015**

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

Trade receivables include installment receivables relating to sales of handsets and mobile computing devices. In current period the Group has increased sales in the installment model, which resulted in a significant increase in balance of receivables recognized at the contract inception.

As of December 31, 2016 trade receivables of PLN 143,191 thousand (December 31, 2015: PLN 92,970 thousand and December 31, 2014: PLN 84,945 thousand) were impaired. The individually impaired receivables are mainly receivables from subscribers who have violated the provisions of the agreements or who have withdrawn from agreements.

As of December 31, 2016 trade receivables of PLN 174,225 thousand (December 31, 2015: PLN 161,408 thousand and December 31, 2014: PLN 140,277 thousand) were past due but not impaired. These relate to a number of dealers or individual customers for whom there is no history of default.

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

	December 31, 2016	December 31, 2015	December 31, 2014
Current	1,083,331	713,023	572,217
Overdue 0 to 3 months	119,339	91,819	80,452
Overdue 3 to 6 months	17,511	18,436	12,169
Overdue over 6 months	37,375	51,153	47,656
	1,257,556	**874,431**	**712,494**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Beginning of period	**92,970**	**84,945**	**80,433**
—charged to income statement	50,221	8,165	5,785
—write-downs applied		(140)	(1,273)

End of period	**143,191**	**92,970**	**84,945**

The amount charged to income statement in the year ended December 31, 2016 comprises among others a one-off write-off of interconnection receivables from the years 2011-2013 in the amount of PLN 12,735 thousand due to unfavorable court ruling and impairment allowance for receivables from installments sales resulting from increased sales volumes in installment model.

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

13. Contract assets

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

Impairment of contract assets results from disconnecting the customer due to breach of the contract.

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

14. Prepaid expenses

	December 31, 2016	December 31, 2015	December 31, 2014
Distribution and selling costs	8,815	9,612	8,745
Security deposits paid to UKE	—	20,000	20,000
Network and IT maintenance	2,626	749	728
Other	9,798	11,410	5,197
	21,239	**41,771**	**34,670**

As of December 31, 2016, other prepaid expenses include mainly advance payments for services.

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

15. Cash and cash equivalents

	December 31, 2016	December 31, 2015	December 31, 2014
Petty cash	702	493	809
Balances deposited with banks	339,336	1,555,755	496,761
Restricted cash	—	—	200

Other cash assets	956	553	211
	340,994	**1,556,801**	**497,981**

16. Other finance assets

Transfers to/from other finance assets were presented as investing activity in the consolidated statement of cash flows in the year ended December 31, 2014.

On January 31, 2014, proceeds from Senior Notes of EUR 170,000 thousand were deposited into escrow account and recognized as other finance assets. See also Note 18.1.3.

The release of the escrowed proceeds to the Group was subject to the satisfaction of certain conditions, including a deleveraging event or certain M&A transaction. On July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction.

17. Shareholders' equity and net assets attributable to shareholders of P4 Sp. z o.o.

The Company was incorporated on January 10, 2014 ("Date of Incorporation"). 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. See Note 18.1.3. In the year ended December 31, 2015 the Group changed the exchange rate applied to currency translation of the EUR amount of distributed share premium 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 Consolidated statement of changes in equity.

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

The net assets attributable to shareholders of P4 Sp. z o.o. presented in these consolidated financial statements as at January 1, 2014 were the net assets generated by P4 and its subsidiaries in the period before the Date of Contribution of P4 and its subsidiaries to Play Group and were wholly attributable to the then shareholders of P4 Sp. z o.o. (Tollerton Investments Limited and NTP S.à r.l.—superseded by Telco Holdings S.à r.l.).

18. Finance liabilities

	December 31, 2016	December 31, 2015	December 31, 2014
Long-term finance liabilities			
Long-term notes liabilities	4,505,269	4,333,232	3,775,543
Long-term lease liabilities	669,635	663,386	607,650
Other debt	1,513	—	—
	5,176,417	**4,996,618**	**4,383,193**
Short-term finance liabilities			
Short-term notes liabilities	102,941	99,234	89,087
Lease liabilities	173,079	178,011	189,388
Other debt	1,130	—	—
	277,150	**277,245**	**278,475**
	5,453,567	**5,273,863**	**4,661,668**

18.1 Notes

	December 31, 2016	December 31, 2015	December 31, 2014
Long-term notes liabilities			
EUR 5.25% Senior Secured Notes due 2019	2,631,938	2,525,394	2,516,028
PLN Floating Rate Senior Secured Notes due 2019	129,297	128,546	127,878
EUR 6.5% Senior Notes due 2019	1,183,033	1,135,512	1,131,637
2015 EUR 5.25% Senior Secured Notes due 2019	561,001	543,780	—
	4,505,269	**4,333,232**	**3,775,543**
Short-term notes liabilities			
Accrued interest related to notes	102,941	99,234	89,087
	102,941	**99,234**	**89,087**

18.1.1 EUR 5.25% Senior Secured Notes due 2019

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

Proceeds from Fixed Rate Senior Secured Notes were used for the repayment of CDB and Alior Bank loans—see also Note 18.2.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of

unamortized expenses amounted to PLN 22,462 thousand as at December 31, 2016 (PLN 31,506 thousand as at December 31, 2015 and PLN 41,352 thousand as at December 31, 2014). The effective interest rate was 5.77% as at December 31, 2016, December 31, 2015 and December 31, 2014.

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

Critical assumptions and implemented valuation techniques for measuring the fair value are as follows:

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

18.1.2 PLN Floating Rate Senior Secured Notes due 2019

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

Proceeds from Floating Rate Senior Secured Notes were used mainly for the repayment of CDB and Alior Bank loans—see also Note 18.2.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 703 thousand as at December 31, 2016 (PLN 1,454 thousand as at December 31, 2015 and PLN 2,122 thousand as at December 31, 2014). The effective interest rate was 5.70% as at December 31, 2016 (5.82% as at December 31, 2015 and 6.13% as at December 31, 2014).

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

18.1.3 EUR 6.50% Senior Notes due 2019

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

Proceeds from Senior Notes of EUR 170,000 thousand were initially deposited into escrow account and on July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction. The proceeds were used for distribution of share premium. See also Note 17.

The notes liability is measured at amortized cost using the effective interest rate. Nominal expenses incurred in relation to the notes were included in the calculation of the effective interest rate. The balance of unamortized expenses amounted to PLN 11,447 thousand as at December 31, 2016 (PLN 15,092 thousand as at December 31, 2015 and PLN 19,184 thousand as at December 31, 2014). The effective interest rate was 7.04% as at December 31, 2016, December 31, 2015 and December 31, 2014.

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate. Critical assumptions and implemented valuation techniques for measuring the fair value are the same as for EUR 5.25% Senior Secured Notes due 2019 described above.

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

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

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

The carrying amount of the notes liability approximates its fair value. The discount rate for the fair value calculation approximates the effective interest rate. Critical assumptions and implemented valuation techniques for measuring the fair value are the same as for EUR 5.25% Senior Secured Notes due 2019 described above.

18.2 Bank loans

18.2.1 Revolving Credit Facility

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

As at December 31, 2016, the Revolving Credit Facility agreement was fully available.

18.2.2 Bank Zachodni WBK loan

The Play Group has a revolving credit line agreement with Bank Zachodni WBK S.A. for the amount of PLN 150,000 thousand. The funds can be used to finance working capital needs.

The bank loan in the amount of PLN 150,000 thousand was available until May 10, 2016, and next reduced to PLN 75,000 thousand with availability until May 31, 2017. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2016, the revolving credit line in Bank Zachodni WBK S.A. was fully available.

18.2.3 Millennium Bank loan

The Play Group has a revolving credit line agreement with Bank Millennium S.A. for the amount of PLN 50,000 thousand. The funds are available to finance working capital needs.

The bank loan is available until November 12, 2017. Interest is calculated based on 1M WIBOR rate plus margin.

As at December 31, 2016, the revolving credit line in Millennium Bank was fully available.

18.2.4 CDB loan

The Play Group had loan agreements with China Development Bank totaling EUR 890,000 thousand with the maximum outstanding amount capped at EUR 640,000 thousand which was the aggregate amount of all CDB Loan Facilities outstanding on any date.

The loan was used for the extension of Play Group's telecommunications network and for certain defined operating activities.

The loan was repayable in quarterly installments; the last installment was due in October, 2018. Interest was calculated based on 1M, 2M, 3M EURIBOR rate plus margin.

The loan was fully repaid on January 31, 2014, using proceeds from Senior Secured Notes issued on January 31, 2014.

18.2.5 Alior Bank loan

The Play Group had a credit agreement with Alior Bank S.A. for the amount of PLN 395,000 thousand. The purpose of the facility was to finance acquisition of the new telecommunications licenses and for general operational expenses relating to these licenses.

The amount of PLN 395,000 thousand was drawn down on June 24, 2013 and was used to finance the reservation of three blocks of 1800 MHz frequency.

The loan was repayable in quarterly installments; the first installment was due in September 2015, the last installment was due in June, 2018. Interest was calculated based on 3M WIBOR rate plus margin.

The loan was fully repaid on January 31, 2014, using proceeds from Senior Secured Notes issued on January 31, 2014.

18.2.6 Bank Pekao loan

The Play Group had a revolving credit line agreement with Bank Pekao S.A. for the amount of PLN 150,000 thousand. The funds were used to finance operating activities. Interest was calculated based on 1M WIBOR rate plus margin. The bank loan was fully repaid and closed on January 27, 2014.

18.2.7 BZ WBK loan

The Play Group had a revolving credit line agreement with Bank Zachodni WBK S.A. for the amount of PLN 120,000 thousand. The funds were used to finance operating activities. Interest was calculated based on 1M WIBOR rate plus margin. The bank loan was fully repaid and closed on January 24, 2014.

18.3 Leases

	December 31, 2016	December 31, 2015	December 31, 2014
Long-term lease liabilities			
Telecommunications sites	564,680	536,813	492,522
Points of sale	33,390	35,657	41,262
Dark fiber optic cable	10,581	16,475	18,887
Collocation centers	16,931	20,163	16,572
Offices & Warehouse	29,813	33,967	18,782
Computers and telecommunications equipment	9,803	15,300	15,690
Motor vehicles	4,437	5,011	3,935
	669,635	**663,386**	**607,650**
Short-term lease liabilities			
Telecommunications sites	109,607	108,415	103,317
Points of sale	22,290	24,914	27,641
Dark fiber optic cable	9,162	9,992	13,143
Collocation centers	6,234	5,690	4,702
Offices & Warehouse	4,766	7,617	10,132
Computers and telecommunications equipment	15,136	16,128	25,346
Motor vehicles	5,884	5,255	5,107
	173,079	**178,011**	**189,388**

18.4 Assets pledged as security for finance liabilities

The Senior Secured Notes, the 2015 Senior Secured Notes and the Revolving Credit Facility are secured by:

- a pledge over, or assignment by way of security of, all of the issued and outstanding capital stock in each of the Senior Secured Notes Issuer (Play Finance 2 S.A.) and the Senior Secured Note Guarantors (Collectively, Play Holdings 2 S. à r. l., Play Holdings 3 S. à r. l. before merger with Play Holdings 2

S. à r. l., P4 Sp. z o.o., the Senior Notes Issuer and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k.);

- an assignment by way of security or pledge of the Senior Secured Notes Proceeds Bonds (intergroup notes issued by P4 Sp. z o.o. and by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 2 S.A.);
- a pledge over substantially all of the assets (i.e., whole business) of each of P4 Sp. z o.o. and Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k. (including, without limitation, any bank accounts, material trademarks and other movable property and assets owned by such entities);
- a pledge over the bank accounts of the Senior Secured Notes Issuer and each of the Senior Secured Notes Guarantors; and
- a pledge over any receivables of the Senior Secured Notes Issuer and each of the Senior Secured Note Guarantors (including, without limitation, the Senior Secured Notes Proceeds Bonds).

The Senior Notes are secured by:

- junior-priority security interests over the following property and assets:
    - a pledge over the issued and outstanding capital stock of each of the Senior Notes Issuer (Play Finance 1 S.A.), P4 Sp. z o.o., Play 3GNS spółka z ograniczoną odpowiedzialnością sp. k., Play Holdings 2 S. à r. l. and Play Holdings 3 S. à r. l. before merger with Play Holdings 2 S. à r. l.; and
    - a pledge or assignment of the Senior Notes Proceeds Bonds (intergroup notes issued by Glenmore Investments Sp. z o.o. before merger with P4 Sp. z o.o. subscribed for by Play Finance 1 S.A.).

19. Provisions

	December 31, 2016	December 31, 2015	December 31, 2014
Assets retirement provision	38,902	38,255	31,640
Other long-term provisions	8,618	8,217	21,883
Short-term provisions	1,006	996	1,653
	48,526	**47,468**	**55,176**

Movements of the provisions are as follows:

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2016	**38,255**	**8,217**	**996**	**47,468**
Increase	1,021	592	20,443	22,056
Decrease:	(374)	(191)	(20,433)	(20,998)

—reversal of provisions	(374)	(191)	—	(565)
—utilization	—	—	(20,433)	(20,433)
As at December 31, 2016	**38,902**	**8,618**	**1,006**	**48,526**

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

	Assets retirement provision	Other long-term provisions	Short-term provisions	Total
As at January 1, 2014	**22,741**	**26,359**	**1,549**	**50,649**
Increase	9,345	1,334	118	10,797
Decrease:	(446)	(5,810)	(14)	(6,270)
—reversal of provisions	(446)	(5,199)	(14)	(5,659)
—utilization	—	(611)	—	(611)
As at December 31, 2014	**31,640**	**21,883**	**1,653**	**55,176**

20. Retention programs liabilities

During the year ended December 31, 2016 and during the comparative periods, the Play Group operated following cash-settled share-based retention programs:

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

EGA MB Plan

Under the EGA MB Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2006 and 2007. In the year ended December 31, 2014 the plan operated by P4 was replaced by the plan with the same conditions operated by the Company. The percentage granted under the plan was transformed into number of rights.

In accordance with the conditions of the EGA MB Plan upon disposal of shares by the current 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 are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions, 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 are entitled to receive additional payments. The number of rights granted under the plan was 2,181 as at December 31, 2016, as at December 31, 2015 and as at December 31, 2014.

As at December 31, 2016 share appreciation rights of the EGA MB Plan have already vested.

The Company has an option to settle the plan in equity, but intends to settle the plan in cash.

The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Monte Carlo model).

PSA 1, PSA 2 and PSA 3 Plans

Under the PSA 1 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2009. Under the PSA 2 and PSA 3 Plan the members of P4's Management Board were granted share appreciation rights by P4 during year 2013. In the year ended December 31, 2014 the plans operated by P4 were replaced by one plan operated by the Company and modified; the percentage granted under the plans was transformed into number of rights.

In accordance with the conditions of the PSA 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program members are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is 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, as at December 31, 2015 and as at December 31, 2014.

As at December 31, 2016 share appreciation rights of the PSA 1 Plan have already vested.

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 are entitled to receive amounts calculated as number of rights multiplied by the value of one right which is 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 cannot be greater than the limit set in agreement. The number of rights granted under the plan was 727 as at December 31, 2016, as at December 31, 2015 and as at December 31, 2014.

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 are entitled to receive amounts defined in the agreement.

In case of the distribution of equity to shareholders program members are entitled to receive interim payments.

The PSA 2 Plan and PSA 3 Plan vest: 20% on January 1, 2013, 20% on January 1, 2014, 20% on January 1, 2015, 20% on January 1, 2016, 20% on January 1, 2017 (or when liquidity event occurs) if the program member has not resigned or been dismissed by the Group until these dates.

The Company has an option to settle the plan in equity, but intends to settle the plan in cash.

The fair value of share appreciation rights of PSA 1, PSA 2 and PSA 3 Plans is estimated using a geometric Brownian motion process (a Black-Scholes model).

SF 1 and SF 2 Plans

Under the SF 1 and SF2 Plan the member of P4's Management Board was granted share appreciation rights by P4 during year 2013. During year 2015 the plans operated by P4 were replaced by plans operated by the Company and modified.

In accordance with the conditions of the SF 1 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, program member is entitled to receive amount defined in agreement.

In accordance with the conditions of the SF 2 Plan, upon a change of control over the Company or initial public offering (a liquidity event), at or above a minimum required liquidity event price, the program member is 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 cannot be greater than the limit set in agreement. Percentage granted under the plan was 0.20% as at December 31, 2016, as at December 31, 2015 and as at December 31, 2014.

In case of the distribution of equity to shareholders program member is entitled to receive interim payments.

The SF 1 Plan and SF 2 Plan vest: 20% on April 1, 2013, 20% on April 1, 2014, 20% on April 1, 2015, 20% on April 1, 2016, 20% on April 1, 2017 (or when liquidity event occurs) if the program member has not resigned or been dismissed by the Group until these dates.

The fair value of share appreciation rights of SF 1 and SF 2 Plans is estimated using a geometric Brownian motion process (a Black-Scholes model).

EGA Employees Plan

Under the EGA Employees Plan the members of the Group's Key Personnel were granted share appreciation rights by P4 during years 2007 and 2008. In April 2014 the program was modified: the percentage granted under the plan was transformed into rights to remuneration dependent on the Group's performance in 2014, rights to remuneration dependent on the Group's performance in 2016 and share appreciation rights. In accordance with the conditions of the EGA Employees Plan, upon the disposal of shares by the current shareholders (a liquidity event) before June 30, 2016, at or above a minimum required liquidity event price,

program members would be entitled to receive amounts calculated as number of rights multiplied by the value of one right which is dependent on liquidity event price corrected by excess equity contributions. As there was no change of control over P4 until June 30, 2016, program members were entitled to remuneration dependent on the Group's performance in 2014 and 2016.

The rights to remuneration dependent on the Group's performance in 2014 have been exercised in the year ended December 31, 2014. The rights to remuneration dependent on the Group's performance in 2016 have been exercised in the year ended December 31, 2016. The plan was settled in cash.

The number of rights granted to the Group's Key Personnel under the plan was 27 as at June 30, 2016, as at December 31, 2015 and as at December 31, 2014.

The fair value of share appreciation rights was estimated using a geometric Brownian motion process (a Monte Carlo model).

VDP 1

Under the VDP 1 the members of the Group's key personnel were granted share appreciation rights by P4 during the year 2010 and 2011. In accordance with the conditions of the VDP 1, the program members were entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right, if they have not resigned or been dismissed by the Group before liquidity event date or by the end of the program. The value of one right was calculated in reference to the increase in fair value of P4's equity until the date of change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ended on December 31, 2012. Therefore value of one right was calculated taking into account the increase in fair value of P4's equity until December 31, 2012.

Amounts due under VDP 1 plan were paid out to program members in the year ended December 31, 2013 and in the year ended December 31, 2014.

VDP 2

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

Amounts due under VDP 2 plan were paid out to program members in the year ended December 31, 2015.

VDP 3

Under the VDP 3 the members of the Group's key personnel were granted share appreciation rights by P4 in June and August 2015. In accordance with the conditions of the VDP 3, the program members are entitled to receive amounts calculated as number of rights granted under the plan multiplied by the value of one right. The value of one right is calculated in reference to the increase in fair value of P4's equity until the date of

change of control over P4 (a liquidity event), or until the end of the program in case liquidity event would not take place before the end of the program. The program ends on December 31, 2017.

The VDP 3 vests gradually from grant date to the date when program ends if the program member has not resigned or been dismissed by the Group until this date. The fair value of share appreciation rights is estimated using a geometric Brownian motion process (a Black-Scholes model).

The following table illustrates the number of, and movements in VDP1, VDP 2 and VDP 3 share appreciation rights (not in thousands) during the periods:

	Year ended December 31, 2016	Year ended December 31, 2015		Year ended December 31, 2014	
	VDP Plan 3	VDP Plan 2	VDP Plan 3	VDP Plan 1	VDP Plan 2
As at January 1	**20,443,338**	**12,085,617**	**—**	**—**	**11,935,517**
Granted during the period	228,334	—	20,490,000	—	320,000
Granted in prior periods (correction)	—	70,601	—	184,320	—
Forfeited during the period	(964,578)	—	(46,662)	—	(169,900)
Exercised during the period	—	(12,156,218)	—	(184,320)	—
As at December 31	**19,707,094**	**—**	**20,443,338**	**—**	**12,085,617**
Exercisable at December 31	—	—	—	—	12,085,617

Fair value of the programs:

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

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

	Long-term retention programs liabilities	Short-term retention programs liabilities
As at January 1, 2015	**95,702**	**14,129**

Granted in prior periods (correction)	—	84
Exercised during the period	—	(18,009)
Changes in valuation during the period	93,175	253
Transferred during the period	(25,837)	25,837
As at December 31, 2015	**163,040**	**22,294**
Vested at December 31, 2015	145,390	10,670

	Long-term retention programs liabilities	Short-term retention programs liabilities
As at January 1, 2014	**71,609**	—
Granted during the period	230	—
Granted in prior periods (correction)	—	150
Forfeited during the period	(801)	—
Exercised during the period	—	(45,465)
Changes in valuation during the period	84,108	—
Transferred during the period	(59,444)	59,444
As at December 31, 2014	**95,702**	**14,129**
Vested at December 31, 2014	80,410	14,129

21. Trade and other payables

	December 31, 2016	December 31, 2015	December 31, 2014
Trade payables	761,621	670,060	628,889
Investment payables	320,617	194,600	145,288
Government payables	89,991	109,613	59,390
Employee payables	104	35	55
Other	5,248	2,641	2,493
	1,177,581	**976,949**	**836,115**

22. Accruals

Accruals include accruals for bonuses and unused holidays.

23. Deferred income

	December 31, 2016	December 31, 2015	December 31, 2014
Airtime from prepaid products	133,276	140,908	96,831

Fees related to post-paid contracts	138,923	143,700	132,090
Other	—	—	210
	272,199	**284,608**	**229,131**

24. Operating revenue

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

	Year ended December 31, 2016	**Year ended December 31, 2015**	**Year ended December 31, 2014**
Service revenue	**4,492,818**	**4,059,534**	**3,398,442**
Usage revenue	3,432,026	3,180,086	2,761,257
Interconnection revenue	1,060,792	879,448	637,185
Sales of goods and other revenue	**1,624,740**	**1,376,969**	**1,191,223**
	6,117,558	**5,436,503**	**4,589,665**

	Year ended December 31, 2016	**Year ended December 31, 2015**	**Year ended December 31, 2014**
Usage revenue by category			
Retail contract revenue	2,679,081	2,459,003	2,128,590
Retail prepaid revenue	639,991	642,894	587,362
Other revenue	112,954	78,189	45,305
	3,432,026	**3,180,086**	**2,761,257**

The increase in usage revenue was primarily due to growth in the reported contract subscriber base connected with the continued success of the Group's subscriber acquisition and retention strategy. Interconnection revenue increased as a result of growing volume of traffic incoming to the Group's network from other network operators due to the increase in the subscriber base as well as due to the general increase in the traffic per user.

	Year ended December 31, 2016	**Year ended December 31, 2015**	**Year ended December 31, 2014**
Revenue recognized in the reporting periods that was included in the contract liability balance at the beginning of the period	16,438	18,616	16,445

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

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

	December 31, 2016	December 31, 2015
Transaction price allocated to the remaining performance obligation		
2016	—	1,536,445
2017	1,512,888	321,201
2018	460,961	8,154
2019	77,923	—
2020	99	—
	2,051,871	**1,865,800**

The Group applied IFRS 15 retrospectively using the practical expedient in paragraph C5c of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognize that amount as revenue for all reporting periods presented before the date of initial application.

25. Interconnection, roaming and other service costs

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Interconnection costs	(1,154,265)	(1,002,357)	(776,466)
National roaming/network sharing	(176,255)	(160,045)	(179,632)
Other services costs	(165,311)	(168,221)	(142,406)
	(1,495,831)	**(1,330,623)**	**(1,098,504)**

26. Contract costs, net

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Contract costs incurred	(439,649)	(429,099)	(376,665)
Subscriber acquisition and retention costs capitalized	421,951	395,403	342,704
Amortization and impairment of contract costs	(381,214)	(342,573)	(284,304)
	(398,912)	**(376,269)**	**(318,265)**

27. General and administrative expenses

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Employee benefits	**(227,476)**	**(307,699)**	**(286,895)**
Salaries	(194,237)	(189,188)	(178,833)
Social security	(26,067)	(25,387)	(24,291)
Special bonuses	—	388	(84)
Retention programs	(7,172)	(93,512)	(83,687)
External services	**(567,041)**	**(525,524)**	**(498,589)**
Network maintenance, leased lines and energy	(119,443)	(111,642)	(109,486)
Advertising and promotion expenses	(198,068)	(181,011)	(170,062)
Customer relations costs	(65,702)	(66,573)	(66,781)
Office and points of sale maintenance	(15,736)	(15,940)	(14,286)
IT expenses	(29,509)	(30,088)	(28,871)
People related costs—cars, trainings and other	(18,925)	(19,169)	(18,857)
Finance and legal services	(19,902)	(18,532)	(19,469)
Advisory services provided by shareholders	(35,898)	(27,677)	(21,213)
Other external services	(63,858)	(54,892)	(49,564)
Taxes and fees	**(64,021)**	**(54,462)**	**(66,954)**
	(858,538)	**(887,685)**	**(852,438)**

As the Play Group has employees in Poland as well as in Luxembourg, it is legally required to pay monthly social security contributions to the pension administration in both countries. During the year ended December 31, 2016, the year ended December 31, 2015 and the year ended December 31, 2014, the rate of social security contributions amounted to 9.76% of gross salaries for the employees in Poland and 8% of gross salaries for the employees in Luxembourg. The Group is not required to make any contributions in excess of these statutory rates.

28. Depreciation and amortization

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Depreciation and amortization			
Depreciation of property, plant and equipment	(209,074)	(277,323)	(217,969)
Amortization of intangibles	(277,102)	(169,169)	(177,845)
Depreciation of right-of-use assets	(147,907)	(150,768)	(144,328)
	(634,083)	**(597,260)**	**(540,142)**

29. Other operating income and other operating costs

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Other operating income			
Income from early contract termination	30,969	30,255	23,046
Gain on disposal of non-current assets	8,796	3,900	3,531
Reversal of impairment of other non-current assets	—	—	2,668
Reversal of provisions	—	10,706	5,199
Income from subleasing of right-of-use assets	7,474	7,305	7,236
Interest income on trade receivables and cash	8,216	14,918	12,939
Other miscellaneous operating income	15,207	11,404	9,589
	70,662	**78,488**	**64,208**
Other operating costs			
Impairment of other non-current assets	(6,275)	(1,664)	(1,004)
Impairment of contract assets	(49,202)	(51,394)	(50,161)
Bad debt	(53,325)	(14,171)	(30,609)
Other miscellaneous operating costs	(31,028)	(6,483)	(4,149)
Exchange rate losses	(4,619)	(2,368)	(336)
	(144,449)	**(76,080)**	**(86,259)**

30. Finance income and finance costs

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Finance income			
Interest income, including:	19,926	7,576	1,520
—on restricted finance assets	*—*	*—*	*206*

Net gain on finance assets at fair value through profit or loss	115,027	—	50,719
Other	—	—	22,488
	134,953	**7,576**	**74,727**
Finance costs			
Interest expense, including:	(336,796)	(310,319)	(328,935)
—on lease liabilities	*(60,656)*	*(61,066)*	*(63,744)*
Net loss on finance assets at fair value through profit or loss	—	(38,392)	—
Exchange rate losses	(162,300)	(19,267)	(81,239)
Other	—	—	(22,435)
	(499,096)	**(367,978)**	**(432,609)**

31. Taxation

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Current tax charge	(164,142)	(57,808)	(18,790)
Deferred tax benefit/(charge)	(49,978)	(97,365)	102,049
Income tax benefit/(charge)	**(214,120)**	**(155,173)**	**83,259**

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

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Profit before income tax	**926,108**	**705,451**	**415,602**
Tax calculated at tax rates applicable to profit (19%)	(175,961)	(134,036)	(78,964)
Effect of difference between tax rates in Cyprus and Luxembourg and in Poland	(13,002)	2,101	7,495
Expenses not subject to tax	(25,097)	(25,052)	(6,275)
Income not subject to tax	42,010	11,358	19,465
Previous years tax income included in current year accounting profit	—	315	78
Adjustments relating to previous years tax	(27,491)	(13,764)	(3,642)
Change in unrecognized deferred tax asset arising from tax losses	(882)	4,896	(32,586)
Effect of tax revaluation of the trademark	—	—	188,020
Taxable costs not included in accounting profit	—	8,136	10
Taxable income not included in accounting profit	(13,728)	(9,062)	(10,315)
Minimum Luxembourg income tax	—	(27)	(27)
Adjustment linked to closing exchange rate	31	(38)	—

Income tax benefit/(charge)	**(214,120)**	**(155,173)**	**83,259**

Most of the Play Group's taxable revenue is generated in Polish tax jurisdiction. The corporate income tax rate applicable to subsidiaries incorporated in Poland is 19%. The corporate income tax rate applied to the Company and the subsidiaries incorporated in Luxembourg is 29.22%. The corporate income tax rate applied to the subsidiary incorporated in Cyprus for the year ended December 31, 2014 was 2.5% (the subsidiary based in Cyprus, Play Brand Management Ltd, merged with another subsidiary, P4 Sp. z o.o., in December 2014).

The line "Effect of difference between tax rates in Cyprus and Luxembourg and in Poland" consists of the effect of different tax rates used in Luxembourg and Poland (and Cyprus in 2014).

The line "Adjustment linked to closing exchange rate" refers to adaptation the exchange rates used for Luxembourg tax purposes to be in line with the exchange rates published by the ECB.

Deferred income tax

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.

As at December 31, 2016 deferred income tax was recognized according to the Group's estimation which assumes that the Group will achieve taxable profits in the future. The estimation is based upon long term financial projections and the budget for the year 2016.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Therefore Play Group offset deferred income tax assets and liabilities on the level of the standalone financial statements of consolidated entities.

Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

	December 31, 2016	December 31, 2015	December 31, 2014
Temporary differences:			
net deductible timing differences	705,167	906,564	1,229,628
unutilized tax loss carry-forwards	10,861	69,305	285,689
	716,028	**975,869**	**1,515,317**
Potential deferred income tax net asset arising from:			
net deductible timing differences	133,894	172,235	233,629
unutilized tax loss carry-forwards	3,045	13,863	54,726
	136,939	**186,098**	**288,355**
Recognized deferred income tax assets	**134,446**	**184,146**	**281,475**

Recognized deferred income tax liability	**(314)**	**(36)**	**—**
Not recognized deferred income tax assets	**2,807**	**1,988**	**6,880**

As at December 31, 2016 and December 31, 2015 the Play Group did not recognize deferred income tax assets relating to tax losses in the entities for which the likelihood of future taxable profits that would allow realization of these tax losses is insufficient.

The deferred tax assets and liabilities consist of the following:

Deferred tax assets

	Tax loss carry forward	Provisions and deferred income	Contract liabilities	Fixed and intangible assets	Inventories	Liabilities	Other items	Total
As at January 1, 2014	**136,633**	**58,845**	**3,581**	**93,969**	**6,329**	**210,698**	**6,753**	**516,808**
credited / (charged) to the income statement	(88,787)	12,594	475	187,109	4,452	24,484	(5,035)	135,292
As at December 31, 2014	**47,846**	**71,439**	**4,056**	**281,078**	**10,781**	**235,182**	**1,718**	**652,100**
credited / (charged) to the income statement	(35,971)	(24,709)	185	(6,718)	(2,257)	38,419	(1,538)	(32,589)
As at December 31, 2015	**11,875**	**46,730**	**4,241**	**274,360**	**8,524**	**273,601**	**180**	**619,511**
credited / (charged) to the income statement	(11,637)	(10,880)	4,296	(84,586)	(8,524)	47,260	(142)	(64,213)
As at December 31, 2016	**238**	**35,850**	**8,537**	**189,774**	**—**	**320,861**	**38**	**555,298**

Deferred tax liabilities

	Fixed and intangible assets	Right-of-use assets	Contract costs	Prepaid expenses	Contract assets	Receivables	Inventories	Liabilities	Other items	Total
As at January 1, 2014	**(10,040)**	**(122,702)**	**(37,756)**	**(1,521)**	**(136,566)**	**(8,255)**	**(6,753)**	**(13,762)**	**(27)**	**(337,382)**
credited / (charged) to the income statement	649	1,469	(11,096)	(118)	(31,772)	3,644	3,143	1,951	(1,113)	(33,243)
As at December 31, 2014	**(9,391)**	**(121,233)**	**(48,852)**	**(1,639)**	**(168,338)**	**(4,611)**	**(3,610)**	**(11,811)**	**(1,140)**	**(370,625)**
credited / (charged) to the income statement	(1,799)	(8,459)	(10,037)	293	(21,829)	(27,830)	(4,256)	9,812	(671)	(64,776)
As at December 31, 2015	**(11,190)**	**(129,692)**	**(58,889)**	**(1,346)**	**(190,167)**	**(32,441)**	**(7,866)**	**(1,999)**	**(1,811)**	**(435,401)**
credited / (charged) to the income statement	(422)	(883)	(7,740)	3	589	17,751	7,497	(102)	(2,458)	14,235
As at December 31, 2016	**(11,612)**	**(130,575)**	**(66,629)**	**(1,343)**	**(189,578)**	**(14,690)**	**(369)**	**(2,101)**	**(4,269)**	**(421,166)**

The Polish tax system has restrictive provisions for the grouping of tax losses for multiple legal entities under common control, such as those of the Play Group. Thus, each of the Play Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years. Losses are not indexed to inflation. In Luxembourg tax losses can be carried forward indefinitely. In Poland tax losses are permitted to be utilized over five years with utilization restricted to 50% of the loss per annum.

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

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

	December 31, 2016	December 31, 2015	December 31, 2014
Cash and cash equivalents in statement of financial position	340,994	1,556,801	497,981
Restricted cash	—	—	(200)
Cash and cash equivalents in statement of cash flows	**340,994**	**1,556,801**	**497,781**

Transfers to/from other finance assets were presented as investing activity in the consolidated statement of cash flows in the year ended December 31, 2014.

On January 31, 2014, proceeds from Senior Notes of EUR 170,000 thousand were deposited into escrow account and recognized as other finance assets. See also Note 18.1.3.

The release of the escrowed proceeds to the Group was subject to the satisfaction of certain conditions, including a deleveraging event or certain M&A transaction. On July 8, 2014, the escrowed proceeds were released in connection with an M&A transaction.

33. Changes in working capital and other

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
(Increase)/decrease of inventories	62,524	(17,274)	(37,869)
Increase of receivables	(389,430)	(160,693)	(26,698)
(Increase)/decrease of prepaid expenses	6,532	(7,130)	(21,636)
Increase of payables excluding investment payables	98,538	94,173	145,641
Increase/(decrease) of accruals	(14,110)	7,313	(4,369)
Increase of deferred income	(12,409)	55,474	10,422
(Increase)/decrease of long term receivables	(1,030)	3,202	(1,278)
Increase/(decrease) of other non-current liabilities	(506)	(1,351)	1,275
	(249,891)	**(26,286)**	**65,488**

34. Cash flows relating to finance liabilities

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Proceeds from finance liabilities			
loans	385,000	—	—
notes	—	543,772	3,816,016
	385,000	**543,772**	**3,816,016**
Repayment of finance liabilities and relating finance costs			

loans	(392,647)	(3,706)	(2,544,361)
—*principal*	*(385,000)*	—	*(2,499,536)*
—*interests*	*(4,328)*	—	*(24,801)*
—*other*	*(3,319)*	*(3,706)*	*(20,024)*
notes	(252,433)	(234,857)	(185,643)
—*interests*	*(252,433)*	*(226,065)*	*(108,562)*
—*other*	—	*(8,792)*	*(77,081)*
leases	(192,717)	(198,402)	(197,903)
other debt	(1,371)	—	—
—*principal*	*(1,358)*	—	—
—*interests*	*(13)*	—	—
	(839,168)	**(436,965)**	**(2,927,907)**

35. Commitments

35.1 2100 MHz and 900 MHz license requirements

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

35.2 1800 MHz license requirements

The 1800 MHz frequency reservation decision granted to P4 on June 14, 2013 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network encompassing 3200 sites no later than in 24 months from the date of the frequency reservation. 50% of the investment must be pursued in rural or suburban areas or towns with population less than 100 thousand people. Additionally, P4 must commence provision of services which utilize 1800 MHz frequencies no later than in 12 months from the date of the frequency reservation. As of the date of issuance of these consolidated financial statements, the Group has fulfilled all these obligations.

35.3 800 MHz license requirements

The 800 MHz frequency reservation decision granted to P4 on January 25, 2016 and replaced by decision granted to P4 on June 23, 2016 outlines a set of regulatory requirements towards P4. These pertain mainly to realization of investment in telecommunications network covering 84% of communes ("gmina") defined as "white spots" in the Appendix 2 to Decision no later than in 24 months from the date of the frequency reservation, additionally to invest in telecommunications network in 90% of communes defined in Appendix 3 no later than in 36 months and in 90% of communes defined in Appendix 4 no later than in 48 months. Additionally, P4 must commence provision of services which utilize 800 MHz frequencies no later than in 12 months from the date of the frequency reservation.

35.4 2600 MHz license requirements

4 reservation decisions in the 2600 MHz spectrum granted to P4 on January 25, 2016 require that P4 must commence provision of services which utilize 2600 MHz frequencies no later than in 36 months from the date of the frequency reservation.

36. Contingencies and legal proceedings

36.1 Tax contingent liability

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

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

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

The Play Group is not aware of any circumstances, which may currently give rise to a potential material liability in this respect.

36.2 Universal service liability to Orange Polska S.A.

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

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

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

On May 24, 2011 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period 2006-2009 in the total amount of PLN 66,994 thousand (the total amount requested by Orange Polska S.A. was PLN 803,653 thousand). On January 10, 2012 the President of UKE issued decisions that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the year 2010 in the amount of PLN

55,102 thousand (the amount requested by Orange Polska S.A. was PLN 269,436 thousand). On September 17, 2013 the President of UKE issued a decision that granted Orange Polska S.A. a subsidy towards the incurred costs regarding the provision of the universal service for the period from January to May 2011 in the amount of PLN 14,903 thousand (the amount requested by Orange Polska S.A. was PLN 33,839 thousand).

Based on those decisions the Group has prepared the estimation of P4's share in the universal service contributions for the years 2006-2009, 2010 and 2011. Accordingly the provision has been recognized in these consolidated financial statements.

The administrative procedures to set the level of P4's contribution to universal service for the year 2007 have started on September 30, 2011, for the year 2008—on November 30, 2011, for the year 2009—on December 9, 2011, for the year 2010—on May 22, 2012, for the year 2011—on October 14, 2013. On December 13, 2016 UKE issued Decisions relating P4's contribution to universal service for the years 2007 and 2008 and set the amount of P4's contribution at the level which is in line with the provisions recognized in these consolidated financial statements. Decisions relating to P4's contribution to universal service for the years 2009, 2010 and 2011 are expected in the first quarter of 2017.

36.3 Legal and regulatory proceedings

In April 2013 Sferia S.A., Polkomtel Sp. z o.o. and Polska Izba Radiodyfuzji Cyfrowej ("PIRC") applied for annulment of the tender for 1800 MHz frequencies in its entirety due to the violation of the principles of open and transparent, non-discriminatory and proportionate procedures aimed at allocating frequencies and incorrect assessment of bids during the first stage of the tender, which led to the rejection of the Sferia's and Emitel's bids. UKE President in its decision of 27 October 2015 refused to annul the tender. Polkomtel, PIRC, and Sferia placed with the UKE President requests for reconsideration of the decision. In May 2016, we filed our response to the claims raised by Sferia, Plus and PIRC and requested that the UKE President dismiss the applications for annulment. President of UKE in its decision of August 3, 2016 upheld the decision refusing to invalidate the 1800 MHz tender. The President UKE's decision was appealed against at the lower administrative court (Voivodship Administrative Court) by Polkomtel, PIRC and Sferia. The Group assesses the risk of the outcome that would be unfavorable for P4 as low.

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

President of the Office of Competition and Consumer Protection (UOKiK) in its decision of November 23, 2011 imposed a fine of PLN 10,706 thousand on P4 for the participation in the anti-competitive agreement

aimed at coordination of the business relations with Info-TV-FM Sp. z o.o., including exchange of information pertaining to evaluation of Info TV FM's wholesale offer and agreeing public questioning the said offer. District Court in Warsaw in its judgment of June 19, 2015 repealed UOKiK's decision. The Group believes that the Appeal Court in Warsaw should uphold the said judgment. Therefore the provision for potential penalty resulting from the proceeding has been released in the year ended December 31, 2015.

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

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

There is a number of other proceedings involving the Group initiated among others by UKE or UOKiK. As at December 31, 2016, the Group recognized provisions for known and quantifiable risks related to these proceedings, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of the provision may change at a future date. Information regarding the amount of the provisions has not been separately disclosed, as in the opinion of the Group such disclosure could prejudice the outcome of the pending cases.

37. Related party transactions

37.1 Transactions with Shareholders and with entities related via Shareholders

	December 31, 2016	December 31, 2015	December 31, 2014
Loans given	18,634	—	80
Long term receivables—debt securities	322,641	153,441	—
Trade receivables	59	286	—
Other long-term receivables	25	—	—
Trade and other payables	4,928	1,678	—

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014

Distribution of share premium	—	—	(1,416,091)
Advisory services provided by shareholders	(35,898)	(27,677)	(21,213)
Other operating income	390	239	—
Recharge of operating costs	45	100	—
Other operating costs	(118)	—	—
Interest income	19,845	7,242	—
Other finance income	—	—	22,488
Other finance cost	—	—	(22,435)

37.2 Remuneration of Management and Supervisory Board

Cost of remuneration (including accrued bonuses) of members of Management Boards of Group entities incurred for the year ended December 31, 2016 amounted to PLN 8,690 thousand (PLN 9,950 thousand for the year ended December 31, 2015 and PLN 9,184 thousand for the year ended December 31, 2014).

Cost of remuneration of members of the supervisory board of P4 incurred during the year ended December 31, 2016 amounted to PLN 2,518 thousand (for the year ended December 31, 2015 PLN 2,349 thousand and for the year ended December 31, 2014 PLN 2,141 thousand).

Additionally, the members of the P4's Management Board participated in the retention programs (see Note 20). The valuation of the programs resulted in income in the amount of PLN 3,380 thousand for the year ended December 31, 2016, cost of PLN 74,939 thousand for the year ended December 31, 2015 and cost of PLN 55,532 thousand for the year ended December 31, 2014. Relating costs and income are included in general and administrative expenses in the consolidated statement of comprehensive income.

Apart from the transactions mentioned above the Group is not aware of any other material transactions related to members of the Supervisory Board or the Management Board of P4, Play Holdings 2 S. à r. l. or supervisory or management bodies of any other entities within the Group.

38. Events after the reporting period

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

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